

Master Thesis  
Stockholm School of Economics  
Department of Marketing & Strategy  
Spring 2018

# I have been shopping all my life, and I still have nothing to wear

## An Exploratory Study of Fashion Rental Business Models and Operational Tactics in the Swedish Market

**Abstract:** In the emergent Swedish fashion rental industry, a central challenge is the lack of insights into the existing fashion rental business models (FRBMs) and their implementation. To tackle this empirical gap, a qualitative multiple-case study was conducted. By adopting a product service system (PSS) perspective on business models and operational tactics, the study has the purpose to investigate the existing FRBMs in the Swedish market and how operational tactics are used to implement them. The analysis identified three FRBMs and confirmed that all the tactics established by previous research were used upon implementation. However, the analysis found (1) differences across FRBMs in the use of the underlying tactical aspects and (2) a two-level hierarchy between tactics, affecting the influence between tactical aspects. The findings therefore suggest that employing one tactical aspect may in turn affect other aspects. This ultimately has consequences for FRBM implementation, being the latter the result of a combination of different tactical aspects.

---

**Keywords:** Product Service Systems, PSS Business Models, Use-oriented PSS Business Models, Fashion Rental Business Models, PSS Implementation Tactics, Operational Tactics, Collaborative Consumption

**Authors:** Battaglia Giulia (41072) and Lehtimäki Ellen (23014)

**Supervisor:** Andersson Per

## **Thank you**

### **Per Andersson**

For your advice and encouragement. Your guidance and feedback throughout the entire research and writing process were extremely valuable.

### **All the interviewees**

For participating in our study and sharing your experiences, insights and passion for the industry.

## GLOSSARY

Collaborative Consumption (CC)	<i>"Collaborative consumption is people coordinating the acquisition and distribution of a resource for a fee or other compensation."</i> (Belk, 2014)
Business Model (BM)	<i>"The rationale of how an organization creates, delivers and captures value"</i> (Osterwalder & Pigneur, 2010)
Product Service Systems (PSS)	<i>"A Product-Service System is an integrated bundle of products and services which aims at creating customer utility and generating value"</i> . (Boehm and Thomas, 2013).
Product Service System Business Models (PSS BMs)	Firms with business models consisting (not necessarily exclusively) of an <i>"integrated bundle of products and services which aims at creating customer utility and generating value"</i> (Boehm and Thomas, 2013)
Use-Oriented PSS (UO-PSS)	PSS business model type where the product still has a central role, but the PSS provider does not transfer ownership to the rental customer of the product and offers instead the use of or access to the product (Pistoni & Songini, 2017; Tukker, 2004).
Use-Oriented PSS Business Model (UO-PSS BM)	Business Models deploying a UO PSS character in line with above definitions.
Fashion Industry	<i>"Encompassing the design, manufacturing, distribution, marketing, retailing, advertising, and promotion of all types of apparel (men's, women's, and children's) from the most rarefied and expensive haute couture [...] and designer fashions to ordinary everyday clothing"</i> (Major & Steele, 2010)
Fashion Rental Service	Defined as a fashion-related offering consisting of <i>"a transaction in which one party offers an item to another party for a fixed period of time in exchange for a fixed amount of money and in which there is no change of ownership"</i> (Durgee and O'Connor, 1995, p.90).
Fashion Rental Business Model (FRBM)	Business model that offers a fashion rental service (as a core BM activity or added service component) in line with above fashion rental service definition.
Tactic (within PSS BM implementation context)	<i>"The company's residual choices at an operational level after deciding which business model to apply"</i> (Casadesus-Masanell and Ricart, 2010)
Tactic aspect	Tactical aspects are defined as the different dimensions within each tactic, used to implement the PSS BM.
Tactical operational choice	Operational activities within a tactical aspect

# Table of contents

<b>1. INTRODUCTION .....</b>	<b>7</b>
1.1 Background.....	7
1.2 Research Gap .....	7
1.3 Purpose and Research Questions .....	8
1.4 Knowledge Contribution Objectives.....	8
1.5 Delimitations.....	9
1.6 Research Outline .....	9
<b>2. LITERATURE REVIEW .....</b>	<b>11</b>
2.1 The Business Model Concept .....	11
2.2 Fashion Sharing Business Models .....	11
2.3 Product Service System Business Models .....	12
2.3.1 State of the literature on Product Service System Business Models .....	12
2.3.2 Use-Oriented Business Models in the Fashion Industry .....	13
2.4 Summary and knowledge gaps .....	13
<b>3. FASHION RENTAL BUSINESS MODEL AND TACTIC FRAMEWORK .....</b>	<b>15</b>
3.1 Building the Theoretical Framework .....	15
3.2 Use-Oriented PSS Business Model (Layer 1).....	16
3.3 Tactics in Fashion Rental Business Model Implementation (Layer 2).....	21
3.3.1 Contract Tactic.....	21
3.3.2 Marketing Tactic .....	22
3.3.3 Network Tactic .....	22
3.3.4 Product and Service Design Tactic .....	23
3.3.5 Sustainability Tactic.....	24
3.4 Synthesis and Visualisation of Theoretical Framework .....	25
<b>4. METHODOLOGY .....</b>	<b>26</b>
4.1 Methodological fit.....	26
4.2 Research philosophy .....	26
4.3 Research approach .....	26
4.4 Research design .....	27
4.4.1 Research strategy .....	28
4.4.2 Multiple method choices .....	29
4.4.3 Time horizon of the design.....	29
4.5 Data collection and analysis.....	29
4.5.1 Interview sample.....	29
4.5.2 Interview design .....	30
4.5.3 Data processing .....	31
4.6 Quality of Study .....	31
4.6.1 Consistency.....	31

4.6.1 Credibility.....	32
4.6.3 Transferability.....	32
<b>5. EMPIRICAL FINDINGS.....</b>	<b>33</b>
5.1 Fashion Rental Service Characteristics.....	33
5.2 Fashion Rental Business Model Elements.....	33
5.2.1 Customer Segments.....	33
5.2.2 Value Propositions.....	34
5.2.3 Distribution Channels.....	35
5.2.4 Customer Relationships.....	36
5.2.5 Revenue Streams.....	37
5.2.6 Key Resources.....	37
5.2.7 Key Activities.....	38
5.2.8 Key Partners.....	39
5.2.9 Cost Structure.....	40
5.3 Swedish Fashion rental firms used service tactics.....	41
5.3.1 Contract Tactic.....	41
5.3.2 Marketing Tactic.....	42
5.3.3 Product and Service Design Tactic.....	44
5.3.4 Network Tactic.....	45
5.3.5 Sustainability Tactic.....	47
<b>6. ANALYSIS.....</b>	<b>49</b>
6.1 Fashion Rental Business Models.....	49
6.1.1 Review and Adjustment of Layer 1 of the Framework.....	49
6.1.2 Three Fashion Rental Business Models.....	50
6.1.3 Conclusion and answer to RQ1:.....	51
6.2 Tactics in Fashion Rental Business Model Implementation.....	52
6.2.1 Review and Adjustment of Layer 2 of the Framework.....	52
6.2.2 Used tactics to implement the three fashion rental BM types.....	53
6.2.2.1 Primary Network Tactic.....	53
6.2.2.2 Primary P&S Design Tactic.....	54
6.2.2.3 Primary Sustainability Tactic.....	56
6.2.2.4 Secondary Contract Tactic.....	57
6.2.2.5 Secondary Marketing Tactic.....	57
6.2.3 Conclusion and answer to RQ2.....	58
<b>7. DISCUSSION.....</b>	<b>61</b>
<b>8. CONCLUSION.....</b>	<b>63</b>
8.1 Theoretical contribution.....	63
8.2 Empirical contribution.....	64
8.3 Managerial implications.....	64
8.4 Limitations.....	65
8.5 Future research.....	65
<b>LIST OF REFERENCES.....</b>	<b>66</b>

## List of Appendices

APPENDIX 1: BUSINESS MODEL CANVAS (OSTERWALDER & PIGNEUR, 2010) .....	73
APPENDIX 2: ‘FASHION NETFLIX’ MODEL VS. FASHION LIBRARY .....	74
APPENDIX 3: REIM ET AL. (2015) THREE-LEVEL PSS FRAMEWORK .....	75
APPENDIX 4: FRAMEWORK ADAPTATIONS BASED ON PRE-STUDY FINDINGS .....	76
APPENDIX 5: RESEARCH UNION .....	77
APPENDIX 6: SAMPLE INTERVIEW GUIDE .....	78
APPENDIX 7: PRE-STUDY AND MAIN STUDY INTERVIEWS.....	79
APPENDIX 8: CASE COMPANIES OVERVIEW .....	80
APPENDIX 9: DATA PROCESSING FLOW CHART .....	81
APPENDIX 10: FRBM CHARACTERISTICS AND KEY DIFFERENCES.....	82
APPENDIX 11: CONNECTIONS BETWEEN THE DIFFERENT TACTICAL ASPECTS .....	83

# 1. INTRODUCTION

*This chapter introduces the empirical and theoretical background to this thesis (1.1), followed by the research gaps driving the study (1.2) and the derived research purpose and questions (1.4). The expected knowledge contributions and objectives of this research study are then introduced (1.5), followed by the study delimitations (1.5). The research outline concludes the chapter (1.6).*

## 1.1 Background

There is an ongoing transformation in our society, as companies and people move away from traditional product ownership towards access-based consumption (Edbring et al., 2016; Pessôa, 2017; Piscicelli et al., 2018). This emerging consumption behaviour, called collaborative consumption (CC), has led to numerous collaborative business models (BM) across several industries (e.g. Uber, Airbnb, Netflix). CC has gained increasing attention from both academia and businesses since Botsman and Rogers popularized the concept in the book “What’s Mine is Yours” (2010). CC has lately also emerged in the fashion industry (e.g. Rent the Runway in US). This is especially interesting due to the industry’s (1) strong product ownership and identity building focus, (2) fast fashion business model dominance and (3) position as second biggest polluter globally (Sweeny, 2015).

Because of the increased service focus in today's BM innovation (Witell et al., 2017), fashion retailers have started to develop their BMs towards more integrated product-service systems (PSS) (Botsman & Rogers, 2010). PSS BMs replace ownership with access via building product-extension services, such as rental, swapping, subscription or leasing within the fashion industry (Stål & Jansson, 2017). There is a two-fold discussion on whether access based ‘fashion sharing’ could make the industry more sustainable (Iran & Schrader, 2017), or if the Swedish market is mature enough for this fashion consumption alternative (Breakit, 2017). The US fashion market has already established CC fashion BMs, and lately these have emerged also in the Swedish market. In Sweden, 13% of the population between 18-65 has used different types of access services (TNS Sifo, 2016), and today there are already several fashion access companies within the Swedish market.

Different authors have mapped fashion sharing BM types (e.g. Pedersen & Netter, 2015; Perlacia et al., 2016). Fashion *rental* is one of the most common fashion sharing BMs in Sweden, and is thus the focus of this thesis. Existing companies are working with different types of fashion rental BMs, making it interesting to analyse how they differ in their ways of building and implementing rental services. Since today’s PSS BM research lacks practical understanding of different types of PSS BMs and how they are implemented in practice (Reim et al., 2015), a more operational understating of these would be highly beneficial.

## 1.2 Research Gap

Three knowledge gaps were uncovered while investigating previous research work. Starting from the broader BM literature, specific gaps were identified within PSS literature. Despite the increasing research in the PSS field, knowledge regarding *PSS BMs and their components is still at an early stage* (Adrodegari et al., 2016;

Baines et al., 2007), but is simultaneously of great relevance, since shifting to PSS impacts a company's BM (Adrodegari, 2016; Barquet et al. 2011; Kindström, 2010; Pessôa & Becker, 2017). Concurrently, knowledge of *how to implement PSS services* is very limited (Annarelli et al., 2016; Barquet et al, 2013; Reim et al., 2015), and previous works have called for deeper studies into PSS BM implementation (Reim et al., 2015; Vezzoli et al., 2015). Lastly, there is yet no clarity around the *connections existing between PSS BMs and tactics* and around *whether different combinations of tactics affect each other, and thus also BM implementation* (Reim et al., 2015).

A pre-study was conducted to gain better insights into the Swedish fashion rental market: two were the main findings that pointed towards relevant *empirical knowledge gaps*. First, all three of the fashion rental companies interviewed pointed at the *lack of established BM structures and practices* to refer to upon entering the fashion rental space. A second insight was related to the variety of activities found among companies to *implement their chosen BMs*: while firms implemented a wide variety of activities, there did not appear to be any structured preconceived notion of "how to do this".

### 1.3 Purpose and Research Questions

This thesis adopts an exploratory purpose (Saunders et al., 2009), having the intent to generate insights within the emerging fashion rental market in Sweden, and particularly to investigate fashion rental business models (FRBMs) and their implementation. In particular, given the young nature of the Swedish fashion rental market and the lack of clarity on the existing FRBMs, the first research purpose is to understand *what types* of FRBMs exist in today's Swedish market (including their main characteristics and differences). This will be accomplished by examining the first research question:

*RQ1: What types of fashion rental business models exist in the Swedish market?*

Because the operationalisation of a BM affects its success (Osterwalder & Pigneur, 2010), a better understanding of *how* fashion rental firms practically implement their services is necessary. This leads to an additional purpose: understanding how operational tactics are used to implement FRBMs, and consequently investigate the connections between FRMBs and operational tactics. Thus, the authors pose the second research question:

*RQ2: How are operational tactics used to implement fashion rental business models?*

Since RQ2 will imply an in-depth exploration of the adoption of operational tactics, the authors expect inevitably to explore also the *potential connections between the tactics themselves*, aspect which is then included as an additional purpose, embedded in the second one.

### 1.4 Knowledge Contribution Objectives

The purpose of this thesis is to contribute to organizational research by adding knowledge to PSS BM research. The thesis aims to be a valuable resource for *fashion service providers*, to clarify *what* types of FRBMs exist today (RQ1), and *how* these BMs are implemented (RQ2). This is especially relevant for fashion retailers aiming to build a B2C fashion rental service. This thesis will thus support such firms in the



selection of the most appropriate FRBM type, and it will also contribute to increasing their chances to successfully implement them via a deeper understanding of operational tactics. The authors also aim to contribute to a better *public* knowledge of existing fashion rental services, because of the emerging *ownerless* consumption behaviour (Botsman & Rogers, 2010).

## 1.5 Delimitations

The thesis aims to investigate one service form, UO-PSS. Consequently, the thesis conclusions aim to be transferable to other fashion retailers and service providers with same conditions, which have initiated or plan to build a rental service (Polit & Beck, 2010). The rental concept refers to firms renting everyday clothing, casual evening wear, or outerwear garments, and excludes firms that offer exclusively special occasion clothing (e.g. wedding dresses or suits), as these services have already been available for decades, and did not emerge from the sharing trend (Lang & Armstrong, 2018). This thesis will focus exclusively on *B2C* rental services, based on the emerging B2C sharing service research focus (Möhlmann, 2015) as well emerging BM type. Lastly, the study is limited to the Swedish fashion industry, due to easier access to data and the recent emergence of rental services in this particular market (Breakit, 2017).

## 1.6 Research Outline

To answer the discussed two research questions, this thesis empirical research was divided into a pre-study and a main-study. The *pre-study* served two purposes: (1) increase the author's knowledge about different FRBMs, and (2) define the empirical gap and research questions. The *main-study* also had two purposes: (1) develop the pre-study findings, and (2) answer the developed RQs. The empirical analysis was combined with a *literature review*, with the aim to (1) narrow down the research focus, in parallel with the pre-study, and to (2) shape the empirical research and its analysis by laying the foundations to build a theoretical framework for the main-study. Together, these components form the conducted research study (Figure 1).

The research will be presented in this thesis according to the following outline: (1) Introduction (2) Literature Review, (3) Fashion Rental Business Model and Tactic Framework, (4) Methodology, (5) Empirical Findings, (6) Analysis, (7) Discussion and (8) Conclusion.

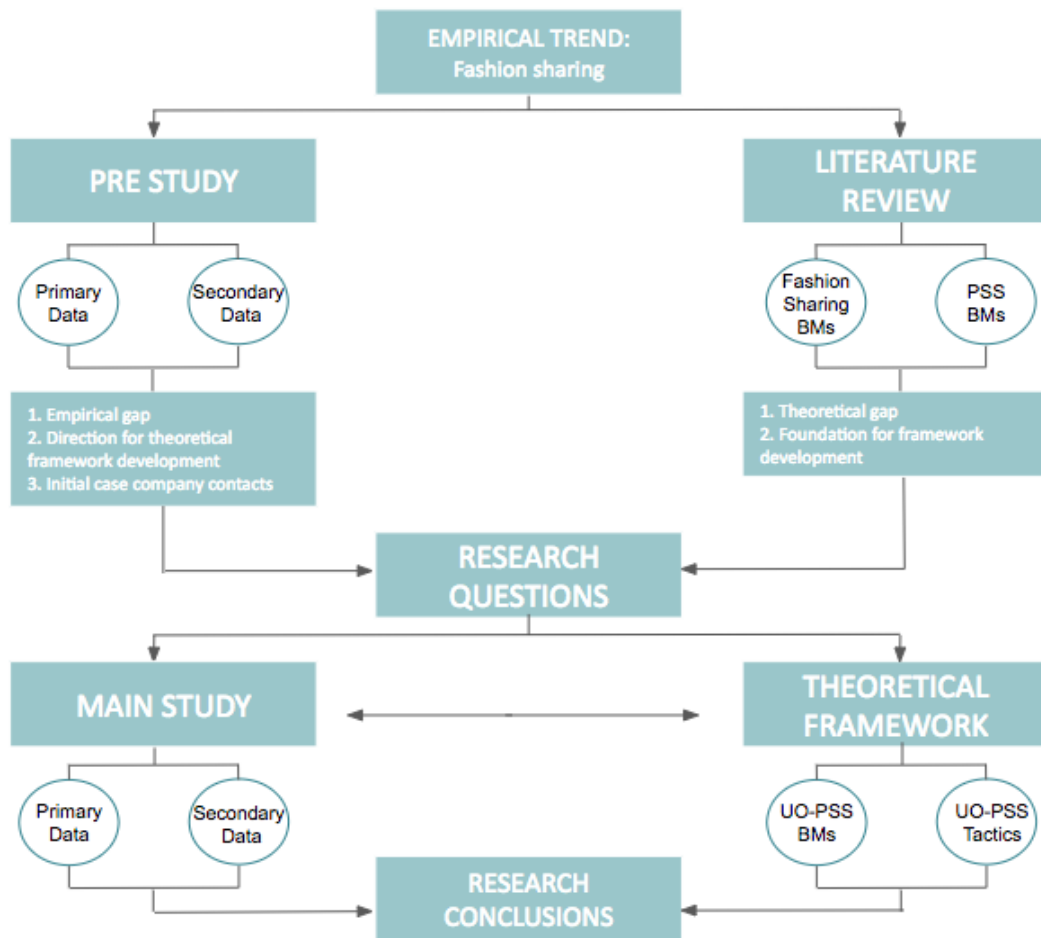


Figure 1: Research study outline

## 2. LITERATURE REVIEW

*Due to the centrality of the BM concept in this research study, an introduction to the concept is presented (2.1), followed by a discussion of fashion sharing BMs (2.2). Within BM research, the review is narrowed down to the PSS BM research field, with a specific focus on use-oriented (UO) PSS BMs in the fashion industry (2.3). The chapter ends with a summary of the literature review and outline of the main knowledge gaps this study aims to fill (2.4).*

### 2.1 The Business Model Concept

The BM concept was introduced by Bellman et al. (1957) already in the 1950s (Foss & Saebi, 2017; Wirtz et al., 2016), but is still to date connected to very heterogeneous definitions (Zott, 2011), schools and practices (Gassmann et al., 2016), especially due the increasing popularity of the concept after the Dot-com boom in the mid 1990s (Foss & Saebi, 2017; Massa et al., 2017). The concept has evolved over time, and from an initial focus on information technology and operations, it has now joined the strategic and organizational debate (Wirtz et al., 2016). In line with this, Wirtz et al. (2016) identify three main research streams within BM literature: (1) BM conceptual developments (2) BM structural developments and (3) management processes. Furthermore, despite different schools of thought, there seems to be an agreement on Osterwalder & Pigneur's (2010) BM definition as "*the rationale of how an organization creates, delivers and captures value*". Osterwalder & Pigneur's nine building block Business Model Canvas (Appendix 1) is also the most widely accepted BM tool (Plenter et al., 2017).

### 2.2 Fashion Sharing Business Models

Several authors have attempted to map different types of fashion sharing BMs (Elander et al., 2017; Pedersen & Netter, 2015; Perlacia et al., 2016). The identified BMs have usually been categorized based on (1) BM architecture (Hvass, 2014, 2015; Perlacia et al., 2016), (2) sustainability focus (Elander et al., 2017; Klepp et al., 2014; Watson et al., 2014), or (3) different types of sharing BMs (Pedersen & Netter, 2015; Perlacia et al., 2016).

According to Martin-Sanchez (2016), three fashion sharing BMs exist: (1) *pure fashion sharing* BMs, where the fashion sharing is at the core of the business, (2) *hybrid fashion* BMs, whose sharing activities are not at the core of the BM and (3) *promotional fashion* BMs, using the collaborative concept as a marketing tool. The *pure fashion sharing BM* is the only relevant BM type based on the scope of this thesis.

Perlacia et al., (2016) further categorize the *pure fashion sharing BM* category into three archetypes, which are: (1) *fashion rental* (2) *fashion swapping* and (3) *second-hand retailing*. Due to the thesis scope, only the first *fashion rental archetype* is relevant, which Perlacia et al. (2016) categorize into three further sub-BMs: (1) *fashion netflix model*, where the fashion retailer retains ownership of the item and rents it to consumers on a B2C fashion-on-demand base, both online or in a physical store, (2) *fashion airbnb model*, usually consisting of P2P rental platforms, for those looking for fashion *on-the-go*, typically through online channels, and (3) *fashion libraries*, which consist of B2C services focusing on permanent physical stores or

showrooms and additional rental events to strengthen customer relationships. As the *fashion airbnb model* revolves mainly around P2P platforms (Perlacia et al., 2016), it is considered out of scope. The remaining two BM categories by Perlacia et al. (2016), however, are still rather ill-defined (Appendix 2), due to contradictions with other authors' fashion rental BM definitions (e.g. Martín-Sánchez, 2016; Pedersen & Netter, 2015) and to the inclusion of firms belonging to different national markets, despite the different stages of development across different regions. For this reason, this thesis does not take these findings as consolidated, but rather aims to explore them by critically assessing several previous rental BM definitions and characteristics (e.g. Barquet et al, 2011; Pedersen & Netter, 2015; Perlacia et al., 2016), and analysing them within a Swedish fashion rental context. Lastly, none of the mentioned authors focused exclusively on the classification of different B2C rental BMs in the Swedish fashion industry.

## 2.3 Product Service System Business Models

The category of *pure fashion sharing BMs* discussed falls within the theoretical field of PSS BMs, as it replaces ownership with access via building product-extension services, such as fashion rental services (Botsman & Rogers, 2010; Martin-Sanchez 2016; Stål & Jansson, 2017). Thus, this section first introduces PSS BMs from a broader perspective, and subsequently addresses it within the fashion industry context.

### 2.3.1 State of the literature on Product Service System Business Models

A research field initiated towards the end of the 1990s (Reim et al., 2015; Vezzoli et al, 2015), *Product Service Systems (PSS)* were first established as a concept by Goedkoop et al. (1999). An important aspect of PSS is the cooperative nature of the relationship between PSS provider and customer, since the relationship does not end with the purchase (Mert et al., 2016). While many definitions were developed through the years, the core concept elements have somewhat remained the same, suggesting a relatively high maturity in terms of PSS definition (Tukker, 2015). One debated aspect has been PSS's ability to provide more sustainable solutions as opposed to product-focused systems (Sundin, 2009). For this reason, only some definitions also explicitly include PSS sustainability aspect (Annarelli, 2016; Vezzoli et al., 2015).

This thesis adopts the definition of PSS formulated by Boehm & Thomas (2013), as it looks at PSS as a system which not only aims at creating value for the customer, but also generates value for the firm implementing it: "*A Product-Service System (PSS) is an integrated bundle of products and services which aims at creating customer utility and generating value.*". Due to the current ambiguity of PSS sustainable outcomes (Tukker, 2015), PSS was not restricted only to sustainability driven businesses, in order not to exclude relevant cases.

Besides the open debate regarding benefits and barriers to PSS development from both customer and firm side (Edbring et al., 2016; Pessôa, 2017), Annarelli et al. (2016) identify four main areas of PSS research: applications, characteristics, development/design and BMs. Interestingly, Annarelli et al. (2016) point out two emerging areas of research, related to BMs and CC. A typology for PSS BMs, including access- and use-focused BMs has also been suggested, together with a call for more fine-grained definitions of PPS BM typologies (Adrodegari et al., 2016).

The specific PSS area of interest of this thesis can be identified from on the most widely accepted classification of PSS (e.g. Azarenko et al., 2009; Reim 2013; Tukker, 2004). PSS BMs are traditionally divided between (Barquet et al., 2013; Pistoni & Sognini, 2017; Tukker, 2004):

1. *Product-oriented (PO-PSS)*: the PSS provider offers services on top of regular product sales
2. *Use-oriented (UO-PSS)*: the PSS provider retains ownership of the product and offers instead access to it, keeping the product still central
3. *Result-oriented (RO-PSS)*: the PSS provider sells a competence rather than products

UO-PSS fits into this thesis scope, due to the selling of usage rather than ownership, and it is compatible with the FRBM subcategories identified in the previous section.

In relation to these three PSS categories, the literature review calls for a better understanding of further classifications as well as of how the adoption of different PSSs reflects on a company's BM (Reim et al., 2015). Furthermore, interest has been raised on the practical implementation of PSSs, of which rather little is known (Mert et al., 2016; Reim et al., 2015). Finally, Reim et al. (2015) identify tactics as a viable option to explore the yet underinvestigated operational implementation of PSS BMs.

### 2.3.2 Use-Oriented Business Models in the Fashion Industry

Some authors have tried to describe the *UO-PSS BM on a general level* (Adrodegari et al., 2015; Barquet et al., 2013; Pistoni & Songini, 2017; Tucker, 2004), while others in a fashion specific context (Pedersen & Netter, 2015; Perlacia et al., 2016). Tukker (2004) identifies three different UO-PSS: (1) *product lease*, (2) *product renting or sharing* and (3) *product pooling*. Due to the thesis scope, only the second type is relevant, as the provider keep the ownership and responsibility of the product, while the user instead pays “per-use”.

Petersen & Riisberg's case study (2017) explores the design and early phase of business development, while Ståhl & Jansson (2017) work with case studies within the Swedish fashion market, but with the purpose to explore value propositions in PSS and their potential to shape consumption. Pedersen & Netter (2015), instead, analyse the BM opportunities and barriers for fashion libraries. Perlacia et al.'s (2016) sub-BM findings are another example of PSS BM research within the fashion industry.

Moving from the firm's side to the customer's side, other authors investigate customers' sentiment towards PSS (e.g. Armstrong et al., 2015). To the authors' knowledge, no authors have yet studied PSS BM implementation within fashion rental, and in particular not in the Swedish market.

## 2.4 Summary and knowledge gaps

The review started with a brief definition of the BM concept, together with a discussion of the existing fashion sharing BM literature. The scope of this thesis was restricted to the category of *pure fashion sharing BMs* (Martin-Sánchez, 2016), with a focus on FRBMs (Perlacia et al., 2016). The fact that FRBMs are still ill-defined and in conflict with other authors' work (e.g. Martín-Sánchez, 2016; Pedersen & Netter, 2015) revealed potential for improvement of the knowledge within this specific BM category.

The authors concluded the literature review by defining the PSS BM concept and reviewing the research field, with a focus on UO-PSS BMs (Azarenko et al., 2009; Barquet et al, 2013; Tukker, 2004) in the fashion industry. Despite the growing research stream on PSS BMs, gaps were identified in: (1) the *categorization of different PSS BMs*, still at an early research stage (Adrodegari et al., 2016; Baines et al., 2007), (2) the *used operational tactics to implement PSS BMs* (Reim et al., 2015; Vezzoli et al., 2016), as well as (3) the *possible connections between the PSS BMs and used tactics* to implement them, and between the tactics themselves (Reim et al., 2015). The first and second gaps have been partially filled by Reim et al. (2015) who led the way for a tactic-based study of PSS BM implementation, however still at a general level and with almost exclusive focus on manufacturers, leaving gaps in the understanding of tactics adopted in sub-PSS BMs and by other actors beyond manufacturers (Reim et al., 2015).

### 3. FASHION RENTAL BUSINESS MODEL AND TACTIC FRAMEWORK

*This chapter presents the developed Fashion Rental Business Model and Tactic Framework, which is used to analyse and answer the two RQs. The first section introduces the foundation and structure of the framework (3.1). The first layer of the framework follows, consisting of three PSS BM research levels (3.2), followed by the second layer, focusing on used tactics in UO-PSS BM implementation (3.3). The final section presents a synthesis and visualisation of the developed theoretical framework (3.4).*

#### 3.1 Building the Theoretical Framework

This thesis addresses the three identified research gaps and two research questions by developing a two-layer *fashion rental business model and tactic framework*. The starting point of the framework development is Reim et al.'s (2015) original three-level PSS framework (Appendix 3). The first level consists of an initial *strategic* choice: “*aiming for an increased service offer*” (Reim et al., 2015). The strategic choice is pursued in the second level by *choosing one of the possible PSS BM types* (PO-, UO-, or RO-PSS BM). The chosen PSS BM will then determine how the different *tactics* are used in implementing the PSS BM, forming the third level. Tactics within PSS BM implementation are defined as the “*the company's residual choices at an operational level after deciding which business model to apply*” (Reim et al., 2015). Each tactic is further broken into different dimensions, identified as *tactical aspects*.

Because a FRBM can itself be argued to be a chosen ‘increased service offer’ strategy, the framework will not develop Reim et al.'s (2015) first level, but will rather focus on the two remaining ones. The authors identified Reim et al.'s (2015) framework as a valid foundation for this study's framework due to several reasons. First, the framework starts from a strategic level and progressively moves to an operational level, which fits particularly well the two posed RQs. Secondly, Reim points at the potential for further theoretical and empirical development of the PSS BM types and operational tactic typologies, and the connections between them. Finally, the original framework has a primary focus on manufacturers, but opens up for the application of cases centered around service providers, fitting well into the scope of the thesis and into the firms studied.

The authors also acknowledged how the original framework alone was not enough to answer the RQs, thus requiring further development and integration. First, the original framework lacked any structured tool to classify the PSS BM characteristics, such as, for instance, the popular BM Canvas (Osterwalder & Pigneur, 2010), previously adopted by other authors in PSS BM research (Adrodegari et al., 2017 and 2014; Barquet et al., 2013; Barquet et al., 2011). Since the authors aim for a more in-depth description of one specific PSS BM type (UO-PSS), the decision to use a Canvas to structure the analysis of RQ1 was made. Second, the framework was not developed specifically for the fashion industry context, and thus the compatibility of Reim et al.'s (2015) tactics and tactic aspects with the study context had to be assessed and adapted through the *pre-study* (Appendix 4). A final issue relates to the ill-defined differences between the second and third framework layers. While Reim et al. (2015) include *partner type selection* as a tactic aspect (within the

network tactic), the authors of this study instead argue that partner selection belongs to the BM strategy decisions (level 2), in line with the BM Canvas (Osterwalder & Pigneur, 2010). Each framework adaptation will be further addressed during the following sections.

### 3.2 Use-Oriented PSS Business Model (Layer 1)

The first framework layer develops Reim et al.'s (2015) UO-PSS BM type to better suit a fashion rental context. To do so, the authors reviewed and leveraged existing PSS BM research on three different levels (Figure 2).

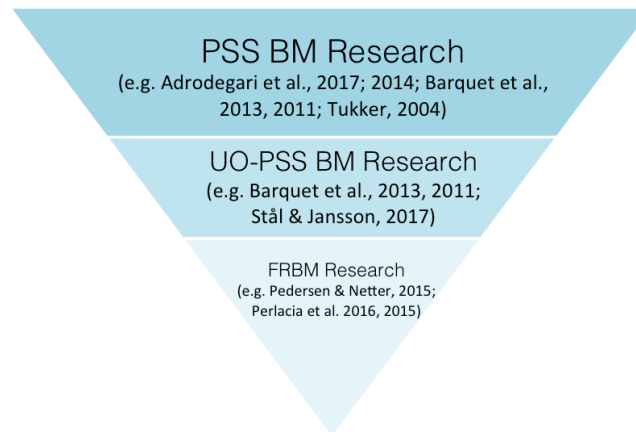


Figure 2: The three reviewed PSS research levels

The adoption of PSS involves a reassessment of regular sales BMs (Barquet et al. 2011; Pessôa & Becker, 2017). As a consequence, the well-known *Business Model Canvas tool* (Osterwalder & Pigneur, 2010), has been applied to a PSS setting by several previous authors (e.g. Adrodegari et al., 2017; Barquet et al. 2013). To the author's knowledge, no one has done this exclusively for FRBMs in the Swedish market. As the original framework lacks a structured tool to classify the UO-PSS BM characteristics, the authors aim to develop a FRBM canvas, by critically assessing and combining previous PSS and FRBM research from three different levels (Figure 2).

The first BM element, *customer segments*, defines the customers a firm aims to reach and serve (Osterwalder & Pigneur, 2010). In UO-PSS BMs, the different segments indicate the customer's ownership ideas (Tukker & Tischner, 2006), resulting from cultural and regional differences, consumption habits and behaviours as well as values (Manzini & Vezzoli, 2003). Figure 3 outlines the key customer segment features within the three reviewed PSS research levels.



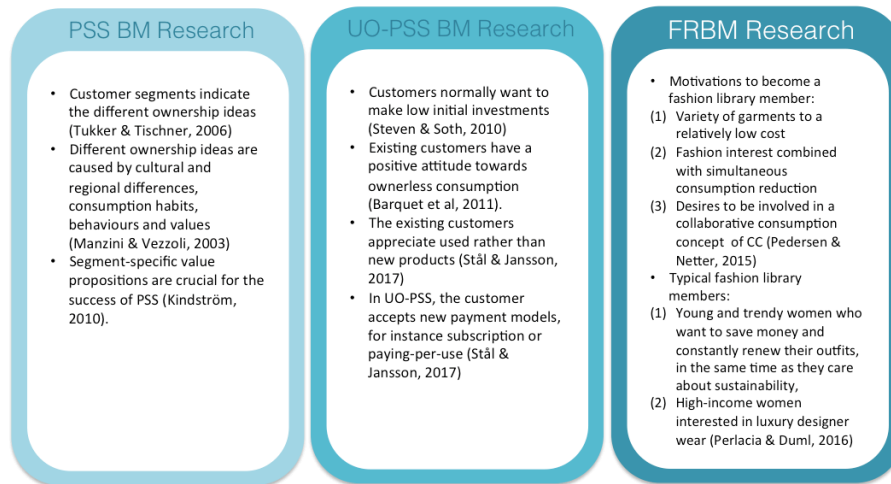


Figure 3: Customer segment features within the three reviewed PSS research levels

The *value proposition* (VP) defines the products and services creating value for the customer segments (Osterwalder & Pigneur, 2010). In UO-PSS BMs, a switch occurs from value-in-exchange to value-in-use (Grönroos, 2011), since it is the customer who determines the service *value*, by getting access to products *without acquiring ownership* (Barquet et al, 2011). Figure 4 outlines the key VP features within the three reviewed PSS research levels.

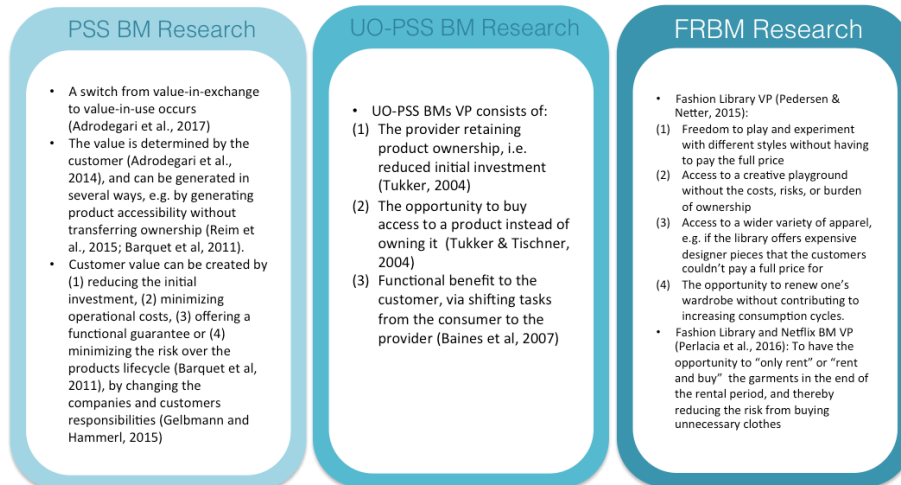


Figure 4: Value proposition features within the three reviewed PSS research levels

The *distribution channels* describe how a company communicates, interacts and reaches its customer segments (Osterwalder & Pigneur, 2010). In UO-PSS BMs, it is essential to choose sales channels and prices that are preferred over regular purchase (Tukker & Tischner, 2004). Figure 5 outlines the key distribution channel features within the three reviewed PSS research levels.

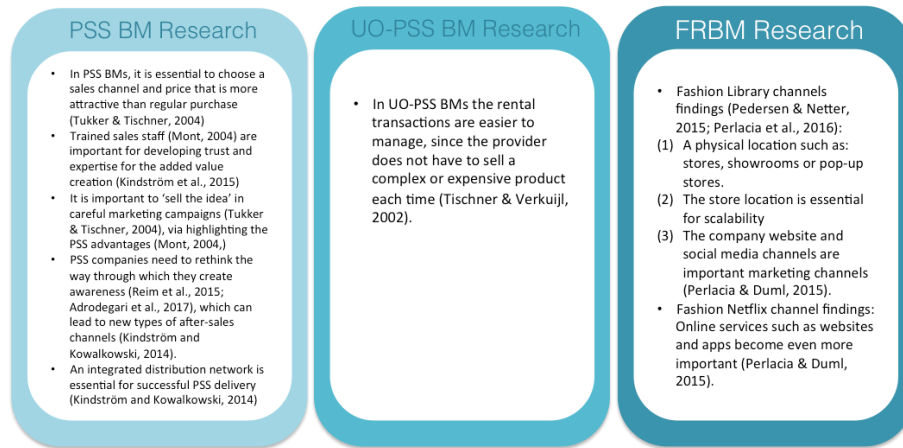


Figure 5: Distribution channel features within the three reviewed PSS research levels

The *customer relationships* define the types of relationships a firm established with its customer segments (Osterwalder & Pigneur, 2010). Due to UO-PSS BMs increased service focus, an intensified customer interaction becomes crucial (Kindström, 2010). Figure 6 outlines the key customer relationship features within the three reviewed PSS research levels.

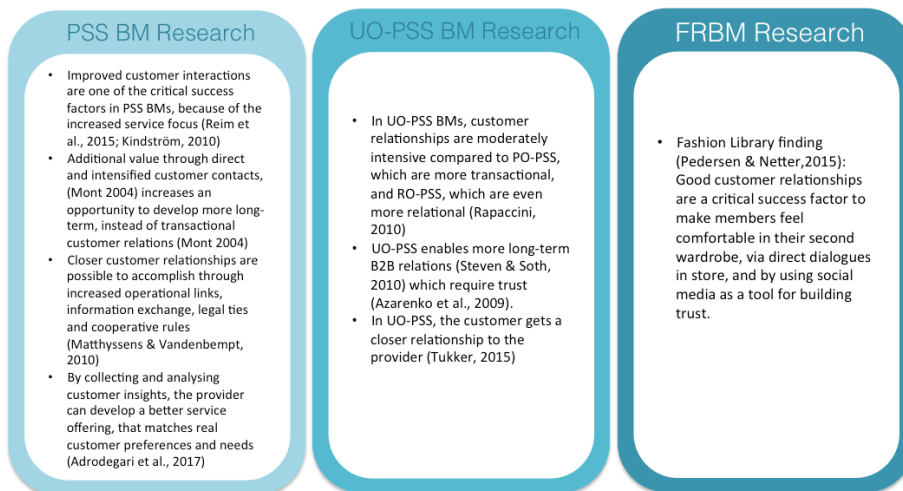


Figure 6: Customer relationship features within the three reviewed PSS research levels

The *revenue streams* represent the revenue a company derives from its customer segments (Osterwalder & Pigneur, 2010). In UO-PSS BMs, there is an opportunity to increase revenues by improving the service provider's responsibilities (Mont, 2000). Figure 7 outlines the revenue stream features within the three reviewed PSS research levels.

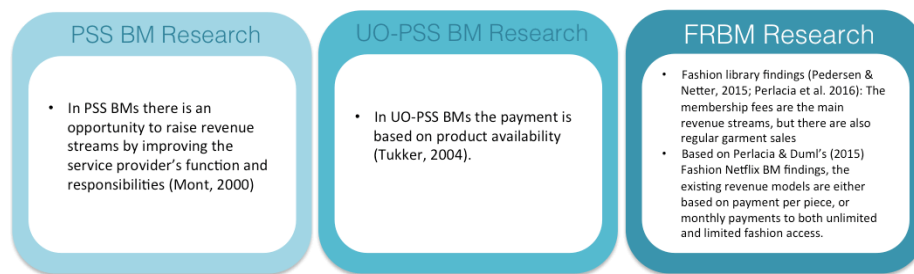


Figure 7: Revenue stream features within the three reviewed PSS research levels

The *key resources* define the required assets to create and deliver the firm's offering (Osterwalder & Pigneur, 2010). In UO-PSS BMs, the provider must make considerable investments into human resources, due to the increased service focus (Tan & McAloone, 2006), as well as in the rented items, as the company retains the ownership (Barquet et al., 2013). Figure 8 outlines the key resource features within the three reviewed PSS research levels.

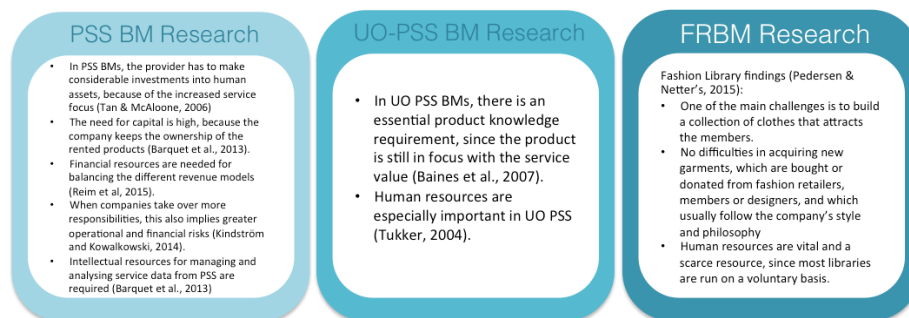


Figure 8: Key resource features within the three reviewed PSS research levels

The *key activities* define the needed actions to create and deliver a firm's offering (Osterwalder & Pigneur, 2010). In UO-PSS BMs, the activities are mainly focused on the provider's service responsibilities (Barquet et al., 2011), which are present before, during or after the consumption phase (Grönroos, 2011; Tan & McAloone, 2006). Figure 9 outlines the key activities features within the three reviewed PSS research levels.

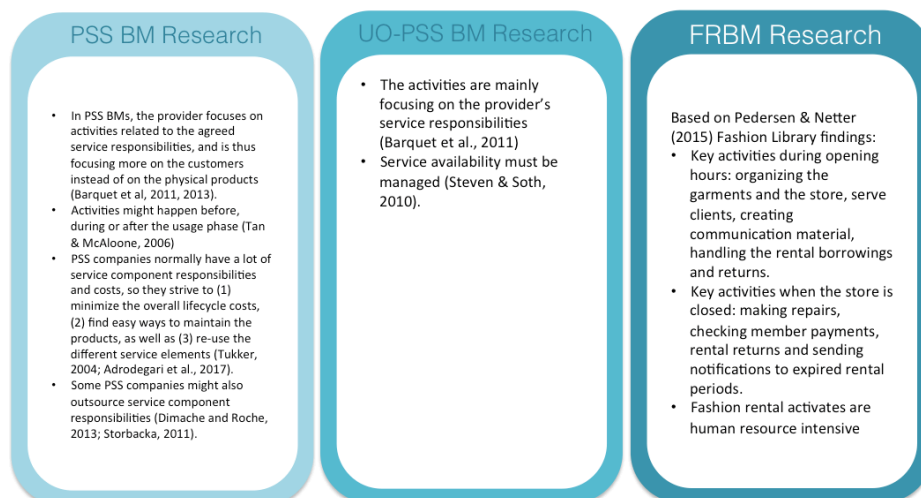


Figure 9: Key activity features within the three reviewed PSS research levels

The *key partners* describe the composition and structure of the partner and supplier network needed to make the BM work (Osterwalder & Pigneur, 2010). In UO-PSS BMs, the partnership network is crucial, due to the service's mix of needed competencies (Barquet et al., 2011), usually leading to more long-term collaborations and information exchanges between the actors (Rapaccini, 2010) Figure 10 outlines the key partner features within the three reviewed PSS research levels.

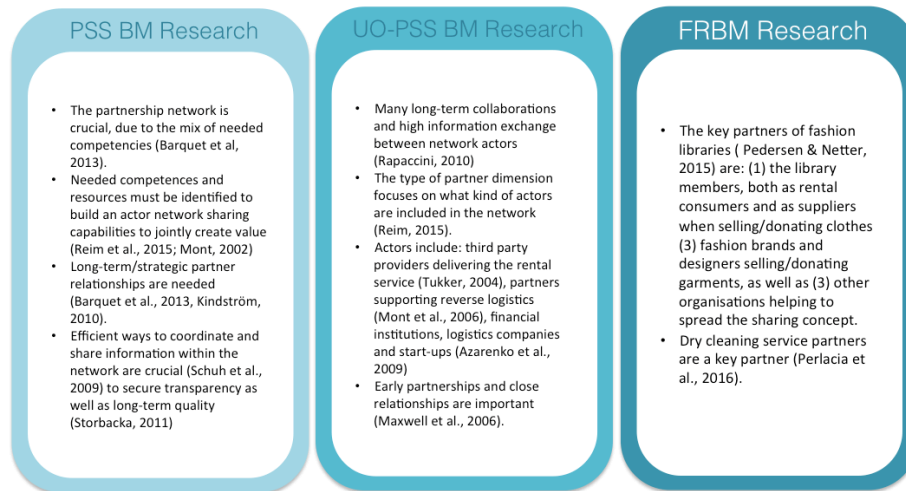


Figure 10: Key partner features within the three reviewed PSS research levels

The *cost structures* describe the required costs to operate the company's service (Osterwalder & Pigneur, 2010). In UO-PSS BMs there are additional costs as diverse responsibilities are shifted to the provider (Tukker & Tischner 2006), which requires investments in human capital (Tan & McAloone, 2006) and product stock, as the provider keeps the assets ownership (Barquet et al., 2013). Figure 11 outlines the cost structure features within the three reviewed PSS research levels.

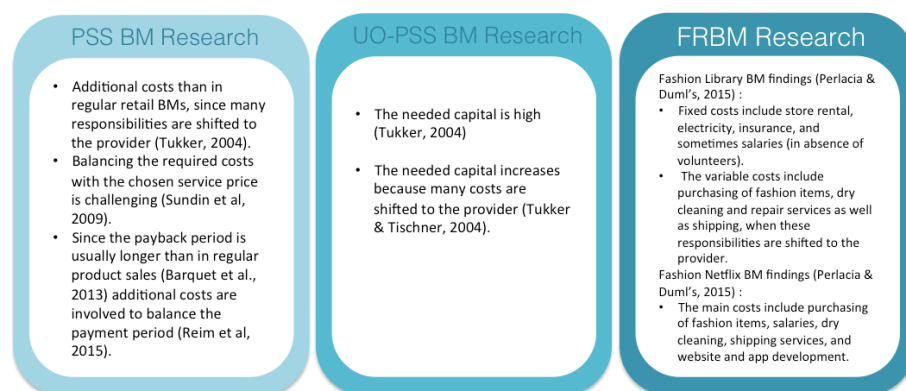


Figure 11: Cost structure features within the three reviewed PSS research levels

While the developed UO-PSS BM canvas is suitable to analyse what FRBMs exist in the Swedish market, it is not meant to describe how these BMs are implemented. This is the focus of the second framework layer.

### 3.3 Tactics in Fashion Rental Business Model Implementation (Layer 2)

The second layer aims to develop Reim et al.'s (2015) tactics level, to be able to answer RQ2. Due to the operational nature of the tactics, the authors adapted the framework based on significant pre-study findings, to better suit the fashion rental context. Reim et al. (2015) identify five tactics: contracts, marketing, network, product and service design (P&S design) and sustainability. As each of the tactics (and no additional ones) were identified in all pre-study companies, and since differences were found only among the tactical aspects, the authors further developed Reim et al.'s (2015) tactical aspect based on a FRBM context. Which aspects each of the tactics consists of, and how these have been adapted to a Swedish fashion rental context follows below.

#### 3.3.1 Contract Tactic

The *contract tactic* describes how rights and liabilities are divided between the involved service parties, e.g. between the PSS provider and its customers (Reim et al., 2015). According to Richter & Steven (2009), the contract builds the foundations for implementing PSS BMs, and it is designed to (1) state the *responsibilities* and *terms of agreements* between the involved parties, (2) determine the contract *formalization* and *complexity*, as well as (3) assess the contract *risks and incentives* (Reim et al., 2015).

The *responsibilities and terms of agreements* define how the PSS task is delivered in all possible events (Reim et al., 2015). Since the provider's responsibilities will be higher in UO-PSS compared to regular asset sales, and since the product ownership is not transferred to the customer, the rights and liabilities have to be defined very carefully (Richter et al., 2010). This becomes especially important in long-term contracts, as balancing both parties' interests becomes more central (Håkansson & Snehota, 1995; Reim et al., 2015). In UO-PSS, the provider's responsibilities are moderate, as the provider doesn't have complete responsibility for the task, compared to RO-PSS (Meier et al., 2010).

The *formalization* and *complexity* differ depending on the PSS provider's responsibilities. *Contract formalization* increases with the contract standardization level (i.e. no needed customization). UO-PSS contracts are moderately formalized, as they are more standardized than RO PSS, but more customized than PO PSS. Since formalized contracts fit to so many different cases, they also tend to be less complex (Reim et al., 2015). The *complexity* increases with the provider's level of responsibility (Reim et al., 2015), the quantity of specified regulations (Reim et al., 2015, Håkansson & Snehota, 1995) and the sold product-service type, where a service delivery is more complex than asset sales (Richer & Steven, 2009). UO-PSS contracts are moderately complex, since the provider keeps a medium task responsibility and includes numerous regulations in the contract.

The contract *risks and incentives* are used to control possible service risks and to ensure task fulfilment, crucial when defining compensations for the risk-bearing parties. In UO-PSS the risks are on both the PSS provider (e.g. ensuring access) and the customers (e.g. returning in time). According to Azarenko et al. (2009), the risk of *adverse behaviour* is especially high in UO-PSS because of no ownership transfer. Therefore, it becomes even more crucial to define the usage-based compensation expenses, (Richter et al.,

2010; Richter & Steven, 2009) as well as to have a mechanism for controlling the product condition (Azarenko et al., 2009). This is against other researchers and the pre-study findings, which showed that customers are more careful with products they do not own (e.g. Baumeister, 2014). The customer's risk perception is also crucial (e.g. hygiene or product damage), not only the provider's (Edbring et al., 2016). Since these findings are included within the contract risks and incentives aspects, no framework adaptations are needed.

### 3.3.2 Marketing Tactic

The *marketing tactic* describes how PSS providers interact/communicate with their customers and use insights to implement their BM (Reim et al., 2015). Reim et al. (2015) identify three marketing tactic aspects: (1) *communicating the service value*, (2) *the extent of customer interaction*, (3) and *the use of customer and market insight in the service development*.

A value driven communication is useful when attracting new and existing customers (Mont et al., 2006), but it also differentiates from other competitors (Reim et al., 2015; Schuh et al., 2008). For UO-PSS it is crucial to positively influence customers' attitude and behavior towards ownerless consumption (Baines et al., 2007). A clear service communication is also important for increasing transparency and reducing ambiguity (Reim et al., 2015).

As PSS BM involves an increased service focus, *customer interaction* increases (Kindström, 2010) and trust becomes more central (Azarenko et al., 2009). According to Reim et al. (2015) customer interaction will be higher in UO-PSS, because the provider offers product usability (instead of regular sales). Furthermore, to fulfil this task, a closer customer relationship is needed (Reim et al., 2015).

The increased interactions enable an increased *customer and market insight data collection* (e.g. service feedback), which is essential in order to understand the customer's needs, and useful toward service development (Azarenko et al., 2009; Tukker, 2004).

Based on pre-study findings, one additional aspect is included: *marketing channel usage*. The authors argue that the way in which the marketing channels are used is an essential tactic aspect, as it determines *how* the service is communicated to the customers. According to the pre-study findings, the marketing channels were mostly used to: inform customers about the rental service via unpaid marketing channels, inspire via social media and spread the service via WOM and brand collaborations. This is especially interesting in a fashion rental service context, since social media have shown to be an important marketing channel for both informing and inspiring customers (e.g. Perla et al., 2016), but also since WOM has shown to be a major reason why people engage in sharing activities (e.g. Owyang, 2014).

### 3.3.3 Network Tactic

The *network tactic* deals with how PSS providers approach and manage their network to successfully implement their BM (Reim et al., 2015). In Reim et al.'s framework (2015), three aspects of the network tactic are identified: (1) *type of partners*, (2) *type of relationships* and (3) *sharing and coordination activities*.



The first aspect, *type of partners*, is not included in the second layer of the framework, as the authors argue for its fit in the strategic BM level (Barquet et al., 2013; Osterwalder & Pigneur, 2010), rather than in the operational tactic level.

Reim et al. (2015) leave the *relationship type* aspect open in the case of UO-PSS, highlighting only two tactical choices: *early partnerships* and *close relationships* (Maxwell et al., 2006). In connection to the relationship type, PSS literature also discusses the importance of *information transparency* and *mutual trust* (Vezzoli et al., 2015). The role of trust in defining the relationship type is recurrent also in the broader network theory (Granovetter, 1973). Furthermore, within network theory the importance of *reputational networks* (Lechner et al., 2006), connected to emerging firms' activities to enhance the firm's credibility, is of relevance, given the brand centrality in the fashion industry. Lastly, it is argued that the relationship type can also determine (1) what activities and exchanges occur between actors, (2) how mutually dependent the partners become, but also (3) how important it becomes to balance both parties' interests (Håkansson & Snehota, 1995).

In the second aspect, '*sharing and coordination activities*', Reim et al. (2015) focuses on the coordination of the partnerships, mentioning the importance of specific *platforms* through which the cooperation can be facilitated, with a focus on manufacturers (Schuh et al., 2009, 2011; Sundin et al., 2010).

No other tactical aspects within this tactic were identified in the pre-study, thus no other framework additions were needed.

#### 3.3.4 Product and Service Design Tactic

The *P&S design* tactic revolves around the design of products and services to satisfy customers' needs and implement the PSS BM successfully (Reim et al., 2015). Two main aspects impact P&S design choices: *functionality* and *customization* (Reim et al., 2015).

The *functionality* aspect revolves around product and service components increasing the value of the PSS offering once integrated. In the case of UO-PSS, the functionality aspect is deeply affected by the PSS provider's long-term responsibility for the product. This generates an economic incentive to extend the product's lifetime (Vezzoli et al., 2015), through both product and service design, benefiting both customers and providers. Within the functionality category the key aspects are *durability* (Evans et al., 2007), *remanufacturing* (Kuo, 2011) and *availability* (Reim et al., 2015).

The *customization* aspect refers to the adaptation of products and services to a customer's individual needs (Reim et al., 2015; Osterwalder & Pigneur, 2010), but considers customization in UO-PSS BMs as infrequent (Azarenko et al., 2009) and possible only in the case of large customers (Reim et al., 2015). The type of customization is nuanced, going from individual customization to mass customization (Osterwalder & Pigneur, 2010).

The pre-study findings led to the addition of a fourth component in the functionality aspect: *garment style*, or the visual attributes of the garment in relation to current trends. This emerged in relation to some companies'

selection or design of pieces in a style that could overcome temporary trends and thus be attractive for the long-term.

### 3.3.5 Sustainability Tactic

The *sustainability* tactic is defined as use of operational practices to make a PSS BM more sustainable (Reim et al., 2015). According to Reim et al (2015), companies have three different sustainability drivers, which are (1) *legal and market conditions* (Maxwell et al., 2006), e.g. a growing sustainability pressure (2) *customers sustainability favorability* (Kriston et al., 2010) e.g. more environmentally friendly consumers, and (3) the company's *economic and environmental goals* (Bocken et al., 2004), e.g. novel technologies that make the service more sustainable. According to Reim et al. (2015) the highest potential for sustainability improvements results from either an (1) *increased resource utilization*, or (2) *sustainability innovation*, which should be leveraged when aiming for a more sustainable PSS BM, and to avoid rebound effects (Tukker & Tischner, 2006). The rebound effect is "*an unintended side-effect that occurs when efficiency is improved, leading to a price decline and an increase in purchasing power. In turn, this results in a higher resource use or consumption*" (Verboven & Vanherck, 2016).

An *increased resource utilization* is possible in UO-PSS via (1) improving resource efficiency e.g. via recycling and reuse (Tukker & Tischner, 2006), (2) lengthening the garment lifetime e.g. via maintenance, and (3) reducing the number of products in use, e.g. via product sharing (Reim et al., 2015).

The *sustainability innovation* aspect addresses how incremental or radical innovations are when aiming for a more sustainable PSS BM (Reim et al., 2015). Sustainability innovations can improve service or product characteristics, as well as impact the BM level (Bocken et al., 2014). In UO-PSS, innovations will mainly focus on product maintenance, remanufacturing as well as improving durability (Reim et al., 2015) and generally on an incremental level, since the BM seeks to intensify product use (Tukker, 2004)

Many authors argue that PSS BMs generate environmental benefits (Annarelli et al., 2016; Mont, 2002). However, others argue that PSS BMs might even have negative effects on the environment, instead maintaining only economic benefits (Kuo, 2011) or social improvements (Morelli, 2006). However, this thesis does not aim to define whether the FRBMs are sustainable or not, but rather to understand what operational choices are made to make rental services more sustainable.

No other tactical aspects within this tactic were identified in the pre-study, thus no framework adaptations were needed.



### 3.4 Synthesis and Visualisation of Theoretical Framework

A two-layer *fashion rental business model and tactic framework* was developed to answer the two RQs. The framework is build on Reim et al's (2015) three-level PSS framework, and was developed to better fit a UO-PSS FRBM context. The framework follows a linear structure, as the first layer and RQ1 must be answered before moving to the the second layer with RQ2 (Figure 12).

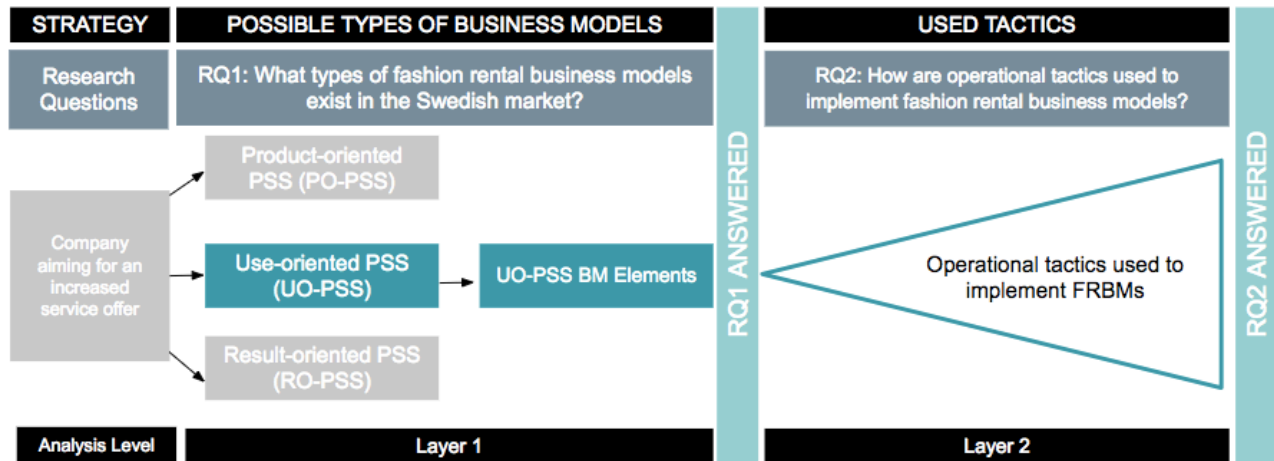


Figure 12: The adapted "Fashion Rental Business Model and Tactic" Framework.

## 4. METHODOLOGY

*The present chapter outlines the methodological choices for the research study. First, methodological fit (4.1), research philosophy (4.2) and research approach (4.3) are introduced, laying the foundations for the definitions of the RQs. The research design follows (4.4), describing the methodological decisions taken to answer the RQs. Subsequently, the authors address the data collection and analysis (4.5). The chapter ends with an evaluation of the study quality (4.6).*

### 4.1 Methodological fit

Edmondson & McManus (2007) define methodological fit as the “*internal consistency among elements of a research project*”. Each component of a research study does not stand as independent, but affects the other components, making fit between the different methodological choices crucial to guarantee the quality of a research study (Saunders et al., 2009). In order to guarantee methodological fit, the elements of the present research study are introduced and justified, following the structure of Saunders et al.’s research onion (2009) (Appendix 5). This model presents several interconnected layers, going from a more abstract and general to a more concrete and specific level of methodological decision-making.

### 4.2 Research philosophy

At the foundation of the research design is the authors’ view of the nature of reality (and of organizations) and how this reality can be investigated (Saunders et al., 2009; Bryman & Bell, 2011). For this reason, the chosen research philosophy must be clarified, as it will shape the choice of research approach and the following steps of the research onion (Saunders et al., 2009).

The fashion rental industry in Sweden is still at an emergent stage, and a great deal of information about FRBMs and their implementation lays among specific individuals and professionals, with varying perspectives on the industry, the rental business and its future. For this reason, adopting a view of reality as subjective, rather than objective, was a natural choice. The identification of *interpretivism* as the chosen research philosophy followed, due to the central role played by the understanding of the research subject’s point of view (Saunders et al., 2009) and the notion that when exploring organizations “*understanding must be based on the experience of those who work within them*” (Bryman & Bell, 2011). Furthermore, an objective view on the nature of reality in the chosen fashion rental context would have been problematic: objective philosophies prioritize the reduction of complexity into a set of laws and generalizations (Saunders et al., 2009), whereas the priority of this research is to generate rich and in-depth insights on the novel field of FRBMs.

### 4.3 Research approach

According to Saunders et al. (2009), the level of clarity around the theory at the beginning of the research project leads to the choice of the research approach, consisting in the general orientation adopted by the

authors when conducting business research (Bryman & Bell, 2011). Most authors refer to two main orientations: deductive and inductive approach (Saunders et al., 2009; Bryman & Bell, 2011).

The *interpretivist philosophy* chosen by the authors would traditionally suggest an inductive approach, based on the need to generate in-depth insights (Bryman & Bell, 2011; Saunders et al., 2009) and the nascent body of research (Edmondson & McManus, 2007; Saunders et al., 2009). However, the authors argue for an *abductive approach*, motivated by the need to move back and forth between empirics and existing theory. In particular, the authors refer to the *systematic combining* approach as defined by Dubois & Gadde (2002), which has at its core the parallel and non-linear gathering of empirics and research of existing theory, combined with the dynamic interaction between the case analysis and the theoretical framework being developed.

The choice of systematic combining is motivated by the nascent stage of theory in FRBMs and implementation, which however did not determine an exclusive initial focus on empirics. Rather, it led to an initial pre-study to shape the direction of the research within the broad field of product service systems (Dubois & Gadde, 2002). Furthermore, when a framework was built to support the analysis of the different cases, the pre-study empirical findings guided the integration of the framework through the research of complementary literature. Finally, the empirical findings of the main study have been instrumental to reassess and redirect the framework (Dubois & Gadde, 2002) and ultimately define the research contributions. While it could be argued that Dubois & Gadde (2002) defined this research approach with a focus on individual case studies, the author found all the previously outlined pillars of the approach to fit also in the instance of a *multiple case study strategy* (addressed in the following section). Furthermore, such abductive-based methods are encouraged, due to their potential to bring value to the research and due to the concrete lack of a strict division between deductive and inductive approach (Saunders et al., 2009).

## 4.4 Research design

The selected research philosophy and approach inform the two research questions:

*RQ1: What types of fashion rental business models exist in the Swedish market?*

*RQ2: How are operational tactics used to implement fashion rental business models?*

Both research questions fit the systematic combining approach. This is due to the choice to develop the overall study and research question through the *parallel development* of theoretical constructs and investigation of the empirical context (Dubois & Gadde, 2002): the Swedish fashion rental industry.

The defined research questions inevitably touch upon the purpose of the research. This research has an *exploratory purpose*, as its main goal is to improve understanding and generate insights on a field (FRBMs and their implementation) which has so far not been explored in depth by the literature. The purpose of the research also recalls the chosen systematic combining approach, as in exploratory research “*you must be willing to change your direction as a result of new data that appear and new insights that occur to you*” (Saunders et al., 2009).

Having the research questions been defined, the coming section is concerned with the *research design*, i.e. the design decisions made by the authors to answer the research questions. The research design section is broken down into three aspects: (1) *research strategy*, (2) *multiple method choices* and (3) *time horizon of the design*.

#### 4.4.1 Research strategy

The research strategy selected for this thesis is the *case study strategy*. Yin (2009), defines a case study as “an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. While case studies can be also (exclusively) quantitative (Yin, 2009), the authors’ strategy focuses on a *qualitative case study design*. This choice is primarily due to the better fit of a qualitative strategy in the case of the fashion rental field, characterised by a nascent body of research (Edmondson & McManus, 2007). Furthermore, while the general case study strategy is a good fit for the explanatory purpose of the research (Saunders et al., 2009), a qualitative case study strategy suits well the interpretivist philosophy chosen. As a matter of fact, it allows to gain an in-depth understanding of the motivations behind individual’s decisions and actions (Bryman & Bell, 2011; Saunders et al., 2009), enabling the understanding the “hows” and the “whys” (Yin, 2009), crucial especially for the second research question.

In order to define further the qualitative case study strategy, a concrete *unit of analysis* of the case study must be clarified, along with the subsequent information needed about the unit of analysis to answer the research questions (Yin, 2009). In this research, the unit of analysis is the organization: the fashion rental business. Of this unit of analysis, the authors are interested in exploring (1) the organization’s BM elements and (2) the activities performed by the organization to implement the BMs. As shown above, while the unit of analysis is the organization, attention is paid also to the sub-units (BM elements and implementation activities), identified by the research questions. The presence of sub-units thus defines the case study as *embedded*, rather than holistic (Yin, 2009).

The authors decided to adopt a *multiple case design*, rather than an individual case design. By multiple cases it is in this instance meant that several organizations are used as case studies for this research. The choice is justified by the need to increase the robustness of the study by analysing different fashion rental businesses, especially when considering that no one firm during the pre-study emerged as representative of the whole category, and could not be the object of an individual case study (Yin, 2009). The replication adopted is a theoretical replication logic, not to be confused with a statistical logic (Yin, 2009), since the case organizations are compared based on a set of variables, which in this thesis are defined by the theoretical framework. This specific type of multiple case study is identified by Bryman & Bell (2011) as *comparative design*. Of course, in line with the systematic combining approach (Dubois & Gadde, 2002) and the nature of multiple case design itself (Yin, 2009), the authors entered the research prepared for potential future modifications of the underlying theoretical framework, in case the theoretical replications resulted in

inconsistencies. The descriptive focus of this thesis will not be on presenting each separate case study, but rather on discussing the cross-case conclusions.

#### 4.4.2 Multiple method choices

By multiple method choices Saunders et al. (2009) refer to the decision to use one or more data collection techniques and/or analysis procedures in a research. The authors decided in favour of multiple methods, and of a *multi-method qualitative study* in particular, as the data gathered are both primary and secondary data. Primary data consists of in-depth interviews conducted with the case companies (see Appendix 6 for interview agenda), a company partner of two of the case companies, and one expert. The secondary data consists of coded and analysed rental contracts retrieved from the case companies or online, rich data related to communication of the offering gathered from both online and offline sources, as well as previous case studies on the chosen case companies, to complement and cross-check primary information. The secondary data was particularly crucial for information on contracts, due to the high volume of technical details, not possible to address during a regular semi-standardized interview.

Bryman (2006), encourages researchers to clarify the motivations behind multiple methods research. The authors present triangulation as a motivation for their choice of a multi-method qualitative study (Yin, 2009; Saunders et al., 2009). Saunders defines triangulation as the *“use of two or more independent sources of data or data collection methods to corroborate research findings within a study”* (Saunders et al., 2009). The use of both primary and secondary data makes a case for methodological triangulation (Denzin, 1970), where the researchers adopt different sources of data.

#### 4.4.3 Time horizon of the design

As argued by Yin (2009), time boundaries are necessary to define the case study. Given the choice between cross-sectional and longitudinal studies (Bryman & Bell, 2011; Saunders et al., 2009), the authors identify the research as a cross-sectional study, as its interviews have been conducted in a short period of time, and have also focused on a phenomenon at a specific point in time (Saunders et al., 2009).

### 4.5 Data collection and analysis

Having defined the research design, the following section addresses the gathering and processing of the data to answer the set research questions. To this end, the authors conducted semi-structured interviews with the case companies, with a partner company of two case company and with one expert (see appendix 7 for interview details). The interviews were divided between an initial pre-study and the main study. As mentioned earlier, secondary data was also gathered from a variety of sources, to further integrate and verify the data gathered qualitatively.

#### 4.5.1 Interview sample

This study adopted a theoretical sampling strategy (Flick, 2009). This choice fitted the qualitative nature of the study, as well as the need to build a representative sample based on the interviewees' insights into

Swedish fashion rental companies and into their related network (crucial for PSS implementation, as observed by Barquet et al., 2013) and industry.

The interview sample consisted of 14 interviews, either face-to-face or via phone, of a duration between 30 and 90 minutes. The full list of the interview details is included in Appendix 6. The company names were anonymized, following the requests of several companies. The interviewees were selected to include (1) interviewees from a variety of Swedish fashion rental firms (11 of the 14 interviews) and (2) industry experts and/or members of the fashion rental network (3 of the 14 interviews). The different interviewee positions, together with their belonging to different companies, helped increase study credibility (Merriam, 2009).

Decisions about the final composition and limitation of the sample were not made at the outset, but as data was collected and processed. As a matter of fact, in line with theoretical sampling “*the analyst jointly collects, codes, and analyses his data and decides what data to collect next and where to find them*” (Glaser and Strauss, 1967, as cited in Flick, 2009). Lastly, the selection of the case company sample was limited by the fact that, based on the author’s research, only thirteen companies resulted to fit the scope of the research. While all of these were contacted, only seven (Appendix 8) responded accepting to be included as case companies for the study.

#### 4.5.2 Interview design

Semi-standardized interviews were selected as primary data collection method. The choice was motivated by the inclusion of mostly open-ended questions in the interview guide, to enable an in-depth exploration of the topic investigated (Flick, 2009). Furthermore, this collection method was paired with a *responsive style of interviewing* (Rubin & Rubin, 2012), which granted the authors flexibility in following the interview guide. This was crucial to (1) investigate relevant surfacing information and (2) avoid a rigid series of questions, which may not fit the specific interviewee and obstacle an open and comfortable conversation.

The interview guide, in line with the *systematic combining approach*, was adapted throughout the process. In the pre-study phase, being the goal the investigation of the industry and of potential empirical gaps, the topics addressed were broader during the first interviews, and then started to focus around BMs and operational tactics as the framework development evolved in parallel. In the main study phase, while the questions were still open, but the structure was more clearly built around the investigation of the two framework layers (for a sample interview guide, see Appendix 6). Interview customization based on company and interviewee information gathered in advance was practiced.

An important learning during the interview process was related to the importance of establishing a personal contact, to make the interviewee comfortable and open to share information that could be perceived as sensitive (Saunders et al., 2009). To build this contact, general conversation to ease into the interview was used at the beginning of the interview. Furthermore, being transparent in the purpose of the study was essential to establish trust. This was achieved through (1) email introduction presenting the authors’ study objective, followed by (2) informed consent before the start of the interview (Bryman & Bell, 2011), in person or on the phone. This included also respecting the will of a few interviewees not to be recorded, or

choosing to directly exclude recording in order not to make a particularly uncertain interviewee uncomfortable.

#### 4.5.3 Data processing

All interviews were recorded and transcribed to “*transform the interesting realities into text*” (Flick, 2009), when recording was allowed or appropriate. In the few cases in which it was not, the authors supplied to this through extensive notes, usually taken by the second interview partner, in order not to lower the quality of the data or disrupt the interview flow. Secondary data was collected in parallel, either online or by requesting access to it during interviews (especially in the case of contract access).

*Theoretical coding* (Glaser and Strauss, 1967) was the selected data coding approach for the primary data. The approach started with *open coding*, where empirical data was broken down and segmented. Subsequently, the *pattern matching* step allowed to effectively compare previously developed constructs with empirical findings, by organizing data based on *coding families* (Flick, 2009). In this study, the theory-driven coding families corresponded to the BM elements (first layer) and to the tactics and tactical aspects (second layer). New coding families were instead identified at the tactical aspect level in the pre-study or at tactical choice level in the main study. The pattern matching step was structured by setting up an excel sheet where each column visualized a coding family and a row an interviewed company, enabling the authors to fill each column with the appropriate key quotes. Secondary data was also added to the sheet, in order to guarantee a more reliable and efficient comparison of patterns across interviews. The data was subsequently analysed, by (1) identifying recurrent findings in the sheet of coded data (2) comparing the recurrent findings against the current framework and consequently adapting it and (3) elaborating the analysis conclusion. For a summary of the data processing flow, see Appendix 9.

In line with the *systematic combining approach*, the framework dimensions were measured against the empirical findings, and resulted in an update of both framework layers.

### 4.6 Quality of Study

The debate on the nature and on the evaluation of quality in qualitative research is still open (Flick, 2009). The authors address it by discussing three different attributes of this research: consistency, credibility and transferability.

#### 4.6.1 Consistency

*Consistency* refers to the extent to which the techniques employed can be trusted to lead to consistent results (Lincoln & Guba, 1985, Saunders et al., 2009). Consistency was ensured by guaranteeing quality of documentation and a structured recording of data (4.5.5), which allowed to track back the segmented empirical data to the transcribed primary source/coded secondary source. Furthermore, the authors referred to the concept of triangulation throughout the study. Four types of triangulation are present: (1) data, (2) investigator, (3) theory and (4) methodological triangulation.



*Data triangulation* was achieved by adopting different data sources, in terms of both interviewees occupying different positions in different organizations and location, but also in terms of use of both primary and secondary data, where the secondary data does not simply have a support function, but a central role, especially for the second framework layer. *Investigator triangulation* was achieved by the two authors conducting both interviews and analysis. While the framework structure is mainly revolving around Reim et al.'s perspective (2015), the authors worked towards *theory triangulation* by critically assessing such view and developing and integrating the framework with a plurality of research perspectives. Lastly, methodological triangulation was achieved through a multi-method qualitative study (4.2.2).

#### 4.6.1 Credibility

*Credibility* refers to the extent to which research findings correspond to reality (Lincoln & Guba, 1985, Merriam, 2009). Two methods to increase credibility, suggested by Lincoln & Guba (1985), were adopted: (1) triangulation, (2) saturation of the data collection (Flick, 2009), to the point where similar responses were being obtained from the interviewees (3) verification of the statements included in the empirical findings with the interviewees, to verify their accuracy

#### 4.6.3 Transferability

Transferability indicates the extent to which the findings apply to other contexts, and it is often challenged in qualitative research (Bryman & Bell, 2011). The authors took two measures to increase the study transferability. First, as recommended by Lincoln & Guba (1985), the authors provided a rich context to their findings (through key quotes and clear outline of the research evolution), in order to enable readers to assess the similarity of their context with that of this research. Furthermore, the selection of interviewees across distinct companies enabled the researcher to “lift” the framework from a specific case, in an attempt to define the existing BM and connected tactic options in the overall Swedish market (Merriam, 2009).



## 5. EMPIRICAL FINDINGS

The following chapter presents the main findings of the empirical research study conducted, organized through the two-layer theoretical framework. The first section presents the empirical findings related to the fashion rental firm service characteristics (5.1). The second section presents the business model elements (5.2), and the final one (5.3) focuses on the operational tactic findings.

### 5.1 Fashion Rental Service Characteristics

The empirical findings regarding the fashion rental service characteristics and business model elements (Layer 1) are based on both primary and secondary data. In order to facilitate the empirical findings readability, one division has been made between two firm types. The first type, (1) *fashion brands*, consists of fashion firms renting out their own individual brand (Company G and A). The second type, (2) *middlemen*, includes service providers renting out several non-owned brands (Company B, H, C, F and J). Furthermore, Company D is included as a key *rental IT system partner* for the two fashion brands. Figure 13 illustrates the main service characteristics of the case companies.

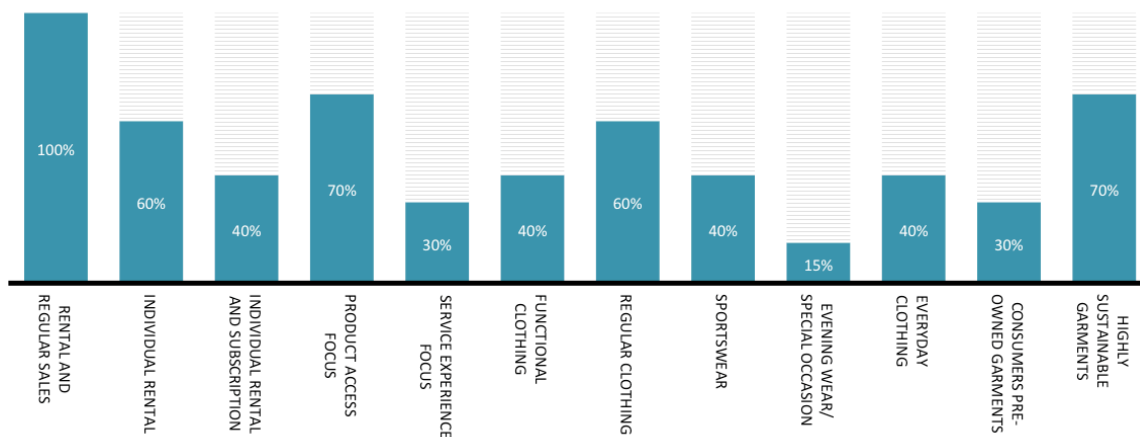


Figure 13: The found fashion rental service characteristics

### 5.2 Fashion Rental Business Model Elements

Data on each business model elements was gathered and processed. The the key findings for each element are reported below.

#### 5.2.1 Customer Segments

In general, a typical fashion rental customer is seen as an early adopter with different rental motivations, which is the reason why the rental providers “*are in the front-end of finding those kind of consumers who are willing to think a little bit before the masses*” (Company C). None of the companies targets a specific customer segment. However, in the empirical analysis the authors have identified six customer segments based on different rental motivations (Figure 14), where one customer can contemporarily belong to more

than one segment. Three of the companies (Company C, A and G) have a broader customer base, while Company F, J, H and B have a more specific customer segment, e.g. more environmentally conscious customers at Company J. Although rental has traditionally been assumed to be an environmentally-friendly consumption alternative, rental companies do not see this as a main motivation or selling point, but instead as an ‘extra bonus’ (Company F, A, C, B).

Customer Segments	Rental Motivations	Key quotes
<b>Budget conscious customers</b>	Avoid waste of money on underutilized products	"Some things... doesn't make much sense to buy them. If you know that you are going to wear it only once, why would you buy it then?" (Company B)
	Access to affordable garments	"I have had several students who have come in and said they're going to a prom, but that they can't pay for dresses that cost 2900kr for one night. And for them it's therefore perfect to rent!" (Company G Store Clerk) // "Some of the designer brands are actually quite expensive to buy, so then that could be something like... "oh I will actually just rent it for..." (Company J)
	Saving money in general	"We also have users who think this is a very nice economic way of saving money" (Company C) // "Some people think it's expensive to have subscription every month, but I guess it depends on how many clothes you actually consume" (Company J)
<b>Convenience driven customers</b>	Ease of usage	"We have those who see this as a service of... That they don't have to do anything for themselves, it's easy for them" (Company C) // "a service that really feels easy and also of course, they are joining something meaningful" (Company J)
	Cluttered or limited storage	"And also that a lot of people living in the city have quite small apartments with not so much storage, and instead of having a full wardrobe of clothing that you use maybe once a year... you can rent it and hand it back" (Company A)
<b>Environmentally aware customers</b>	Reduced environmental impact	"It can be this young person who recently understood that they should be more careful about the environment" (Company A) // "It could either be that they are conscious customers, or (...) value how they consume, that they don't want to buy anything... that they don't really know how it was made" (Company J)
	Increased sustainability debate	"The economical part is way bigger, but the sustainability is growing. I mean, you can see that in the everyday life of people that the debate about sustainability is growing, and thereby our customers are more and more interested" (Company C)
<b>Quality driven customers</b>	Product-service quality	"Our clients are people who can appreciate the quality, appreciate the design, appreciate the the service that we are able to combine " (Company B)
	Brand quality	"I think what is common is that [we are] a brand for them... with a quite sober attitude. It's not like we are the ones with the most flashy, colourful, splashy brand. We are a little bit more... sophisticated maybe?" (Company A)
<b>Variation driven customers</b>	Keeping one's wardrobe up to date	"A great option for keeping a wardrobe up to date, enabling the customers to temporarily own additional pieces instead of stacking up for the sake of it." (Company G Sustainability Report)
	Repetitive variation motivation	"Especially if they get subscription [...] they can just have it for a certain time, and then next month they can come back and do the same thing. I think it's also... a service that really feels easy" (Company J)
<b>Experience driven customers</b>	Service experience	"They appreciate the help, like a personal stylist, it's about the experience; if you come here we help you find the dress" (Company F)
	Style experimentation	"Opportunity to try new styles since you can start to rent a piece instead of buying it in order to be sure that you like to wear it." (Company J)
	CC experience	"They come in and go 'oh, I really like this concept" (Company J)

Figure 14: Fashion rental firm's customer segments and rental motivations

### 5.2.2 Value Propositions

The study identified four categories of customer perceived benefits (Figure 15). The *economic benefits* resulted as two-fold, including (1) *lower initial investment* compared to purchase, and (2) *access to affordable garments*, for customers previously unable to afford them.

*Functional benefits* refer to the positive practical consequences of the service. *Convenience* (relieving the customer of a burden, however not taken over by the rental company) resulted as an important point of most companies' value proposition. Examples are the reduction of a customer's closet clutter or the chance to avoid packing sportswear for a winter holiday (Company H and C). The *shifting of tasks* from the customer

to the company was also mentioned by most interviewees (e.g. the company is responsible for laundry and repair).

*Experiential benefits* resulted as twofold. First is the possibility to *experiment with one's style and keep the wardrobe updated*, given the lower cost barrier and the curated garment selection. This was found for both everyday/evening wear (Company F, J and B), and for sportswear rentals (Company A and H). The second benefit category comes from *additional services integrated in the specific rental service*, increasing the perceived experience value. Examples are customized styling experiences (Company F and B), as well as events and activities available in the showroom (Company B).

Lastly, the customer's perception of *environmental benefits* was mentioned by all companies (except for Company J) as a secondary motivation, in reference to customers' choice to rent in order to *reduce their environmental impact*.



Figure 15: Fashion rental firms' value proposition and customer benefits

### 5.2.3 Distribution Channels

In terms of sales channels, all companies were found to have owned offline sales channels, the most common being stores and showrooms. Some companies, like Company B, F, A and G, attribute particular importance to trying on the garment in person before renting it, to guarantee the correct fit.. Company C, instead, closed its physical store, because "*the shop took too much time and costed too much money and gave nothing in return.*". Only three companies (Company C, F and J) currently offer the possibility to book the rental service online. However, the two fashion brands (Company A and G), have shortly run a pilot program (2016-2017) to introduce an online sales channel in collaboration with the rental IT system partner Company

D. Partners like travel agencies, hotels and recreational/touristic businesses also were mentioned as important partner-owned sales channels for Company C. Lastly, phone and email as channels for booking were discussed by Company H and C. Some of the companies are also using each others' sales channels, as in the case of Company A and H. Similarly, Company G is renting out its garments both in its own stores, but also via selling its garments to Company F.

The companies communicate their offering and reach their customers through a variety of marketing channels. Among the *owned online channels*, the use of social media like *Facebook*, *Instagram* and *Twitter* emerged frequently. *Company websites* appeared as a central communication channel and the use of email in the form of *newsletter* is adopted by all companies except for Company C. *Communication partners* were found to be another important channel. For instance, Company C considers hospitality and tourism organizations among its most important marketing channels, while the collaboration between Company A and H has also turned each partner into a valid marketing channel for the other. The stores, showrooms or other physical locations are important *owned offline marketing channels*. Lastly, *blog posts and articles* can be considered as another important third party (free) channel, particularly for Company F, which considers it as a powerful means to attract new customers.

Regarding *delivery channels*, pick-up of the garments in store or in another *physical pick up point* (such as Company C's storage facility or Company H) is common to all the case companies. However, based on secondary data research, this is not a must for today's fashion rental companies, as other companies not included in the study only offer online delivery. Only three companies (Company C, F and J) were found to offer *online delivery*. Company J describes its online delivery to be important, since they "*want the concept to be accessible to everyone*" (Company J, anonymized web article).

#### 5.2.4 Customer Relationships

In terms of customer relationships, everyday clothing rental providers (Company G, F and J) resulted to be involved in moderate- to long-term relationships with their customers, especially in case of a monthly subscription option. Company G store clerk reported how customers frequently attending rather formal events use the service repeatedly. Instead, businesses renting less frequently used clothing (Company A, H, B and C), were found to have rather short-term, one time relationships, "*more like a weekend or so*" (Company H).

The depth of the relationship was found to be rather company specific. Company B reported having tighter relationship with its customers due to its experience focus: "*because you spend time with them, for example one hour with the client*". On the other hand, companies like Company C believe their relationship with the client is not particularly close: "*We don't have any different relationships with our customers than a normal business. [...] So I wouldn't say we have a "cult" going around us*".

Finally, *trust* emerged as an important dimension of the customer relationship. Overall, the rental industry appeared to be characterized by fairly high levels of trust from the existing customer towards the business, in terms of both quality of product and service. Connected to customer relationships is also the topic of

customer data collection. While all companies gather customer contact information (e.g. name, phone number, email, address, ID number), no company, except for Company C and B reported processing or using the data in any particular way to develop the service. Company C observes: “we don’t need the data about the specific person, we see it’s more general for us. Others are interested in pinpointing commercial tools specifically [...], whereas for us is the broader masses and seeing parts of that.”.

### 5.2.5 Revenue Streams

All companies key revenue streams are mainly coming from the rental or subscription fees, and from regular asset sales. One of the companies mentioned that its rental stands for 1% of the total sales turnover, but disclosed a 5-year plan to raise the percentage (including other circular services) to a total of 10% (Company A). The rental service enables companies to generate recurring revenue streams, “[...] *because instead of selling the jacket once and get the money for it, by renting it we can earn money ten times*” (Company A). For companies renting clothes for less frequent uses, “*subscription is not relevant, since people consume special occasion dresses so few times*” (Company B). The revenue models differ between the companies but are normally built on the below variables (Figure 16):

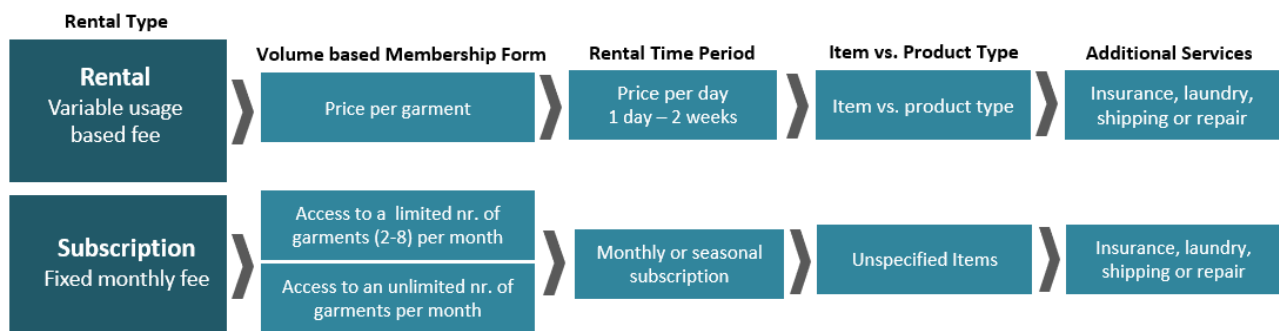


Figure 16: Fashion rental firm's revenue model bases

### 5.2.6 Key Resources

All companies have identified the garments and sales locations as a *key physical resource*. A separate rental assortment (instead of renting the whole garment assortment) resulted in a lower variety of garments offered in the case of fashion brand Company A. A physical store, as well as a good location, are currently crucial for all companies except for Company C and J, which argue: “*We don’t need it maybe in the future, but we do need the physical store at the moment*”, since they strongly believe in a digital rental concept.

All companies identified their staff as a central *human resource*, as the product knowledge and education about the rental logic is seen as crucial. Company F and B stress the importance of in-store styling advice when delivering the service experience. At Company A, designers are also involved in screening the garments fitness for rental.

The *financial resources* differ based on the company sizes. For the smaller firms, the limited funds are strongly affecting the service developments speed. One of the larger companies (Company A) mentions the

benefits from being privately owned, since *“There is more flexibility, you don’t need to have results shown to owners every three months. You need long term focus and create a real change.”*.

The *Intellectual resources* mainly revolve around two aspects: IT systems for rental ordering and brand equity. Four of the companies are collaborating with external actors to develop digital solutions specific for rental. For the fashion brands, the equity of a brand is an important resource to push the rental-service forward: as explained by Company H: *“We are going to do other activities together, so the people connect Company A and Company H as strong brands”*.

### 5.2.7 Key Activities

The required activities to create and deliver the rental service are strongly shaped by the agreed service responsibilities between the rental provider and the customer (Figure 17). In general, most companies report handling most activities internally, which is possible due to the still basic nature of the service and the small customer base.

The *pre-rental stage* activities (which continue throughout the service cycle) consist of *garment selection or purchase, supplier management, marketing, and IT system and website development*. A common challenges for all companies is to increase customer awareness of the rental service, as Company F point out: *“people don’t know about us. And people think it’s fancy clothes, they don’t understand it’s also clothes for every day”*. Therefore, marketing and communication becomes crucial to clear out such misunderstandings.

Key activities in the *rental usage stage* are to *provide rental access* via offline or online channels, *creating rental orders, serving clients, and ship products* when online rental is offered. The client service is especially important for companies with an experience focus, as mentioned by Company B: *“the store we use to build the whole experience thing, because we don’t want it to be just about the dress rental”*. As a part of the customer service, two of the companies (Company B and F) take into consideration the clients’ garment desires. For example: Company B asks on its webpage: *“Would you like us to include any designers or brands that are not included today? Email us and tell us what you want to see more of”*.

In the *post-rental stage* the key activities are *management of returns, garment condition checks, laundry and repair*, as well as *late return or product damage fees*.



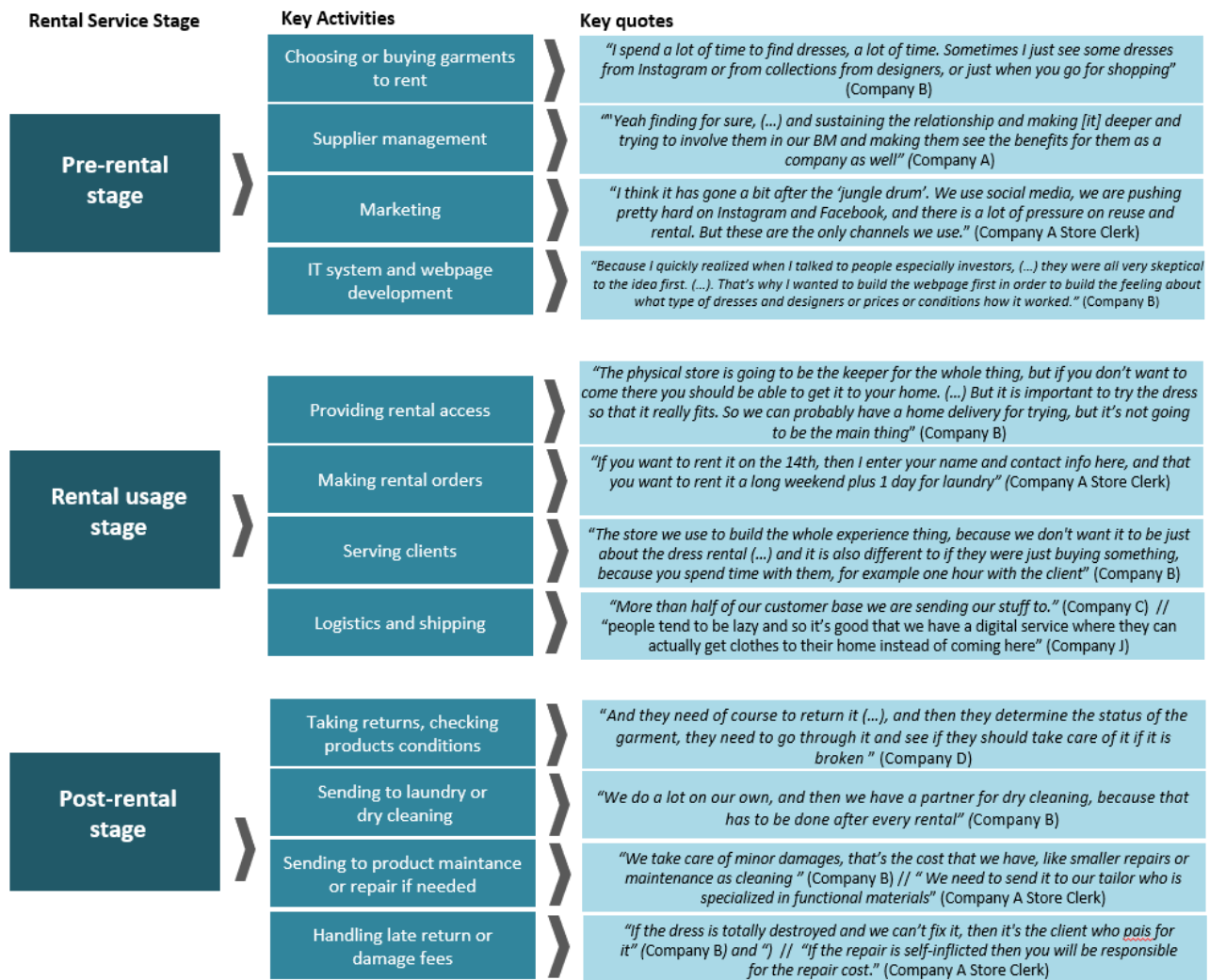


Figure 17: Fashion rental firm's key activities

### 5.2.8 Key Partners

A wide variety of partners and partnership motivations were identified (Figure 18). For the middlemen (Company H, C, F, J and B), clothing suppliers and customers are crucial partners to acquire garments. Two of the companies (Company J and B) occasionally also source unutilized garments from their customer base. In the case of fashion brand Company G, the rental activity *"gives the company an incentive to invest in high quality, durable materials, to further extend the lifespan [of the garment]"* (From anonymized secondary source). Thus, *manufacturers* and *textile suppliers* become instrumental partners to achieve such goals. *Partners supporting the reverse supply chain process* are another crucial group of actors, due to the 'circular' logistical flow in rental, while in regular sales *"Once it [the garment] is sold it's out of the system, and the worst thing is that you get it back and you need to put it into the system again."* (Company D). Company G and A have started a cooperation with Company D, offering a supporting IT system specific for rental. Company C is also collaborating with an external expert to develop a new IT system to handle the rental processes, *"because there are no systems on the market like this"* (Company C). *Communication partners* were another category often mentioned by the interviewees. For instance, Company B cooperates by

providing its dresses to *photography workshops*, while Company C relies on *tourism and hospitality industry partners* connecting their own customers back to the rental service. *Customers* are mentioned by both Company A, C, and F as another marketing partner, due to the power of their WOM activity. Lastly, co-branding activities with either *textile suppliers* or *other rental businesses* also support the visibility of the brand and of its services (e.g Company A and H's partnership). Another category of partners identified is that of actors cooperating with the rental business to *enhance and enrich the offline customer experience*, as in the case of Company B, where photographers, makeup artists and stylists contribute with their respective competences to offer an all-round experience. All brands also mentioned collaborations with dry cleaners as well as repair services, supporting the maintenance of the garments, as well as potential external consultants.

Reasons for Partnerships	Partners	Key quotes
<b>Acquire garments</b>	<ul style="list-style-type: none"> <li>• Clothing brands</li> <li>• Customers</li> <li>• Other clothing suppliers</li> </ul>	<p>"[...] it's a cooperation and Houdini owns the garments so we give it back after the season and we will get some new garments. So they own it and we just rent it out" (Company H) // "[...] we are dependent on them [clothing brands] to get our day-to-day business going." (Company C) // "Some people come in to the store and tell that they are going to more than ten weddings per year, and that they therefore have more dresses than Company B and that they are going to bring them here." (Company B)</p>
<b>Offer garments of higher quality and durability</b>	<ul style="list-style-type: none"> <li>• Manufacturers</li> <li>• Textile suppliers</li> </ul>	<p>"[...] of course we need to have these designer checklists [...]. But then we added if it's durable enough to be used for rental. Of course we always try to make high quality, but with rental it's another level, even more, since it can be really used intensely." (Company A) // "For a lot of time we have worked with [supplier name], the company making fleece [...] They make super good quality." (Company A)</p>
<b>Increase garment circularity</b>	<ul style="list-style-type: none"> <li>• Manufacturers</li> <li>• Textile suppliers</li> </ul>	<p>"[...] they [supplier name] were the first ones who really could make textiles from recycled garments. They can recycle and recycle fabrics, so they close the loop." (Company A) // "We are working really close with another company called [supplier name], they make synthetic textile, warm insulation garment, [...] they make more and more recyclable fabrics and new inventions and so on" (Company A)</p>
<b>Support for reverse logistics management</b>	<ul style="list-style-type: none"> <li>• External IT companies</li> <li>• Independent consultants</li> </ul>	<p>"[...] if you are going to start doing rental of clothes, you need a supporting IT system for that. And we want to build that for our retailers" (Company D)</p>
<b>Marketing and communications towards (potential) customers</b>	<ul style="list-style-type: none"> <li>• Workshop/ website photographers, Tourism/hospitality partners</li> <li>• Customers</li> <li>• Textile</li> <li>• Other rental suppliers</li> </ul>	<p>"[...] each participant in this workshop is always sharing everything on their Instagram, with links to everyone, so that's also marketing" (Company B) // "[...] we are working with all the hotels in [location]. So they know about us, all the people who come there and ask for something [...]" (Company C) // "if you make them [the customers] feel happy and proud about their choice it's likely that they will try to sort of brag about it with their friends" (Company A) // "We can do photo-shoots that they can help to pay since we are working together and show their fabrics [...]" (Company A)</p>
<b>Complement offline experience</b>	<ul style="list-style-type: none"> <li>• Photographers</li> <li>• Makeup artists</li> <li>• Stylists</li> </ul>	<p>"[...] there is so much around the dresses. For me it's not the dress rental itself, it's more the whole package" (Company B)</p>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Dry cleaners</li> <li>• External consultants</li> </ul>	<p>"At one point you have to consult other people with more expertise in certain questions" (Company A)</p> <p>"Dry cleaning is not something that we are good at, more to do, so that's outsourced of course." (Company B)</p>

Figure 18: Fashion rental firms' key partners

### 5.2.9 Cost Structure

There are both fixed and variable costs to deliver a rental service. The *fixed costs* are predominant, and consist of physical store or warehouse expenses, salaries, marketing, as well as IT system development expenses. The physical *store* and *salary expenses* are pre-existing for the fashion brands, but a major cost centers for the middlemen: for the time being, Company B founders do not take out any salaries. The *marketing expenses* vary between the companies. All companies use mostly free marketing channels, but



Company B invests more in creating marketing material (ex. photoshoots). When considering fashion brands, the marketing activity is already in place to support the main business. However, Company A points out how “*the muscle to talk about it [the rental service] and tell the world that we have this service... that’s also money*”, pointing out that additional marketing costs are expected. Company F and J also mentioned the rental *IT systems* as key expense. The increased service responsibilities in fashion rental cause also some new *variable costs*. Examples are purchasing or reserving garments to rent (which could have otherwise been sold), product laundry or dry cleaning and repair, as Company A states: “*we need to wash the garments, every now and then maybe do some repairs or something like that. That is an additional cost compared to just selling*”.

### 5.3 Swedish Fashion rental firms used service tactics

The empirical findings regarding operational tactics used to implement FRBMs (Layer 2) are also based on both primary and secondary data. The data is organized through the framework’s five tactical sets, aiming to lay solid foundations for RQ2 analysis. The context-specific operational activities performed by the companies within each tactical aspect are here referred to as *operational tactical choices*.

#### 5.3.1 Contract Tactic

By combining data from received *customer rental contracts*, *T&C* (from stores and webpages), as well as *interviews*, the authors have identified nine different tactical choices within contract tactic (Figure 19). The empirical research resulted in three ‘*responsibilities and terms of agreements*’ operational tactic choices, which are: (1) moderate provider responsibility (2) moderate consumer responsibility, and (3) garment lease over ownership agreements.

The *moderate service provider responsibility* consists of the decision to create customer value by shifting service responsibilities from the customer to the provider, but still leaving some of the responsibilities (e.g. correct usage) and activities (e.g. in-store pick up) to the customer. The *moderate consumer responsibilities* are based on the fact that the customer is relieved of several responsibilities, but still bears some, as shown in Company C’s rental conditions: “*you as a lessee are responsible for the equipment you rent from us throughout the rental period*”. The distribution of responsibilities is not only limited to customers and service providers, but includes also business partners, since three of the middlemen (Company J, H and C), are leasing garments instead of purchasing from brands.

Two additional tactic aspects are moderate formalization, and complexity. *Moderate formalization* refers to the decision to develop standardized and user-friendly contracts, but still including numerous contract regulations. Given the moderate service provider responsibilities discussed above, this results in a *moderate contract complexity*.

Four operational tactic choices within the contract *risks and incentives aspect* were identified: careful risk assessment, inclusion of damages in the budget calculations, clear late return and damage fee agreements, as well as insurance management. All companies do *careful risk assessment* and take also *into calculation the*

*possible damages*. Agreement on what happens if the customer damages or returns the garment too late are also seen as crucial. The companies' *insurance management* tactics vary. While Company F sells "*self-risk elimination as an optional insurance that completely removes your costs in case of damage for 250 SEK*" (Company F webshop), Company C formally rules out this option, by specifying that the products are not insured by the firm. Interestingly, all companies describe their customers as honest and careful in garment usage. Company B comments: "*they might want to behave more responsibly exactly because it's not their and since they know they have to bring it back*".

Contract Tactic Aspects	Operational tactic choices	Key quotes or contract paragraphs
Responsibilities and terms of agreements	Moderate provider responsibilities	"If Company A cannot provide the rental garment for the agreed period, the lessee is entitled to a reduction in the rental fee, corresponding to the delay, or if the delay has been essential the lessee can terminate the agreement." (Company A contract)
	Moderate consumer responsibilities	"The lessee is responsible for having the knowledge required to handle the products and staying in the environment for which the products are made." (Company C contract)
	Garment lease over ownership	"We do not buy the items, but we sell them on commission. When customers leave their item they get a share, we sell it on commission. We want designers to be part of the collaborative business model" (Company J)
Formalisation and complexity	Moderate formalization	"Yes, of course, but it's a quite standard contract for renting." (Company B) "We want to do it as simple as possible, so we don't have any complication, they pay and they borrow it" (Company H)
	Moderate complexity	"Company C is responsible for ensuring that the products are in working order. In case of defects of the products, this must be reported to Company C as soon as possible." (Company C contract)
Risks and incentives	Careful risk assessment	"The risks with higher potential we have totally cleared out. (...) We can manage this if it happens one or two times, it's okay, given that we get 20 to 50 new customers, because they would think that that is a bit too harsh for them to sign. So we do a risk assessment as well" (Company C)
	Inclusion of damages in the budget calculations	"We have sort of taken that [damage] into the calculations. We need to have space in the budget to [it]" (Company A) // "No one is flawless and mistakes happen every now and then. We take responsibility for the first two mistakes you make" (Company J)
	Definition of clear late return and damage fee agreement	"I understand that I am responsible for the garment under the lease period. If any harm is done to the product leased, I will be held responsible and pay Company G its retail value or the cost to equal to repair it. If not returned on return date an extra 150 SEK/day will be charged." (Company G contract)
	Insurance management	"Self-Risk elimination is an optional insurance that completely removes your costs in case of damage (250.00 KR)" (Company F webpage)

Figure 19: Fashion rental firms' contract tactic aspects and operational tactic choices

### 5.3.2 Marketing Tactic

The authors have identified ten different *operational tactic choices* within the marketing tactic (Figure 20).

Three *service value communication* tactic choices are *access vs. experience value focus*, *environmental benefits centrality*, and *service transparency*. Five of the companies (Company G, A, H, J and C) focus on communicating the rental services *access value*, while two of them (Company B and F) focus on the services *experience value*. All companies communicates the rental services environmental benefit to some extent, except Company B, which focuses exclusively on service experience. However, Company C explains: "*we tried to use the sustainability part of our communication in a larger scale when we started the company, but we saw that people weren't interested [...] so we scaled it down and we are still not pushing that as much as everything else*".

The tactical choices among the companies in terms of *customer interactions*. As three of the companies offer a subscription services (Company F, J, and C), they will naturally have more frequent interactions due to the repetitive service model. As Company J describes: *“Especially if they get subscription [...] they can just have it for a certain time, and then next month they can come back and do the same thing [...]”*. The needed trust between the rental providers and customers also varies, since some of the companies describes it as crucial, while Company F describes it as: *“It’s like if you compare to... your dentist. You get help, you know what to get [...]”*.

Only three companies (Company B, J and C) use *customer or market data insight* in their service development, even if all companies are collecting basic customer contact data in their rental services. The rental IT system provider Company D mentions the data collection purpose as crucial, due to the new GDPR rules launched in May 2018 (EU GDPR, 2018).

All companies use unpaid marketing channels to *inform* customers about the rental service, and social media to both *inform* and *inspire*. Three companies (Company A, C, and F) mention their consumers’ WOM effect as crucial for spreading the service, as described by Company C: *“we are growing organically, so for us it’s the best commercial we can get”*. Five of the companies use brand collaborations (Company A, H, C, J and B) for *spreading* the service., while all middlemen select strong brands with a *positive brand spillover* on the rental service. As Company B explains: *“If we say we have Company G or Marc Jacobs in our collection, then people would come for the dresses”*.

Marketing Tactic Aspects	Operational tactic choices	Key quotes
Communicating the service value	Access vs. experience value communication	“It’s more the experience rather than the brands that attract them, but maybe if you recognize the brand it is then easier to get you to rent it.” (Company F) // “We are more in the sharing economy than the owning stuff...the interesting part is to have access to products and services, not to own it (Company A)
	Level of environmental benefit focus	“Consumers think of sustainability, but it’s not the main selling point. It’s an extra bonus” (Company F) // “We believe that everyone, the producer as well as the consumer, should be responsible in becoming part of this change by taking action” (Company J webpage)
	Service transparency	“[the rental service] is still a “learning by doing” process [...] and it’s important to be transparent in it” (Company G Store Clerk)
	Renting brands with a high brand equity	“If we say we have Company G or Marc Jacobs in our collection, then people would come for the dresses” (Company B)
The extent of consumer interaction	Frequent Interaction	“Especially if they get subscription [...] they can just have it for a certain time, and then next month they can come back and do the same thing. I think it’s also... a service that really feels easy” (Company J)
	Trust building	“I think it [trust] is super important and that it will be becoming even more important just year by year”. (Company A)
The use of consumer and market insight	Consumer and market insight data usage	“You look at what your clients do, you make conclusions and you take decisions based on that. [...] Dresses with sleeves, for example... people usually want something very specific” (Company B)
Marketing channel usage	Unpaid marketing channels for service information	“Yes, they are unpaid, no we don’t have any paid channels.” (Company C) // “I think that just like using Instagram for free and posting things of good content, I think that can pay off better than paying for ads. But creating those pictures costs money too.” (Company B)
	Social media for information and inspiration	“[...] And then Instagram we use mostly for inspiration. [...] And then Facebook is more to let people know about events, news and stuff like that” (Company B)
	WOM for service spread	“[...] they [the customers] are also hopefully ambassadors for the whole project. If you make them feel happy and proud about their choice it’s likely that will try to sort of brag about it with their friends. Like “You know what I did? I did this super smart thing: instead of buying a new jacket I rented it for the ski trip or something” (Company A)
	Brand collaborations for service spread and quality signaling	“For us it’s companies that have a lot of more financial muscles that we don’t have, a brand that has already been there for a while, if they say they work with us, then we get recognition and people will see us.” (Company C)

Figure 20: Fashion rental firms’ marketing tactic aspects and operational tactic choices

### 5.3.3 Product and Service Design Tactic

The empirical study led to the identification of twelve P&S design tactic choices, divided across the four P&S design aspects (Figure 21).

*Durability* resulted as a crucial aspect for all brands. Different ways of acting on durability and preserving it were identified. For fashion brands, a way to impact durability is to act upon the *design and production of the garment*, due to the intense garment usage. For instance, upon starting the rental service, Company A added “*if it’s durable enough to be used for rental*” in the designer checklist. For middlemen, crucial ways to influence durability are *by selecting high quality garments* (Company C, B, J, F) and by identifying high quality supplier brands, aiming to extend the garment lifetime. Furthermore, two middlemen (Company C and J ) actively work to *indirectly influence the supplier brands’* garment durability by encouraging improvements in the design and production process. For instance, Company J reports to the supplier brands information about the parts of the garments wearing out faster, enabling improvements on the garment overall durability. All companies also report paying *special care to the maintenance of the garments*. On a customer level, companies report *educating customers for a correct use/maintenance* of the garment, but also *limiting customers’ agency* by including limitations and usage conditions in the rental contract. Another frequent alternative is *relieving the customer from part of the responsibility to care for the garment*, in particular in the post-rental stage.

In terms of *remanufacturing and reuse of garments*, both fashion brands were found to be *cooperating with their partners* (from long before the start of the rental service), such as recyclable textile suppliers, and innovative manufacturers that would support remanufacturing. Company G, for instance, recycles the textiles of deteriorated rental garments (Company G store clerk). Middlemen also contribute to this logic, by *leasing the garments from the supplier brands*: after the rental period is terminated, the garments are returned to the manufacturing brands. Company H and J do so for all of their garments, while Company C is making an effort to extend this kind of cooperation to as many long-term supplier brands as possible. Lastly, second hand selling before the rental garment is excessively deteriorated was found to be another recurrent practice (Company C, G, F and B).

The rental service benefits from the choice of the two fashion brands to adopt (even before the rental service) a *garment style “not dependent on the superficial trends of the fashion industry”* (Founder of Company G, from anonymized secondary source) by offering a selection of garments which stays relevant for longer. Among the middlemen, Company C is the only one which looks for a rather neutral and timeless style when selecting the garments, while the other middlemen showed a preference for non-neutral/trendy styles.

Company C, G, A and H reported not having issues with *availability* (potentially due to the still limited customer base), as well as having a *high garment volume and size range*. However, some companies mention the availability of specific garments in only one size could pose a risk, in case of delayed return of garments already booked for the next rental cycle. The issue is handled by *securing availability through contractual late return terms*.

In terms of *customization*, no company reported practicing *product customization*. However, two different instances of service customization were identified. First, Company F and B offer *personalized styling services* and support to the clients, enhancing the experience, as Company F explains: “[...] *they appreciate the help, like a personal stylist, it’s about the experience. if you come here we help you find the dress, you can’t have that online if you are unsure*”. *Mass service customization* is also offered by Company F, J and C, due to the availability of different subscription options, mainly dependent on the desired rental duration and/or number of garments rented.

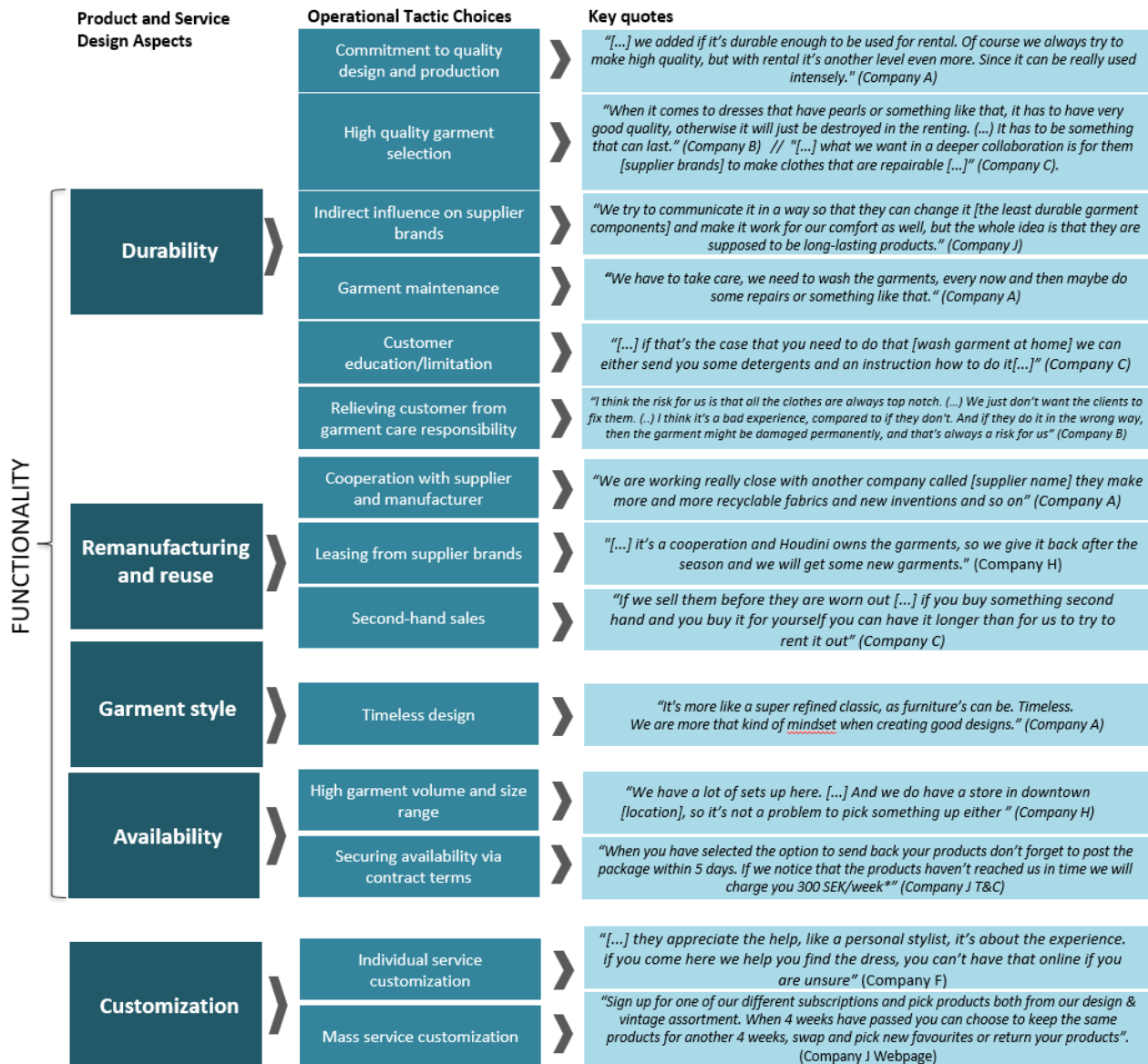


Figure 21: Fashion rental firms’ P&S design aspects and operational tactic choices



#### 5.3.4 Network Tactic

The operational tactic choices related to the *type of relationship* aspect were found to be composed of sets of interrelated characteristics (as illustrated in Figure 22).

The first type of operational tactic choice, *establishment of high commitment relationships*, is related to knowledge intensive partnerships. Such partnerships were found to be usually long-term, deep partnerships involving high levels of trust, information exchange and mutual shaping of action. Company A exemplifies this when discussing its manufacturers and suppliers: a long-term commitment and high trust is necessary in order to request investment in the partnership (e.g. R&D). Company D is another partner belonging to this category, and when discussing the relationship with Company G and A, it observes how the partnership is tight and revolves around open co-creation to develop a suitable rental IT system. High commitment relationships were found also among middlemen. Company H, C and J display high commitment relationships with their supplier brands. Furthermore, both Company C and J *indirectly stimulate change* in the garment manufacturing, one by actively encouraging partner brands to invest in garment durability, the other by communicating durability information on specific garments, enabling improvement. Interestingly, information exchange in high commitment relationships is variable. For instance, while Company A has an open information flow with Company H and D, information from the supplier/manufacture's side is often not so easily reachable. However, despite lower transparency, these relationships are seen as long-term investments, with transparency as ultimate goal.

*Moderate commitment relationships* make up the second tactic choice type, and are not as knowledge intensive, but still indispensable and not easily replaceable for the rental service. While being still long-term relationships and involving high trust, their depth is considerably lower, as well as the level of critical information exchanged, the latter found among one of Company C's partners: "*With the hotel we usually don't look at the specific guest, we see more like okay, you are a guest coming from abroad, that is one key category for us*" (Company C). Furthermore, the steering of the partner's course of action is no longer a crucial aspect of the relationship. Other examples are Company J's long-term partnership with a specific environmentally certified laundry service and Company F's partnership with its supplier brands. The variable nature of information transparency on the supplier side emerges again also in this category.

Last is the tactic choice of *low commitment relationships*, related to not knowledge intensive, easily replaceable partnerships. These partners do not require high information exchange, deep relationships or strong levels of trust, nor need necessarily be kept as long-term partners. An example of this third network tactic can be found in the case of dry cleaning services (for the greater majority of the companies interviewed).

The empirical research did not yield any particular result for coordination activities facilitated by digital means, except for the project under development between Company D and its clients Company G and A, with the goal of the development of a rental "*supporting IT system*" (Company D). While this solution would imply better tracking of the garment across different partners (e.g. dry cleaners), the solution is currently under redevelopment, and its implications on partner coordination have therefore not been explored further.

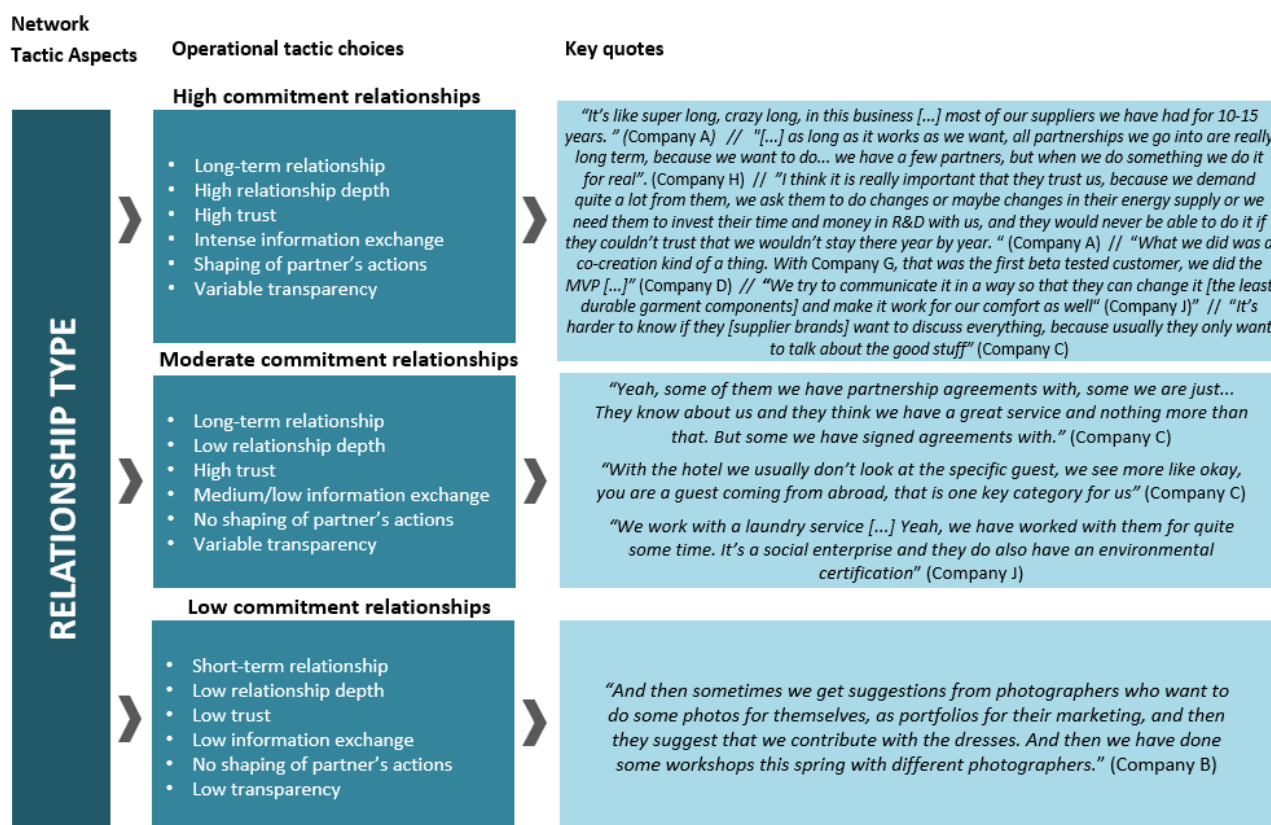


Figure 22: Fashion rental firms' network tactic aspect and operational tactic choices

### 5.3.5 Sustainability Tactic

The authors have identified seven different *operational tactic choices* within the sustainability tactic (Figure 23). All companies are mentioning having some type of sustainability purpose, but some of the companies take it much further than others. When it comes to choices to *increase resource utilization*, all companies are indirectly doing this via renting out garments instead of just selling them, as described by Company B: *"if you use a dress five times, instead of just once, you have then used less resources"*. Three of the companies (Company C, J and H) have implemented take-back agreements, which lead to a higher garment recycling efficiency. One of the companies (Company G) was found to have a slightly lower product utilization, since it does not rent out its garments more than once, but moves them instead in a separate corner at 50% off, or to its second hand boutique. Finally, one of the companies is making its service more sustainable via choosing *"sustainable boxes for the shipment of the clothes to the customers"* (Company F), while four companies (Company G, A J and C) are also working with more incremental sustainability innovations, related to the garments product maintenance and durability. Two of the *companies* (Company G and A) take a more radical innovation approach, by working with recyclable textiles.

Sustainability Tactic Aspects	Operational tactic choices	Key quotes
Increased Resource Utilization	Improved resource efficiency	"Yeah, it's a cooperation and Houdini owns the garments so we give it back after the season and we will get some new garments." (Company H)
	Lengthening the garments lifetime	"We try to communicate it in a way so that they can change it [the least durable garment components] and make it work for our comfort as well, but the whole idea is that they are supposed to be long-lasting products." (Company I)
	Reducing the numbers of products in use	"if you use a dress five times, instead of just once, you have then used less resources" (Company B)
Sustainability Innovation	Service component innovation	"We use sustainable boxes for the shipment of the clothes to the customers" (Company, F)
	Improving the garments product maintenance	"We have a collaboration with [partner company] where we use the washing machine that is more environmentally friendly" (Company I)
	Improving the garments product durability via economic motivation	"We give them [the supplier brands] an incitement to make more durable clothes that last longer, so that they also can make more money of that" (Company C)
	Recyclable textiles	"[...] they [supplier name] were the first ones who really could make textiles from recycled garments. They can recycle and recycle fabrics, so they close the loop." (Company A)

Figure 23: Fashion rental firms' sustainability tactic aspects and operational tactic choices



## 6. ANALYSIS

This thesis aims to define the existing fashion rental BMs in the Swedish market, and to understand what operational tactics are used across them to implement the PSS. To fulfil this purpose, this chapter analyses the empirical findings through the theoretical framework presented in chapter 3, by following the below structure (Figure 24):

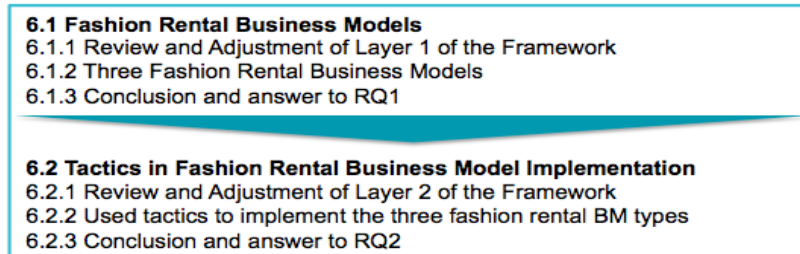


Figure 24: Analysis structure

### 6.1 Fashion Rental Business Models

Based on the empirical findings, Layer 1 of the framework was adjusted to identify three separate FRBMs, whose main features and differences are then addressed in this section.

#### 6.1.1 Review and Adjustment of Layer 1 of the Framework

The theoretical framework first layer was applied to structure the analysis of the existing FRBMs in the Swedish market. By developing the original PSS BM framework to a FRBM matrix (Figure 25), the authors aim to answer *RQ1: What types of fashion rental business models exist in the Swedish market?*

The matrix is built on the two strongest identified variables to separate and classify the FRBMs (discussed in 6.1.3). The first variable is the provider's *market position*, consisting of (1) established fashion brands i.e. firms renting out their individual brand, and (2) middlemen, i.e. firms renting out several non-owned brands. The second variable is the provider's *value focus*, which is divided into an (1) *access value*, with a purpose to offer garment access instead of ownership and (2) *experience value*, where the service experience becomes more central than the garment access. These variables build the FRBM matrix, consisting of (1) *access focused fashion brands* (Company G and A), (2) *access focused middlemen* (Company J, C and H), (3) *experience focused middlemen* (Company B and F), as well as (4) a potentially unexplored BM type (established brands with an experience focus).

The coming section will focus on highlighting the key differences between FRBM, while a complete and detailed overview of each BM is available in Appendix 10.

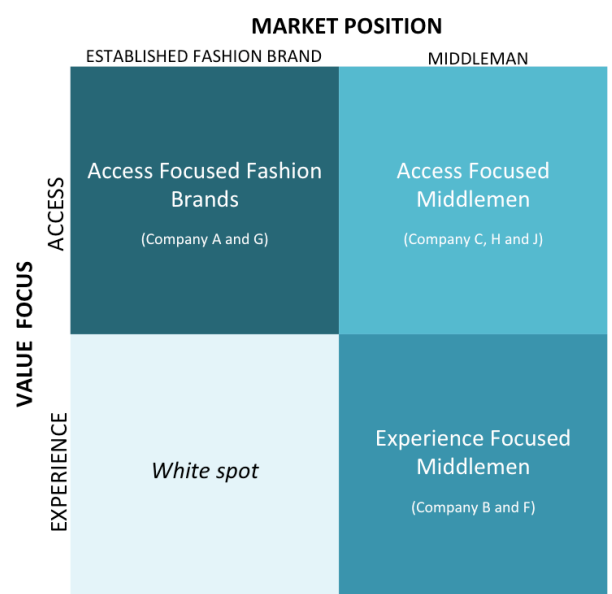


Figure 25: The Fashion Rental Business Model Matrix

### 6.1.2 Three Fashion Rental Business Models

The first BM type, *access focused fashion brands*, consists of firms renting out their individual brand as an additional service to their regular fashion sales, via offering *brand access* over garment ownership (Barquet et al., 2013; Pistoni & Songini, 2017). This BM differs from the others in customer rental motivation and service value communication by having a stronger focus on the *brand access value*, instead of garments in general. Customers unable to purchase the brand can now access it (Steven & Soth, 2010), as Company G describes: “*we have customers who can’t buy our brand because our prices are high, and for them it’s therefore perfect to rent!*”. Companies within this BM are currently only renting and delivering garments via their physical stores, but an online channel is interesting for the future and under development, supporting the BM access focus (Tukker & Tischner, 2004). The store personnel is still seen as an important resource for the added value creation (Kindström et al., 2015), as they are the key interaction points to the rental customers (Kindström & Kowalkowski, 2014).

The second BM type, *access focused middlemen*, consist of firms renting out several non-owned fashion brands as their core business, via offering garment access over ownership (Pistoni & Songini, 2017; Barquet et al, 2013). This BM differs from the others in customer rental motivation and service value communication by having a stronger focus on *access to garments* in general (i.e. no specific brand or experience focus). For instance, Company C describes its customers to appreciate the service convenience (Tukker & Tischner, 2006): “*[the customers] see this as a service of... that they don’t have to do anything for themselves, it’s easy for them*”. This BM type rents and delivers garments via online and offline channels, which support the BM access focus (Tukker & Tischner, 2004). The offline channel is currently important, but it may not be in the future, due to this BM’s main focus on convenience.

The third BM type, *experience focused middlemen*, consists of providers (Company B and Company F) focusing on creating a service experience over garment access (Pistoni & Sognini, 2017). The service experience is built by combining a fashion rental showroom (with garments from non-owned fashion brands) with other experience services, as styling or makeup. This BM differs from the others in customer rental motivation and service value communication by having a stronger focus on *the experience value* over access to garments (Manzini & Vezzoli, 2003). Accordingly, Company B observes: “*[...] you can use the store to create the whole experience around the dress rental. For example, I can have a party where you can take all your girlfriends to come to us and choose their dresses, get a glass of champagne, get stylists as a whole package*”. This BM rents and delivers the service experience via well-located showrooms (Pedersen & Netter, 2015; Perlaia et al., 2016), which supports the BM’s experience over access focus, as the store becomes so crucial (Tukker & Tischner, 2004). Since the individual customer service experience is in focus for this BM type, an additional value is created through direct and intensified customer contacts (Mont, 2004).

### 6.1.3 Conclusion and answer to RQ1:

By developing a fashion rental BM matrix, the authors have answered *RQ1* by identifying three different fashion rental business models, classified as: (1) *access focused fashion brands*, (2) *access focused middlemen*, and (3) *experience focused middlemen*. The key characteristics and differences across the three FRBMs are visualised in Figure 26.

		MARKET POSITION	
		ESTABLISHED FASHION BRAND	MIDDLEMAN
VALUE FOCUS	ACCESS	<b>ACCESS FOCUSED FASHION BRANDS</b> <b>VALUE PROPOSITION:</b> Brand access over garments and experience <b>CUSTOMER SEGMENTS AND RELATIONSHIPS:</b> Brand access driven customers, transactional relationships <b>DISTRIBUTION CHANNELS:</b> Offline focus <b>REVENUE STREAMS:</b> Rental revenues from owned and third parties only a fraction of total turnover <b>KEY RESOURCES:</b> Pre-existing sales channels (high store importance), low brand variety, store staff and designers, pre-existing brand equity <b>KEY ACTIVITIES:</b> Rental garment selection from existing sales assortment, manufacturing and design management <b>KEY PARTNERS:</b> Manufacturing and textile suppliers, lower variety in communication partners <b>COST STRUCTURE:</b> No added fixed costs, lower variable costs	<b>ACCESS FOCUSED MIDDLEMEN</b> <b>VALUE PROPOSITION:</b> Garment access over brand and experience <b>CUSTOMER SEGMENTS AND RELATIONSHIPS:</b> Garment access driven customers, moderate relationship depth <b>DISTRIBUTION CHANNELS:</b> Online and offline <b>REVENUE STREAMS:</b> Rental revenues from owned sales channels are the main revenue streams <b>KEY RESOURCES:</b> Offline (moderate important) and online sales channels, store/online staff, positive brand spillover from high brand equity garment selection <b>KEY ACTIVITIES:</b> Garment selection and purchase, supplier brand management, shipment <b>KEY PARTNERS:</b> Garment suppliers (brands/designers/ customers), varying communication partners <b>COST STRUCTURE:</b> Fixed: store, salaries. Variable: Garment assortment
	EXPERIENCE	<b>White spot</b>	<b>EXPERIENCE FOCUSED MIDDLEMEN</b> <b>VALUE PROPOSITION:</b> Experience over garment or brand access <b>CUSTOMER SEGMENTS AND RELATIONSHIPS:</b> Experience access driven customers, stronger relationships <b>DISTRIBUTION CHANNELS:</b> Offline focus, moderate online <b>REVENUE STREAMS:</b> Rental revenues from owned sales channels are the main revenue streams <b>KEY RESOURCES:</b> Offline (high importance) and online sales channels, store and added experience staff, positive brand spillover from high brand equity garment selection <b>KEY ACTIVITIES:</b> Garment selection and purchase, supplier brand and service experience management, shipment <b>KEY PARTNERS:</b> Garment suppliers (brands/designers/ customers), added experience partners, varying communication partners <b>COST STRUCTURE:</b> Fixed costs: showroom and salaries Variable: Garment assortment, added experience services

Figure 26: Key characteristics and differences across the three FRBMs

The *experience focused middlemen* bear several similarities with the *fashion library* archetype by Perlacia et al. (2016) (despite the latter being described as only offline) and with the homonymous archetype by Pedersen & Netter (2015). However, while Perlacia et al.'s FRBM classification revolves around two key differentiators (*revenue stream types* and *channels*), this thesis argues that the two matrix variables allow for a more reliable classification over time. As a matter of fact, the empirical research showed several players already considering expansions into other channels, making *channel* as a key for classification rather unreliable. Furthermore, this study did not show any key differences in revenue streams across the FRMBs. Therefore, the choice of *market position* (open to the potential addition of 'non establish fashion brands' and other categories), and *value focus* (focused on *what* value is delivered and not *how* it is delivered) as variables appears to be more fitting and reliable over time.

## 6.2 Tactics in Fashion Rental Business Model Implementation

This section aims to analyse the key differences (and connections) between the tactics used across the three business model types identified in section 6.1, in order to answer *RQ2: How are operational tactics used to implement fashion rental business models?*

### 6.2.1 Review and Adjustment of Layer 2 of the Framework

The two-layer framework was applied to structure the analysis of the used tactics, tactical aspects and choices across the identified FRBM types.

Our empirical findings confirmed that all FRBMs make use of the five tactics (Reim et al., 2015) and thus no additional tactics was added. According to Reim et al. (2015) the tactics “*are equally important when considering operational tactics to implement a PSS business model*”. However, this empirical study contradicts Reim’s (2015) argumentation, as *the tactics result to be divided across two different hierarchical levels*. Three of the tactics (network, P&S design and sustainability tactic) were found to be the *primary tactics* for implementing the PSS BMs, while the remaining ones (contract and marketing tactics) develop as a consequence of the three primary tactics, and are thus referred as *secondary tactics* (Figure 27). The findings suggest a one-directional influence of the three primary tactics on the two secondary ones. For instance, the selected relationship type (network tactic) affects the possible contract agreements (e.g. moving from purchase to leasing in high commitment relationships), and co-branding opportunities (marketing tactic). While the influence between primary and secondary level is one-directional, the tactics within each level seems to be bi-directional. For instance, depending on the selected relationship type (network tactic), a firm will have access to different levels of sustainability innovation (sustainability tactic), which affect the type of relationships sought by the service provider. For a complete overview of the connections found between tactical levels, see Appendix 11.

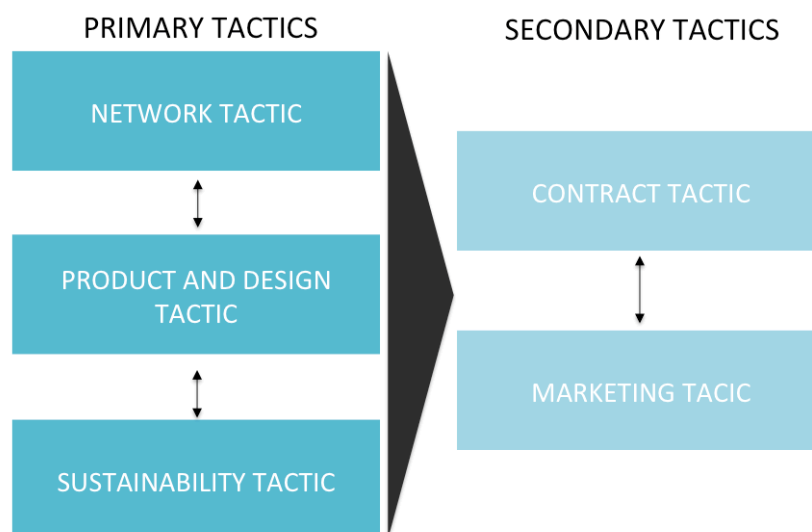


Figure 27: Two hierarchical levels for the five tactics

### 6.2.2 Used tactics to implement the three fashion rental BM types

The analysis of the key findings and its evaluation against existing research is divided between the five tactics. In each section an outline of the tactic findings common across all BMs are outlined, followed by more BM specific tactical approaches. Throughout this section, eventual connections between the tactical aspects are highlighted.

#### 6.2.2.1 Primary Network Tactic

The empirical research resulted in a lack of substantial findings regarding *sharing and coordination activities* (section 5.2.4), introduced by Reim et al. (2015) as one of the two network tactic aspects. However, there were plenty of findings relatively to the *relationship type aspect*, which is thus the focus of the following section.

All three relationship type tactic choices were adopted by companies across all of the three BM types identified. The dimensions within each tactic choice (Figure 22), are in line with previous literature, holding that aspects such as mutual dependence and trust define the relationships type (Granovetter, 1973; Håkansson & Snehota, 1995). For instance, *high commitment relationships* between PSS providers and IT partners show how high trust leads to co-creation activities and intense information sharing (Håkansson & Snehota, 1995). The combination of the partners' resources results in one critical resource (rental IT system), which further strengthens the relationship commitment (Håkansson & Snehota, 1995).

The empirical findings showed *moderate commitment relationships* in two main circumstances. First, in case of high sustainability commitment of a PSS provider: this leads to the selection of long-term highly sustainable partners even for less knowledge intensive activities (e.g. sustainable dry cleaning services). Since scarcity is not a likely explanation for choosing *medium over low commitment* (all companies judge sustainable services as not scarce), a possible explanation is that the similarity/shared values of the players lead to stronger ties. The second circumstance is that in which repeated interactions with the partner reduce effort in the interaction (e.g. setup of an open account at a specific dry cleaner). When such conditions are not present, the cooperation considered was found to be low commitment.

Interestingly, connections between the relationship type aspect and aspects from other tactics were identified. First, the choice of *relationship commitment with communication partners* has repercussions on both the available *marketing channels* as well as the *extent of customer interaction* (e.g. in the cooperation between Company C and local hotels). Second, the findings suggest that the higher the relationship commitment (1) the lower the contract formalization and (2) the higher the co-creation of the contract among the partners. This could be explained by the need to balance each partner's particular interest as the relationship commitment increases (Reim et al., 2015; Håkansson & Snehota, 1995), justifying higher contract tailoring (Reim et al. 2015; Azarenko et al., 2009) and inclusion of all parties involved in the contract development.

Looking at *access focused fashion brands*, the most interesting findings are in relation to high commitment relationships. These seem crucial in interactions with (1) manufacturers/suppliers and (2) communication

partners. Companies in this BM category have direct influence on the upstream value chain<sup>1</sup> (unlike middlemen), and high commitment relationships with manufacturers are instrumental to secure high trust from them, to encourage investments in long-term R&D initiatives, which ultimately secure the production of high quality and durable garments (P&S development tactic), and to encourage more radical sustainability innovation (sustainability tactic). For the same reason, close relationships with innovative and quality focused textile suppliers lay the foundations for durable garments and are crucial for knowledge exchange and innovation fostering.

In terms of communication partners, the fashion brands were found to seek moderate-high commitment relationships with other established brands (e.g. Company A and H's collaboration), aiming to increase brand association between partners, being the *positive spillovers on brand equity* the intangible resources at the core of the partnership (Lechner et al., 2006).

Brand equity appears also in connection to *middlemen's* network tactic. Since all middlemen analysed (except for the special case of Company H) are lesser known to the public, a common tactical choice is to build medium-high commitment relationships with established supplier brands, to benefit from positive brand equity spillover (Lechner et al., 2006), enabled by communication to the customer (marketing tactic). Furthermore, these long-term relationships with brands and designers can also help the PSS providers renegotiate contracts (Håkansson & Snehota, 1995), going from purchasing to leasing. The study findings showed how such renegotiation can enable middlemen to indirectly influence the upstream value chain (manufacturing and design) controlled by the supplier brand. For example, since leasing implies a commission-based revenue, middlemen can encourage supplier brands to act on garment durability, arguing that this will increase the total revenue from each garment. Lower involvement, instead, is chosen for partnerships with customers, which in some cases (Company B and J) also assume the role of garment suppliers.

On a service delivery level, *experience focused middlemen* distinguish themselves due to a set of partners of crucial importance for this specific business model: the *service experience partners*. In case the complete experience requires skills that are not available internally, the preferred network tactic choice is that of high commitment relationships, where an intense exchange of resources (skills, customer insights) between the partners leads to a co-created intangible resource (Håkansson & Snehota, 1995): the rental experience, at the very core of the value proposition of this specific BM type.

#### 6.2.2.2 Primary P&S Design Tactic

The empirical findings showed how all companies (regardless of their BM type) act on *garment durability* on the customer level, via both *transferring some responsibilities* from the customer to themselves and via *educating the customer*. The findings showed how the decision to transfer responsibility reflected on

---

<sup>1</sup> In this thesis *upstream value chain* includes design, sourcing and procurement, manufacturing, inventory management and distribution, while *downstream value chain* includes purchasing, store operations and sales, customer use and support.



*contract responsibilities and terms of agreement*, once again showcasing the identified connection between primary and secondary tactics. At the same time, the education of the customer increases the centrality of customer interaction (Kindström, 2010), since when this new consumption behavior is discussed the customer has to act on it.

The findings showed how *garment style* is ultimately company specific and not tied to a specific BM. However, the choice of customer segment (and how broad this is) was found to be *associated* to the garment style, where companies offering performance wear or everyday wear for a broad variety of customers prefer less trend-driven designs, while companies with more focused customer segments offer a more trend-driven selection.

Within the P&S design tactic, a set of tactic choices are typical of *access focused fashion brands*. Being this the only BM with more direct control over the upstream value chain, the companies belonging to this BM type act on *durability*, *remanufacturing* as well as *garment style* by directly tackling the design and manufacturing steps. Connected to this, access focused fashion brands were found to have more control over the *availability aspect*, by having more control over *garment volume* and *size range*. The availability aspect was found to be relevant across all companies, in line with Reim et al. (2015).

Unlike the first BM type, both access and experience focused middlemen depend on their garment suppliers to secure garment availability. The findings pointed at two elements affecting the level of availability control: (1) *relationship type* and (2) *PSS provider size*. While the size of the PSS provider (and particularly the size of its orders) might affect the opportunity to both access partnerships or (re-)order from certain brands or designers, due to a minimum volume required to place orders, close relationships with suppliers and designers can facilitate the access to re-orders and restocks. Middlemen were also found to manage the availability of their garments via including high late fees in the contract terms (which can prevent delays in case of a few garment pieces available).

Mont et al. (2006) discusses the importance for PSS providers of *take back and remanufacturing activities*, but focuses only on PSS providers which directly control manufacturing. However, it was found that, motivated by (1) lower purchase costs and (2) sustainability goals, middlemen also make an effort to facilitate take back and remanufacture of the garments by their suppliers. This is achieved through *middle/high commitment relationships* with the suppliers and leasing agreements.

Azarenko et al. (2009) argue how, being the product owned by the PSS provider, there should be an incentive to foster *product durability*. However, the empirical study found that, independently of whether the product is owned or leased by the PSS provider, durability is also a concern for all middlemen: even if ownership is replaced by leasing, the economic opportunity to extract more usage fees from the same piece by increasing durability remains unaltered.

Finally, Azarenko et al., (2009) limits the possibility of customization in UO PSS to the case of large clients (maintaining a manufacturer perspective). The empirical study findings are partially in contrast with this conclusion. While *product customization* was not found in any of the cases analysed, due to the economical

inconvenience of alterations for one individual customer, two instances of *service customization* were identified. First, *individual service customization* was found to be a common practice for *experience focused middlemen*. Personalized assistance and intense customer interactions upon store visit are crucial to deliver the targeted rental experience. Second, *mass service customization* was observed in all middlemen offering online sales (Company F, Company B and Company C), as different subscriptions and membership forms were available to fit a range of customer preferences. Both customization choices, in turn, intensify customer interactions, due to increased service focus (Kindström, 2010).

#### 6.2.2.3 Primary Sustainability Tactic

All companies display Reim et al.'s (2015) three sustainability drivers, as they are motivated to (1) reduce the fashion industry's environmental impact (2) offer a more sustainable consumption alternative, and (3) reach economic and environmental company goals, as described by Company C: "*We give them [the supplier brands] an incitement to make more durable clothes that last longer, so that they also can make more money of that*". No companies mention a possible rebound effect (Verboven & Vanherck, 2016), or the service possible negative effect on the environment (Kuo, 2011). This might thus mean that an improved resource utilization is taken for granted.

The tactical choices and opportunities with regard to sustainability improvements differ slightly across the different BM types. All BMs improve *resource utilization* as they (1) improve the resource efficiency via reusing garments (Reim et al., 2015), (2) lengthen the product lifetime via keeping the product ownership and taking over garment maintenance (Pistoni & Songini, 2017), and (3) reduce the number of products in use via an intensified product usage (Reim et al., 2015). The access focused fashion brands have also made the choice to lease or sell clothes to other middlemen (even if it competes against their own rental service), which also improves resource efficiency.

The level of *sustainability innovation* differs between the access focused fashion brands and middlemen. The reason for this difference appears to be the company market positions. As the fashion brands directly control their manufacturing and design, they have opportunities to innovate on a more radical, upstream level, via improving the garments durability and recycling textiles (Reim et al., 2015). The middlemen do this indirectly via their supplier brands, but focus mainly on more incremental product maintenance innovations, as Company J, which started a partnership with a more environmentally friendly washing machine supplier (Tukker, 2004)

The company sustainability level (sustainability tactic), showed also *connections* to other tactics, as it affects (1) *how* durability is improved, e.g. via improved garment quality production for the fashion brands, or high quality selection by the middlemen (P&S design tactic), (2) which relationship types are established, as long-term relations are crucial in more radical sustainability innovations (network tactic), (3) the garment usage agreements (contract tactic), and lastly (4) how central the environmental benefit becomes in the service communication (marketing tactic).



#### 6.2.2.4 Secondary Contract Tactic

The empirical findings show that all companies are using rental contracts in their PSS services to define the *responsibilities and liabilities* for each service party (Reim et al., 2015). All companies make a tactical choice to keep their responsibilities moderate (Reim et al., 2015), because of their incomplete service responsibilities (e.g. because of customers' garment pick-up and usage responsibilities). The *customer responsibilities* are also moderate, because of lower responsibilities compared to purchase, but as customers still bear usage risk (Edbring et al., 2016). All companies use *moderate formalized and complex* rental contracts, since they are very simple, but still including numerous contract regulations (Håkansson & Snehota, 1995; Reim et al., 2015). Lastly, all companies make the tactical choice to control possible *risks* via defining clear compensation agreements, even if none of them perceives an increased adverse behaviour, against Azarenko et al.'s (2009) and Reim et al.'s (2015) argumentations.

There are three key contract tactic differences between the BM types, which are (1) contract condition transparency, (2) cost reduction management, as well as (3) late return management.

The difference in *contract condition transparency* is between the access focused fashion brands and the two remaining BMs (Reim et al., 2015). The middlemen make a tactical choice to specify in detail their rental conditions on their webpages, which is not the case for the established fashion brands (Company A and G). A possible explanation for this difference is that the middlemen (1) have a greater need to convince customers about the rental services function (since they are less known and have a lower brand equity) and (2) have a lower store traffic compared to the established fashion brands, which makes the middlemen web pages an even more important communication channel. This constitutes also a *connection* between the contract and marketing tactic, as the company's contract transparency will affect how well the service is communicated to the customers: a crucial activity, since rental is still an unfamiliar consumption alternative.

The access focused middlemen (Company H, J and C) use a cost reduction contract tactic, via moving from garment purchase to leasing agreements with their garment providers, thereby balancing both parties interests (Håkansson & Snehota, 1995; Reim et al., 2015).

Even if all companies make a tactical choice to manage potential adverse behaviour by including compensations conditions (Reim et al., 2015), access focused fashion brands seem to have unspecified or lower *late return compensation* (150 SEK/day for Company G, 400 SEK/day for Company C), compared to the two remaining BMs. This difference might result from that fashion brands have a lower pressure to secure availability of the rental garments (because they control the production and stock levels), and thus have a lower need to deter the customer from returning a garment late.

#### 6.2.2.5 Secondary Marketing Tactic

All companies are using the four marketing tactical aspects, but there are differences between the BM types in relation to (1) the *type of value communicated*, as well as (2) the *extent of customer interaction*.

When it comes to *communicating the service value*, each of the companies focuses on changing the consumer's attitude towards ownerless consumption (Baines et al., 2007), which is seen as especially important due to the unfamiliar fashion consumption alternative. Even if all companies have some level of sustainability motivation in their rental service, none of the companies sees this as a main selling point when attracting new and existing customers (Mont et al., 2006). While it is not a BM specific characteristic, both access focused fashion brands studied have a radical sustainability innovation focus (sustainability tactic), which is also shown in their service communication (marketing tactic), thus creating a *connection* between the two tactics.

The access focused BMs make a tactical choice to focus on the service *access* value, while the experience focused middlemen focus on the *experience* value, which differentiates the companies from each other (Schuh et al., 2008). The access focused fashion brands build their value around their specific clothing *brand* rather than *garments* in general (i.e. brand over garment access), while the access focused middlemen rather focus on the *garment* access by offering several also unknown brands. Both middlemen BMs make the tactical choice to signal a higher service value via renting and communicating high equity brands. They are also more transparent in their service communication, which is a tactical choice to reduce the rental service ambiguity (Reim et al., 2015).

When it comes to the tactical choices *regarding customer interaction*, three of the companies (Company F, J, and C) have chosen to offer a subscription service, which increases the interaction frequency due to the increased service focus (Kindström, 2010). The used tactics to build trust are to educate customers about the new rental service, as well as being transparent about the rental services on the company webpages (Reim et al., 2015).

Even if *customer and market data* collection and usage is essential in PSS service development (Azarenko et al., 2009; Tukker, 2004), only three of the companies make the tactical choice to use their collected customer data. This marketing tactic is also *connected* to the contract tactic, since the provider has to define in their contracts what data is used for, which Company D sees as crucial due to the new GDPR rules launched in May 2018 (EU GDPR, 2018).

Lastly, the *marketing channel usage* aspect appears as quite homogeneous. All firms make the tactical choice to use unpaid marketing channels for service information, and social media for both information and inspiration. All companies rely to some extent on their customers WOM, motivated by that it is free and with a higher payoff compared to ads (Owyang, 2014). Brand collaborations are used to spread the service (across all BMs) and to signal service quality by all middlemen.

### 6.2.3 Conclusion and answer to RQ2

The previous section offered an overview of the tactics used across the three identified FRBM types. First, the organization of the five tactics in two hierarchical levels was addressed. The network, P&S design, and sustainability tactic (*primary level*) showed one-directional influence towards the *secondary level* (contract and marketing tactic), while the tactics within each level showed bidirectional influence between them. Each

of the five tactics was then analysed, to understand which of the tactic aspects are critical for BM implementation across the three BMs (Figure 28).

When analysing the key tactics based on the matrix variables, established fashion brands have a higher *control over upstream and downstream operations*. This upstream control is a crucial advantage, given the importance of resource efficiency and garment quality in the rental space, and is the core of several tactics (Network, P&S design, sustainability tactic). Middlemen, meanwhile, supply to the lack of direct upstream control by leveraging their brand supplier network to *indirectly make an impact*, and by *strengthening their downstream* control through contract and marketing tactical choices. Customer education appeared as a hurdle in both market positions, and is addressed via intense, two-way communication (with potentially more impact in the case of established fashion brands). Lastly, fashion brands appear slower in adapting to the new ‘reverse logistics’ logic, while middlemen are rather proactive in the development of appropriate IT systems. In terms of value focus, access focused companies leverage marketing tactic choices to communicate access to the brand (fashion brand) or garments (middlemen). Through the brand supplier network and marketing communication, middlemen also leverage the equity of the brands part of the garment selection. Experience focused companies, instead, leverage marketing tactics to communicate the experience surrounding the rental and build deeper two-directional interactions with their customers. Lastly, powerful network ties with external experience partners become crucial when all the experience components cannot be achieved internally.

Along with the analysis of the implemented tactical aspects, the authors also pointed out the found linkages between the tactics, going beyond the initial general hierarchical classification. To facilitate the readability of the previous analysis, the mapped linkages, organized by tactic type, are visualized in Appendix 11.

Therefore, based on the outlined findings and on the previous analysis section, the authors conclude that an answer to *RQ2: How are operational tactics used to implement fashion rental business models?* was achieved.



Figure 28: Overview of the tactics used across the three identified FRBM types

## 7. DISCUSSION

This thesis attempted to deepen the understanding of the connections between UO PSS business models and the operational tactics used to implement them, in the context of the Swedish fashion rental market. The authors of this thesis built a conceptual framework which gave depth to the UO-PSS BM elements and also allowed to explore deeper levels of PSS operational tactics (Figure 29). This resulted in a tool that was instrumental to help clarify the connection between specific UO-PSS BM types and their respective combination of tactics, tactical aspects and choices upon implementation of the business model. The understanding of such connection is particularly relevant in an emerging industry like that of fashion rental, where there are only a few established players and no clear best practices for implementation exist.

Reim et al.'s (2013, 2015) approach to PSS BM implementation is distinctive, as it connects PSS BMs (of which three categories are identified) to operational tactics. This thesis explores the nature of this linkage, but instead of keeping the analysis at the PSS BM level, it zooms into UO-PSS BM. By first investigating UO-PSS sub BMs and the related tactical sets, the authors argue that the BM types found within UO-PSS BM display a different usage of tactical sets. This opens a discussion regarding the level at which the connection between PSS BM and tactics lays, whether at a higher level, or at a deeper one. Furthermore, the tactical sets (Reim et al., 2015) do not appear to need additions of new tactics depending on the implementation context, as shown in the findings. Rather, it is the combination of tactical aspects which shifts depending on the UO-PSS BM applied. This suggests the potential fit of the framework for investigation of various PSS contexts.

As shown in the study, the tactics do not appear as 'isolated islands'. There appears to be several connections between the tactical aspects: one-directional across hierarchical levels, and two-directional between tactics on the same hierarchical level. This further supports Reim's (2015) suggestion of a potential impact of different joint tactics on the implementation outcome. Thus, the potential interactions and connections might need evaluation when deciding on an optimal set of tactical aspects.

Finally, the focus of PSS BM (implementation) literature has so far been on PSS providers in direct control of the product they offer, or on manufacturers (e.g. Barquet et al., 2013; Reim et al., 2015). The fashion rental context of this thesis inevitably led to the identification of BMs dedicated to pure service providers, and not only to companies in control of the manufacturing. This, in turn, brings the discussion back up to PSS BM and implementation literature, suggesting the potential for a more inclusive exploration of PSS adopters.

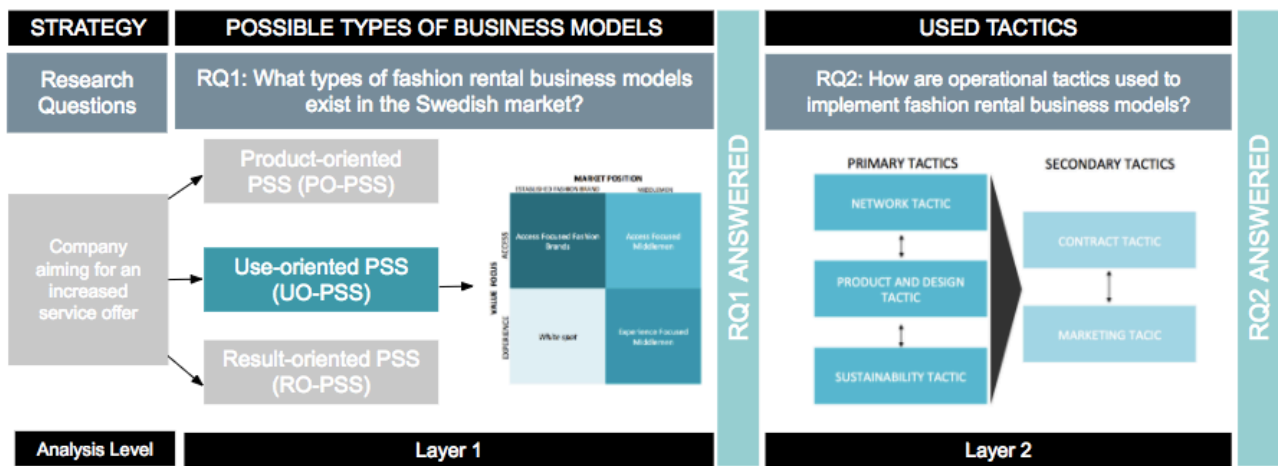


Figure 29: The Framework results

## 8. CONCLUSION

*This chapter outlines the final conclusions for the research study. First, the theoretical (8.1) and empirical contributions (8.2) are presented. Subsequently, the managerial implications (8.3) and research limitations (8.4) are discussed. The chapter ends with suggestions for future research topics (8.5)*

This thesis started with an interest in investigating newly emerging FRBMs in the Swedish market. The lack of clarity concerning what actually constitutes a FRBM and how it can be implemented was soon apparent. Moreover, within the PSS field (where FRBMs belong), the research on PSS BMs and their implementation is still at an early stage. The core gaps addressed in this thesis concern the need for a more in-depth understanding of (1) UO-PSS BMs and of (2) the operational tactics adopted to implement them, as well as the need for a (3) deeper understanding of the connection between these two constructs, all within the fashion rental context. The theoretical framework outlined in chapter 3 was employed to structure and analyse the empirical findings from the qualitative study conducted. At the same time, the empirical findings, in combination with the reviewed PSS literature, led to adaptations of the framework.

The analysis identified three UO-PSS BMs in the fashion rental market, based on two variables (market position and value focus), as well as a fourth potentially unexplored BM type. Interestingly, against previous findings which regard all operational tactics as equal (Reim et al., 2015), the analysis identified two hierarchical levels for the five tactics, where three (primary tactics) affect the other two (secondary tactics) unilaterally. All five tactics resulted to be used across all three business models, but the way in which they are adopted differs at a tactical aspect and choice level. This confirms past suggestions of potential interactions not only between BMs and tactics, but also between tactics themselves.

### 8.1 Theoretical contribution

From a theoretical standpoint, this thesis contributes directly to the PSS BM research field. First, the authors advance the initial work on PSS BM and related element conceptualization by Barquet et al. (2013), by (1) integrating the PSS BM Canvas with different research perspectives and findings and (2) developing a FRBM typology within UO-PSS BM., by conducting a qualitative multiple-case study in the fashion rental industry, an under researched industry for the PSS BM field.

Second, the authors moved onto the exploration of the PSS BM and tactic linkages, starting from Reim et al.'s (2015) framing of PSS BM implementation as a set of tactics connected to the BM level and potentially between them. Consequently, this thesis contributed to fill the gap on the nature of the BM/tactic link by suggesting (1) specific sets of tactical aspects for each of the three FRBMs found, (2) the existence of two hierarchical tactic levels, which appear to affect the direction of the influence between tactics, and (3) the existence of connections across tactical aspects, where one tactical choice might lead one tactic aspect to have consequences on one or more tactical choices/aspects.



Furthermore, this thesis contributes by investigating PSS BMs and implementation in the case of both manufacturers and exclusively service providers, the latter being often overlooked when conceptualizing the PSS research area (Reim et al., 2015).

Finally, this thesis also contributes to the broader BM research field. Since Osterwalder & Pigneur (2010) define BM as “*the rationale of how an organization creates, delivers and captures value*”, the authors argue that this thesis contributes to a better understanding of BMs by investigating how tactics play a role in all these three dimensions. In short, while BMs focus on the “what”, the tactics contribute with an understanding of the “how” (the operational side of the BM-related decisions). This also broadens Reim et al.’s (2015) remarks that the tactical sets “*determine how much value a company can create and capture through its selected business model*” (Reim et al., 2015). Lastly, the interactions between tactics, investigated in this thesis, can then in turn affect the “how”.

## 8.2 Empirical contribution

The review of fashion rental studies revealed a research field at a nascent stage, lacking a thorough empirical exploration of FRBM types, as well as of practices to implement them, gap supported by the pre-study results. This thesis improves the *understanding of FRBMs* by conducting a multiple case-study of the real-life fashion rental phenomenon in the Swedish market, by identifying three FRBM types. Furthermore, it contributes to the understanding of practices for FRBM implementation, via in-depth investigation of the strongly empirically driven tactical choices. Second, this thesis contributes to fill the empirical gap related to the *implementation* of FRBMs. The gap was identified throughout the pre-study, as there appeared to be a lack of clarity around BM implementation practices. Thus, by exploring in depth FRBMs, the operational tactics adopted in the Swedish industry and the link between the two, this thesis facilitates further establishment of FRBMs and their implementation. Finally, this thesis contribute to an empirical gap related to the broader collaborative consumption field. Because fashion rental is on of the emerging ‘fashion sharing’ concepts within the CC trend, the authors argue to have contributed to the collaborative consumption field by improving the understanding of one specific category of fashion sharing, FRBMs.

## 8.3 Managerial implications

The study findings are applicable for several actors in the fashion rental sector: traditional fashion companies considering to explore FRBMs, fashion entrepreneurs, IT service companies/startups developing solutions for reverse logistics, investors and policymakers. The study yields four main conclusion of interest for fashion companies and entrepreneurs. (1) The empirical study, and in particular the mapping of the existing BMs, can help managers understand the current context of fashion rental in the Swedish market. (2) The detailed profiling of the three BM types can provide managers with a tool to assess what BM best fits the planned entry strategy, as well as what key elements (resources, partnerships, etc.) must be evaluated before selecting such model. Furthermore, the findings showcasing the connections between BMs and tactical aspects, and between tactical aspects themselves, (3) urge managers, once having selected the preferred BM, to evaluate the planned implementation choices in the light of the impact that each tactical choice could have



on the others connected. (4) Reversely, the mapping of linkages can also be a valuable support tool to evaluate what combination of tactics is best to select to reach a certain outcome, by considering which tactics combinations could more effectively facilitate its achievement.

## 8.4 Limitations

Due to the specific nature of the Swedish fashion rental market, the findings are limited in their applicability. The measures taken to increase the quality of the study are addressed in detail in section 4.6. While the selection of the interviewees and case companies aimed to gather perspectives from as many and as varied Swedish fashion rental companies as possible, expanding the number of companies and interviewees included in the study would allow for deeper insights and potentially for new findings. Furthermore, being the number of members working within fashion rental extremely limited, getting access to a variety of viewpoints within each organization was often not possible. Lastly, given the contextual nature of the deeper tactical layers of the framework (tactical aspects and tactical choices), as well as the overall Swedish fashion rental market context selected, it is possible that the framework application to a broader set of case companies or to other industries would result in additional adjustments of the framework, beyond the ones already performed.

## 8.5 Future research

This study provides the foundations for several questions to be explored by future studies. First, the developed framework would benefit from further application and assessment, by including *more case companies* as well as by applying the framework to *other markets*, to investigate whether new potential FRBMs and tactic, and tactical aspects/types emerge.

Secondly, the application of the framework abductive logic and the study of PSS BM implementation through tactics adoption could be beneficial in *other industries* (close to the fashion industry, e.g. interior design) experiencing an emergence of PSS services and a general lack of direction on the options available to structure and implement the service.

Thirdly, the current study focused on a vertical study, providing a ‘snapshot’ of the current FRBMs and connected tactics. However, while gathering the empirical data, the authors identified interesting developments as firms evolve their BMs and potentially also their tactical approaches. For this reason, a *longitudinal study* investigating the evolution through time of PSS BMs as well as of the tactics adopted would be valuable in order to determine (a) whether the FRBM types evolve or new ones appear as the market becomes more mature (b) how the connection between FRBMs and tactics (and between tactics themselves) changes through time.

Lastly, as the study suggested the existence of connections between tactics, it would be beneficial to assess further the *direction, extent and nature of such connections*.

## LIST OF REFERENCES

### Articles:

- Adrodegari, F., Ardolino, M., & Saccani, N. (2014). *A structured business model typology for product-service systems in capital goods sector*. Department of Mechanical and Industrial Engineering, University of Brescia, Italy
- Adrodegari, F., Saccani, N., & Kowalkowski, C. (2016). *A framework for PSS business models: formalization and application*. *Procedia CIRP*, 47, 519-524.
- Adrodegari, F., Saccani, N., Kowalkowski, C., & Vilo, J. (2017). *PSS business model conceptualization and application*. *Production Planning & Control*, 28(15), 1251-1263.
- Annarelli, A., Battistella, C., & Nonino, F. (2016). *Product service system: A conceptual framework from a systematic review*. *Journal of cleaner production*, 139, 1011-1032.
- Armstrong, C. M., Niinimäki, K., Kujala, S., Karell, E., & Lang, C. (2015). *Sustainable product-service systems for clothing: exploring consumer perceptions of consumption alternatives in Finland*. *Journal of Cleaner production*, 97, 30-39.
- Azarenko, A., Roy, R., Shehab, E., & Tiwari, A. (2009). *Technical product-service systems: some implications for the machine tool industry*. *Journal of Manufacturing Technology Management*, 20(5), 700-722.
- Baines, T. S., Lightfoot, H. W., Evans, S., Neely, A., Greenough, R., Peppard, J., ... & Alcock, J. R. (2007). *State-of-the-art in product-service systems*. *Proceedings of the Institution of Mechanical Engineers, Part B: journal of engineering manufacture*, 221(10), 1543-1552.
- Barquet, A. P. B., Cunha, V. P., Oliveira, M. G., & Rozenfeld, H. (2011). *Business model elements for product-service system*. In *Functional Thinking for Value Creation* (pp. 332-337). Springer, Berlin, Heidelberg.
- Barquet, A. P. B., de Oliveira, M. G., Amigo, C. R., Cunha, V. P., & Rozenfeld, H. (2013). *Employing the business model concept to support the adoption of product-service systems (PSS)*. *Industrial Marketing Management*, 42(5), 693-704.
- Baumeister, C.K., (2014). *Access versus Ownership: Consumers' Reactions to an Alternative Consumption Mode*. PhD. Technische Universität München.
- Belk, R. (2014). *You are what you can access: Sharing and collaborative consumption online*. *Journal of Business Research*, 67(8), 1595-1600.
- Bellman, R., Clark, C.E., Malcolm, D.G., Craft, C.J., Ricciardi, F.M., (1957). *On the construction of a multi-stage, multi-person business game*. *Operations Research* 5 (4), 469e503.
- Bocken, N.M.P., Short, S.W., Rana, P., Evans, S., (2014). *A literature and practice review to develop sustainable business model archetypes*. *J. Clean. Prod.* 65, 42e56.

- Boehm, M., Thomas, O., (2013). *Looking beyond the rim of one's teacup: a multidisciplinary literature review of Product Service Systems in information systems, business management, and engineering & design*. J. Clean. Prod. 51, 245e260.
- Casadesus Masanell, R., Ricart, J.E., (2010). *From strategy to business models and onto tactics*. Long. Range Plan. 43 (2), 195e215.
- Denzin, N. (1970). *Strategies of multiple triangulation. The research act in sociology: A theoretical introduction to sociological method*, 297, 313.
- Dimache, A., and T. Roche. (2013). *A Decision Methodology to Support Servitisation of Manufacturing*. International Journal of Operations and Production Management 33 (11/12): 1435–1457.
- Dubois, A., & Gadde, L. E. (2002). *Systematic combining: an abductive approach to case research*. Journal of business research, 55(7), 553-560.
- Durgee, J.F., O'Connor, G.C., (1995). *An exploration into renting as consumption behavior*. Psychol. Mark. 12 (2), 89–104.
- Edbring, E. G., Lehner, M., & Mont, O. (2016). *Exploring consumer attitudes to alternative models of consumption: motivations and barriers*. Journal of Cleaner Production, 123, 5-15.
- Edmondson, A. C., & McManus, S. E. (2007). *Methodological fit in management field research*. Academy of management review, 32(4), 1246-1264.
- Evans, S., Partida rio, P.J., Lambert, J., (2007). *Industrialization as a key element of sustainable product service solutions*. Int. J. Prod. Res. 45 (18e19), 4225e4246.
- Flick, U. (2009). *An introduction to qualitative research*. 4th ed, Sage.
- Foss, N. J., & Saebi, T. (2017). *Fifteen years of research on business model innovation: how far have we come, and where should we go?*. Journal of Management, 43(1), 200-227.
- Gelbmann, U., and B. Hammerl. (2015). *"Integrative Re-use Systems as Innovative Business Models for Devising Sustainable Product-service-systems."* Journal of Cleaner Production 97: 50–60.
- Glase, B. G., & Strauss, A. L. (1967). *The discovery of grounded theory: Strategies for qualitative research*. New York: Aldine.
- Goedkoop, M. J., van Halen, C. J. G., te Riele, H. R. M., & Rommens, P. J. M. (1999). *Product service systems: Ecological and economic basics*. Report for Dutch Ministries of Environment (VROM) and Economic Affairs (EZ).
- Granovetter, S. M., (1973) *The strength of weak ties*. American Journal of Sociology. Vol 78, No 6. pp 1360-1380.
- Grönroos, C. (2011). *A service perspective on business relationships: The value creation, interaction and marketing interface*. Industrial marketing management, 40(2), 240-247.
- Hvass, K. (2014). *Post-retail responsibility of garments – a fashion industry perspective*. Journal of Fashion Marketing and Management, 18(4), 413-430.

- Hvass, K. K. (2015). *Business Model Innovation through Second Hand Retailing*. Journal of Corporate Citizenship, (57).
- Håkansson, H. & Snehota, I.(Eds.). (1995). *Developing relationships in business networks*. London: Routledge.
- Iran, S., & Schrader, U. (2017). *Collaborative fashion consumption and its environmental effects*. Journal of Fashion Marketing and Management: An International Journal, 21(4), 468-482
- Kindström, D. (2010) *Towards a service-based business model: Key aspects for future competitive advantage*. European Management Journal, 28: 479-490.
- Kindström, D., C. Kowalkowski, and T. B. Alejandro. (2015). *Adding Services to Product-based Portfolios: An Exploration of the Implications for the Sales Function*. Journal of Service Management 26 (3): 372–393.
- Kindström, D., and C. Kowalkowski. (2014). *Service Innovation in Product- centric Firms: A Multidimensional Business Model Perspective*. Journal of Business and Industrial Marketing 29 (2): 96–111.
- Klepp, I. G., Laitala, K., Schragger, M., Follér, A., Paulander, E., Tobiasson, T. S., ... & Watson, D. (2014). *Sustainable textile initiatives and suggestions for a Nordic Roadmap*.
- Kriston, A., Szabo , T., Inzelt, G., (2010). *The marriage of car sharing and hydrogen economy: a possible solution to the main problems of urban living*. Int. J. Hydrog. energy 35 (23), 12697e12708.
- Kuo, T.C., (2011). *Simulation of purchase or rental decision making based on product service system*. Int. J. Adv. Manuf. Technol. 52 (9), 1239e1249.
- Lang, C., & Armstrong, C. M. J. (2018). *Collaborative consumption: The influence of fashion leadership, need for uniqueness, and materialism on female consumers' adoption of clothing renting and swapping*. Sustainable Production and Consumption, 13, 37-47.
- Lechner, C., Dowling, M., & Welpe, I. (2006). *Firm networks and firm development: The role of the relational mix*. Journal of business venturing, 21(4), 514-540.
- Manzini,E.; Vezzoli,C. (2003) *A strategic design approach to develop sustainable product service systems: examples taken from the 'environmentally friendly innovation' Italian prize*. Journal of Cleaner Production, v 11, issue 8.
- Martín-Sánchez, M., Santos, C. R., & Sánchez-Tello, J (2016). *Typology of fashion-sharing business models*.
- Massa, L., Tucci, C. L., & Afuah, A. (2017). *A critical assessment of business model research*. Academy of Management Annals, 11(1), 73-104.
- Matthyssens, P., & Vandenbempt, K. (2010). *Service addition as business market strategy: Identification of transition trajectories*. Journal of Service Management, 21(5), 693–714.
- Maxwell, D., Sheate, W., van der Vorst, R., (2006). *Functional and systems aspects of the sustainable product and service development approach for industry*. J. Clean. Prod. 14 (17), 1466e1479.

- Meier, H., Roy, R., Seliger, G., (2010). *Industrial Product Service Systems IPS2*. CIRP Ann. 59 (2), 607e627.
- Merriam, S.B., (2009). *Qualitative research: A guide to design and implementation: Revised and expanded from qualitative research and case study applications in education*. San Francisco: Jossey-Bass.
- Mert, G., Herder, C. F., Menck, N., & Aurich, J. C. (2016). *Innovative services for customized, availability oriented business models for the capital goods industry*. Procedia CIRP, 47, 501-506.
- Mont, O. (2000). *Product-service systems: Final report (AFR-REPORT 288, Swedish EPA, 106 48). 1102-6944 Stockholm, Sweden*: The International Institute of Industrial Environmental Economics (IIIEE), Lund University.
- Mont, O., (2002). *Clarifying the concept of product-service system*. J. Clean. Prod. 10, 237e245.
- Mont, O. (2004): *Product-Service Systems: Panacea Or Myth?* The International Institute For Industrial Environmental Economics, Lund University, 259p.
- Mont, O., Dalhammar, C., Jacobsson, N., (2006). *A new business model for baby prams based on leasing and product remanufacturing*. J. Clean. Prod. 14 (17), 1509e1518.
- Morelli, N., (2006). *Developing new product service systems (PSS): methodologies and operational tools*. J. Clean. Prod. 14, 1495e1501.
- Möhlmann, M. (2015). *Collaborative consumption: determinants of satisfaction and the likelihood of using a sharing economy option again*. Journal of Consumer Behaviour, 14(3), 193-207.
- Pedersen, E. R. G., & Netter, S. (2015). *Collaborative consumption: business model opportunities and barriers for fashion libraries*. Journal of Fashion Marketing and Management, 19(3), 258-273.
- Perlacia, A., Duml, V., & Saebi, T. (2016). *Collaborative Consumption: Live Fashion, Don't Own It- Developing New Business Models for the Fashion Industry*.
- Perlacia, A., Duml, V (2015). *Collaborative Consumption: Live Fashion, Don't Own It - Developing New Business Models for the Fashion Industry*.
- Pessôa, M. V. P., & Becker, J. M. J. (2017). *Overcoming the product-service model adoption obstacles*. Procedia CIRP, 64, 163-168.
- Petersen, T. B., & Riisberg, V. (2017). *Cultivating User-ship? Developing a Circular System for the Acquisition and Use of Baby Clothing*. Fashion Practice, 9(2), 214-234.
- Piscicelli, L., Ludden, G. D., & Cooper, T. (2018). *What makes a sustainable business model successful? An empirical comparison of two peer-to-peer goods-sharing platforms*. Journal of Cleaner Production, 172, 4580-4591.
- Plenter, F., Fielt, E., Hoffen, M., Chasin, F., & Rosemann, M. (2017). *Repainting the business model canvas for peer-to-peer sharing and collaborative consumption*. In Proceedings of the 25th European Conference on Information Systems (ECIS), Guimarães, Portugal, June 5-10, 2017 (pp. 2234-2249)

- Polit, D. F., & Beck, C. T. (2010). *Generalization in quantitative and qualitative research: Myths and strategies*. International journal of nursing studies, 47(11), 1451-1458.
- Rapaccini, M. (2010): *Service Sourcing And Supplier Relationships In Product-Centric Servitization: A Preliminary Study*.
- Reim, W., Parida, V., & Örtqvist, D. (2015). *Product–Service Systems (PSS) business models and tactics—a systematic literature review*. Journal of Cleaner Production, 97, 61-75.
- Reim, W., Parida, V., & Örtqvist, D. (2013). *Strategy, business models or tactics – what is product-service systems (pss) literature talking about?* International conference on engineering design, iced13 19-22 august 2013, sungkyunkwan university, seoul, korea
- Richter, A., Steven, M., (2009). *On the relation between industrial Product Service systems and business models*. Oper. Res. Proc. 2008, 97e102.
- Richter, A., Sadek, T., Steven, M., (2010). *Flexibility in industrial product service systems and use-oriented business models*. CIRP J. Manuf. Sci. Technol. 3 (2), 128e134.
- Rubin, H. J., & Rubin, I. S. (2011). *Qualitative interviewing: The art of hearing data*. Sage.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students*. Pearson Education, 5th ed.
- Schuh, G., Boos, W., Kozielski, S., (2009). *Life cycle cost-oriented service models for tool and die companies*. In: Proceedings of the 19th CIRP Design Conference competitive Design. Cranfield University Press, pp. 249e254.
- Schuh, G., Boos, W., Völker, M., (2011). *Collaboration platforms to enable global service provision in the tooling industry*. Prod. Eng. 5 (1), 9e16.
- Schuh, G., Klotzbach, C., Gaus, F., (2008). *Service provision as a sub-model of modern business models*. Prod. Eng. 2 (1), 79e84.
- Steven, M.; Soth, T. (2010): *Development Accompanying Calculation - How To Calculate IPS2 Costs during the Early Development Phase?* Proceedings of the 2nd CIRP IPS2 Conference.
- Storbacka, K. (2011). *A Solution Business Model: Capabilities and Management Practices for Integrated Solutions*. Industrial Marketing Management 40 (5): 699–711.
- Stål, H. I., & Jansson, J. (2017). *Sustainable Consumption and Value Propositions: Exploring Product–Service System Practices Among Swedish Fashion Firms*. Sustainable Development, 25(6), 546-558.
- Sundin, E., Sandström, G.Ö., Lindahl, M., Rönnbäck, A.Ö., Sakao, T., & Larsson, T. C. (2009). *Challenges for industrial product/service systems: Experiences from a learning network of large companies*. Proceedings of the 1st CIRP Industrial Product–Service Systems (IPS2) Conference (pp. 298–305). Cranfield University.

Sundin, E., Öhrwall Rönnbäck, A., Sakao, T., (2010). *From component to system solution supplier: strategic warranty management as a key to efficient integrated product/service engineering*. CIRP J. Manuf. Sci. Technol. 2 (3), 183e191.

Tan, A. R.; McAloone, T. C. (2006): *Characteristics of strategies in product / service-system development*. Assessment, p. 1-8.

Tischner, U.; Verkuil, M. (2002): *Suspronet Report: First Draft Report Of Pss Review*. Suspronet.

Tukker, A. (2004). *Eight types of product–service system: eight ways to sustainability?* Experiences from SusProNet. Business strategy and the environment, 13(4), 246-260.

Tukker, A. (2015). *Product services for a resource-efficient and circular economy – a review*. Journal of cleaner production, 97, 76-91.

Tukker, A.; Tischner, U. (2004): *Product-service development as a means to enhance competitiveness and eco-efficiency: final report of SUSPRONET*. Network, p. 247.

Tukker, A.; Tischner, U. (2006): *Product-services as a research field*. Journal of Cleaner Production, v. 14, p. 1552-1556.

Verboven, H., & Vanherck, L. (2016). *The sustainability paradox of the sharing economy*. Umwelt Wirtschafts Forum, 24(4), 303-314.

Vezzoli, C., Ceschin, F., Diehl, J. C., & Kohtala, C. (2015). *New design challenges to widely implement ‘Sustainable Product–Service Systems’*. Journal of Cleaner Production, 97, 1-12.

Wirtz, B. W., Pistoia, A., Ullrich, S., & Gottel, V. (2016). *Business models: Origin, development and future research*. Long Range Planning, 49: 36-54

Witell, L., Gebauer, H., Jaakkola, E., Hammedi, W., Patricio, L., & Perks, H. (2017). *A bricolage perspective on service innovation*. Journal of Business Research, 79, 290-298.

Yin, R. K. (2009). *Case Study Research, Design and Methods 4th ed.* v5

Zott, C., Amit, R. H., & Massa, L. (2011). *The Business Model: Recent Developments and Future Research*. Journal of Management

## Books:

Botsman, R., & Rogers, R. (2010). *What’s Mine is Yours. The Rise of Collaborative Consumption*. London, UK: Collins.

Bryman, A. (2006) *Editor’s introduction: mixed methods research*, in A. Bryman (ed.). Mixed Methods: Volume 1. London: Sage, pp. XXV–LII.

Bryman, A., & Bell, E. (2011). *Business research methods* (Third ed.). New York: Oxford University Press.



Gassmann, O., Frankenberger, K., & Sauer, R. (2016). *Exploring the Field of Business Model Innovation: New Theoretical Perspectives*. Springer.

Lincoln, Y.S. & Guba, E.G., (1985). *Naturalistic inquiry* (Vol. 75). Sage.

Osterwalder, A., & Pigneur, Y. (2010). *Business model generation: a handbook for visionaries, game changers, and challengers*. John Wiley & Sons.

Pistoni, A., & Songini, L. (2017). *Servitization Strategy: Key Features and Implementation Issues*. In *Servitization Strategy and Managerial Control* (pp. 37-110). Emerald Publishing Limited.

Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students*. Pearson Education, 5th ed.

Watson, D., Kiørboe, N., Palm, D., Tekie, H., Ekvall, T., Lindhqvist, T., ... & Lyng, K. A. (2015). *EPR-systems and new business models: Part II: Policy packages to increase reuse and recycling of textiles in the Nordic region*. Nordic Council of Ministers.

## Virtual articles and documents:

Breakit (2017) *Allt fler vill hyra ut sina kläder – men är svenskarna redo?*, Published: 24/03/2017, Link: <https://www.breakit.se/artikel/6890/delningsekonomin-for-mode-vaxer-men-vagar-svenskarna-hyra-ut-sina-klader>

Elander et al., (2017) *Mistra Future Fashion: Evaluation of business models for increased reuse, collective use and prolonged life time of textiles*. Final upload: 12/05/2018, Link: <http://mistrafuturefashion.com/wp-content/uploads/2017/11/Mistra-report-D3.3.3.1.-Evaluation-of-business-models.pdf>

EU GDPR (2018). *The EU General Data Protection Regulation (GDPR) is the most important change in data privacy regulation in 20 years - we're here to make sure you're prepared*. Final upload: 12/05/2018, Link: <https://www.eugdpr.org/>

Major & Steele (2010) *Fashion Industry*, Encyclopaedia Britannica, Final upload: 12/05/2018, Link: <https://www.britannica.com/art/fashion-industry>










Owyang J, Samuel A, Grenville A. (2014). *Sharing is the New Buying, Winning in the Collaborative Economy*. Published: 03/03/2014. Link: [www.web-strategist.com](http://www.web-strategist.com)

Sweeny (2015) *Fast Fashion Is the Second Dirtiest Industry in the World, Next to Big Oil*. Published: 17/08/2015. Link: <https://www.ecowatch.com/fast-fashion-is-the-second-dirtiest-industry-in-the-world-next-to-big--1882083445.html>

TNS (2016) *Så ser vi på delningsekonomi och delningstjänster*. Published: 26/09/2016, Link: <http://feed.ne.cision.com/wpyfs/00/00/00/00/00/38/77/8F/wkr0006.pdf>

# APPENDIX

## APPENDIX 1: BUSINESS MODEL CANVAS (OSTERWALDER & PIGNEUR, 2010)

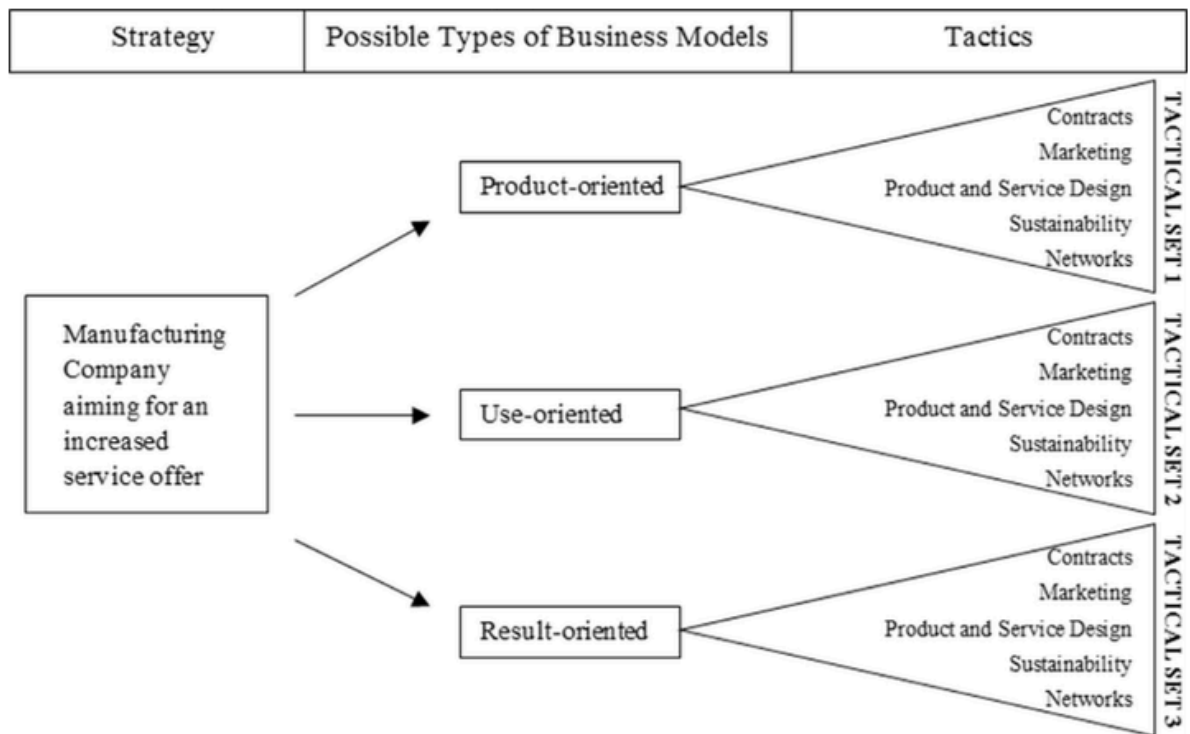
<i>Key Partners</i> 	<i>Key Activities</i> 	<i>Value Proposition</i> 	<i>Customer Relationships</i> 	<i>Customer Segments</i> 
	<i>Key Resources</i> 		<i>Channels</i> 	
<i>Cost Structure</i> 			<i>Revenue Streams</i> 	

## APPENDIX 2: 'FASHION NETFLIX' MODEL VS. FASHION LIBRARY

Based on Perlacia et al (2016) and Perlacia and Duml (2015)

	Fashion Netflix Model	Fashion Library Model
BM type	B2C	B2C
Value proposition	<ul style="list-style-type: none"> <li>Retailer owns fashion items, giving customers access to the items through rental for a limited period of time</li> <li>Potential to purchase item at the end of the rental period (valid for some businesses)</li> </ul>	<ul style="list-style-type: none"> <li>Retailer owns fashion items, giving customers access to the items through rental for a limited period of time</li> <li>Potential to purchase item at the end of the rental period (valid for some businesses)</li> <li>Focus on the customer's in-store experience</li> <li>Strong customer relationships through social media presence</li> </ul>
Channels	<ul style="list-style-type: none"> <li>Online (Websites, apps)</li> <li>Offline (Physical store)</li> </ul>	<ul style="list-style-type: none"> <li>Offline (physical store/pop up store, showroom)</li> </ul>
Revenue streams	<ul style="list-style-type: none"> <li>Pay per piece</li> <li>Monthly membership (unlimited or limited pieces included in membership)</li> </ul>	<ul style="list-style-type: none"> <li>Three types of revenue from rental: <ul style="list-style-type: none"> <li>A. Point system (different points per item, different membership have different point amounts available)</li> <li>B. Homogeneous price per item system (unlimited number of items for fixed amount)</li> <li>C. Heterogenous price per item system (agreed rate per item, depending on the type of item)</li> </ul> </li> <li>Other revenue types: sponsorships, donations, penalty fees, events</li> </ul>
Main costs	<ul style="list-style-type: none"> <li>Shipping</li> <li>Dry cleaning</li> <li>Late fees</li> <li>Insurances</li> </ul>	<ul style="list-style-type: none"> <li>Store-related costs (rent, electricity, salaries)</li> <li>Dry cleaning</li> <li>Repair</li> <li>Remake</li> <li>Insurance</li> </ul>
Type of items stocked	<ul style="list-style-type: none"> <li>New items</li> </ul>	<ul style="list-style-type: none"> <li>New items</li> <li>Second-hand items</li> <li>Fair trade items</li> <li>Vintage clothing</li> </ul>

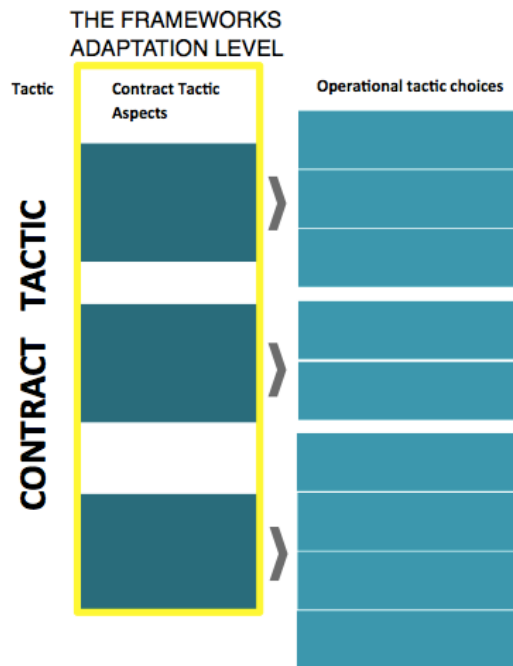
# APPENDIX 3: REIM ET AL. (2015) THREE-LEVEL PSS FRAMEWORK



## APPENDIX 4: FRAMEWORK ADAPTATIONS BASED ON PRE-STUDY FINDINGS

The authors have made *three tactic aspect adaptations* to the original framework developed by Reim et al (2015). Tactical aspects are defined as the different dimensions within each tactic, used to implement the PSS BM. The adjustments are based on significant pre-study findings, and argued as crucial for building a framework better fitting a fashion rental context (UO-PSS BMs). While no differences were found at a *tactical level*, the authors argue for adjustments on a *tactical aspect* level since:

1. The five tactics were shown to be used in different ways based on how the *tactical aspects* was applied (Lower tactic level, closer to operations than *tactics*)
2. The *operational tactic choices* identified in the analysis of the empirical results are highly context specific, and thus do not qualify as conceptual adaptations to the framework.

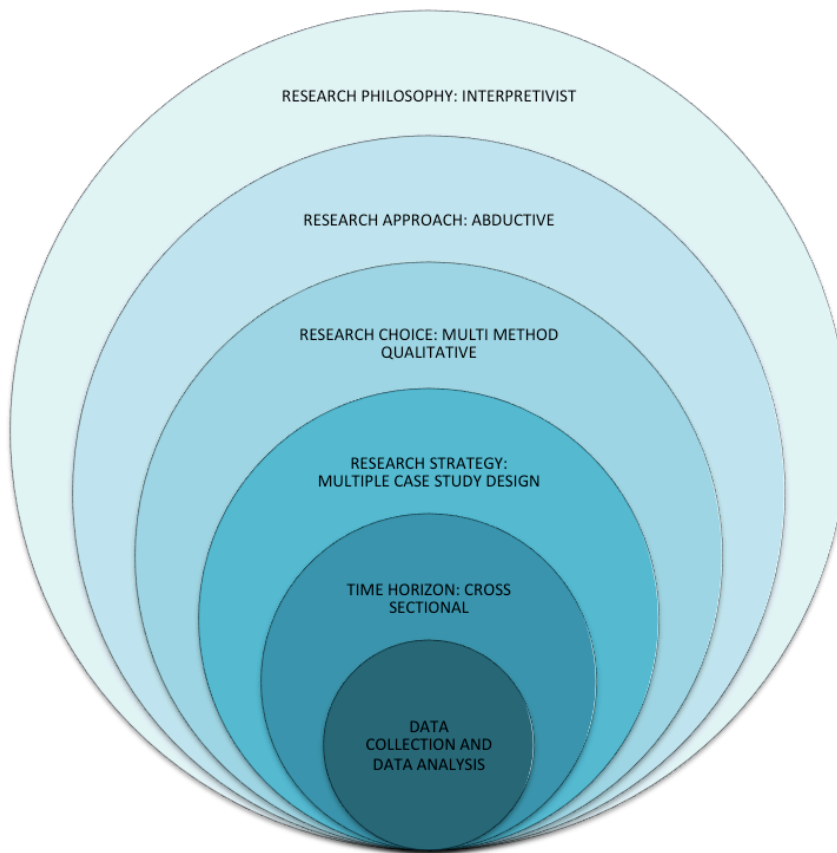


*The three tactic levels: Tactics, Tactical aspects, and operational tactic choices*

The tactical aspect adaptations are shown below:

TACTICAL ASPECT ADAPTATIONS BASED ON PRE-STUDY FINDINGS		
TACTIC	TACTICAL ASPECT ADAPTATION	ADAPTATION ARGUMENT
CONTRACT TACTIC	N/A	N/A
MARKETING TACTIC	<b>Added tactical aspect: Marketing Channel Usage</b>	The authors argue that the way in which the marketing channels are used is an essential tactic aspect, as it determines how the service is communicated to the customers.
NETWORK TACTIC	<b>Removed tactical aspect: type of partners</b> Reims et al. (2015) first network aspect 'type of partners' is not included in the second layer of the framework.	The authors argue for its fit in the strategic BM level (Barquet et al., 2013; Osterwalder & Pigneur, 2010), rather than in the operational tactic level (see section 3.1). The tactical aspect is instead moved to the 'key partner' BM element.
PRODUCT AND SERVICE DESIGN TACTIC	<b>Added tactical aspect: garment style</b>	The pre-study findings led to the addition of a fourth component in the functionality aspect: garment style, or the visual attributes of the garment in relation to current trends. This emerged particularly in relation to some companies' design of pieces in a style that is not trend-driven, thus being attractive for years to come.
SUSTAINABILITY TACTIC	N/A	N/A

## APPENDIX 5: RESEARCH ONION



## APPENDIX 6: SAMPLE INTERVIEW GUIDE

### Introduction:

- Personal Introduction and trust building
- Thesis topic, status description, thesis purpose
- Informed consent and recording request

### Interview opening question:

What are the motivations and values behind your rental service?

### Business model canvas (what) and tactic (how) mapping:

- What is your value proposition? Why?
- How do you deliver your value proposition?
- What customer segments do you have? Why do you target them?
- How do you reach and serve your customers?
- What are your distribution channels? Why did you select them?
  - Marketing channels
  - Sales channels
  - Delivery channels
- How do you use them?
- What are the key activities in your rental service? Why are these key activities?
- How do you perform these activities in practice?
- What are the key resources in your rental service? Why are these key resources?
- How do you gather and use these?
- Do you have any network partners that you collaborate with in your rental service? Which ones and why are they your partners?
- How do you collaborate with these partners?
- How is your revenue model built?
- What are your main revenue streams? Why have these been selected?
- How does your cost structure look like? Why are costs thus distributed?
- How do you manage the costs?

### Wrap-up and follow up:

- Offer to send (1) empirical finding section for preliminary check (2) completed thesis
- Request to come back to interviewee in case of further questions
- Inquire on anonymity preferences
- Thank you



## APPENDIX 7: PRE-STUDY AND MAIN STUDY INTERVIEWS

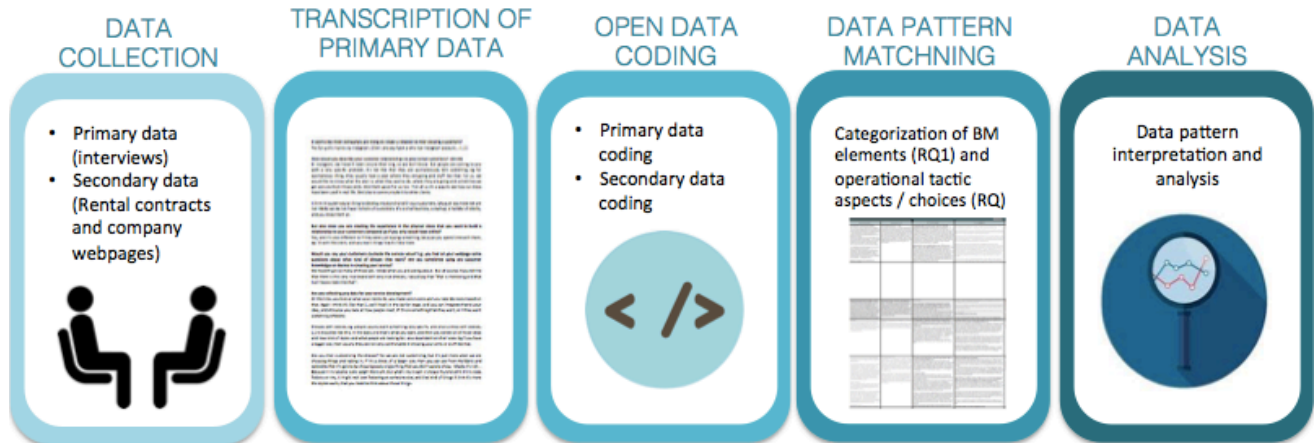
PRE AND MAIN STUDY INTERVIEWS						
	ROLE AND COMPANY	DATE	DURATION	CHANNEL	PRE/MAIN STUDY	CASE COMPANY/ OTHER
1	PR & COMMUNICATION COMPANY A	30/01/2018	50 MIN	FACE-TO-FACE	PRE-STUDY	CASE COMPANY
2	CO-FOUNDER COMPANY B	02/02/2018	60 MIN	FACE-TO-FACE	PRE-STUDY	CASE COMPANY
3	SUSTAINABILITY & SALES COMPANY C	06/02/2018	50 MIN	PHONE	PRE-STUDY	CASE COMPANY
4	CO-FOUNDER COMPANY D	14/02/2018	50 MIN	PHONE	PRE-STUDY	KEY PARTNER
5	FOUNDER COMPANY E	21/02/2018	40 MIN	PHONE	PRE-STUDY	EXPERT
6	MARKET COMPANY F	28/02/2018	50 MIN	FACE-TO-FACE	PRE-STUDY	CASE COMPANY
7	PR & COMMUNICATION COMPANY A	21/03/2018	50 MIN	PHONE	MAIN-STUDY	CASE COMPANY
8	CO-FOUNDER COMPANY B	21/03/2018	60 MIN	FACE-TO-FACE	MAIN-STUDY	CASE COMPANY
9	SUSTAINABILITY & SALES COMPANY C	22/03/2018	70 MIN	PHONE	MAIN-STUDY	CASE COMPANY
10	CO-FOUNDER COMPANY D	23/03/2018	90 MIN	FACE-TO-FACE	MAIN-STUDY	KEY PARTNER
11	STORE CLERK COMPANY A	23/03/2018	50 MIN	FACE-TO-FACE	MAIN-STUDY	CASE COMPANY
12	STORE CLERK COMPANY G	23/03/2018	30 MIN	FACE-TO-FACE	MAIN-STUDY	CASE COMPANY
13	GENERAL MANAGER COMPANY H	29/03/2018	45 MIN	PHONE	MAIN-STUDY	CASE COMPANY
14	PROJECT MANAGER COMPANY J	02/05/2018	45 MIN	PHONE	MAIN-STUDY	CASE COMPANY

## APPENDIX 8: CASE COMPANIES OVERVIEW

NAME OF COMPANY	Company A	NAME OF COMPANY	Company B
MARKET POSITION	<input checked="" type="checkbox"/> Established fashion brand <input type="checkbox"/> Middleman	MARKET POSITION	<input type="checkbox"/> Established fashion brand <input checked="" type="checkbox"/> Middleman
ASSIGNED FRBM TYPE	<input checked="" type="checkbox"/> Access focused fashion brand <input type="checkbox"/> Access focused middleman <input type="checkbox"/> Experience focused middleman	ASSIGNED FRBM TYPE	<input type="checkbox"/> Access focused fashion brand <input type="checkbox"/> Access focused middleman <input checked="" type="checkbox"/> Experience focused middleman
BM ROLE	<input type="checkbox"/> Primary (main or only) BM <input checked="" type="checkbox"/> Secondary BM	BM ROLE	<input checked="" type="checkbox"/> Primary (main or only) BM <input type="checkbox"/> Secondary BM
NAME OF COMPANY	Company C	NAME OF COMPANY	Company F
MARKET POSITION	<input type="checkbox"/> Established fashion brand <input checked="" type="checkbox"/> Middleman	MARKET POSITION	<input type="checkbox"/> Established fashion brand <input checked="" type="checkbox"/> Middleman
ASSIGNED FRBM TYPE	<input type="checkbox"/> Access focused fashion brand <input checked="" type="checkbox"/> Access focused middleman <input type="checkbox"/> Experience focused middleman	ASSIGNED FRBM TYPE	<input type="checkbox"/> Access focused fashion brand <input type="checkbox"/> Access focused middleman <input checked="" type="checkbox"/> Experience focused middleman
BM ROLE	<input checked="" type="checkbox"/> Primary (main or only) BM <input type="checkbox"/> Secondary BM	BM ROLE	<input checked="" type="checkbox"/> Primary (main or only) BM <input type="checkbox"/> Secondary BM
NAME OF COMPANY	Company G	NAME OF COMPANY	Company H
MARKET POSITION	<input checked="" type="checkbox"/> Established fashion brand <input type="checkbox"/> Middleman	MARKET POSITION	<input type="checkbox"/> Established fashion brand <input checked="" type="checkbox"/> Middleman
ASSIGNED FRBM TYPE	<input checked="" type="checkbox"/> Access focused fashion brand <input type="checkbox"/> Access focused middleman <input type="checkbox"/> Experience focused middleman	ASSIGNED FRBM TYPE	<input type="checkbox"/> Access focused fashion brand <input checked="" type="checkbox"/> Access focused middleman <input type="checkbox"/> Experience focused middleman
BM ROLE	<input type="checkbox"/> Primary (main or only) BM <input checked="" type="checkbox"/> Secondary BM	BM ROLE	<input type="checkbox"/> Primary (main or only) BM <input checked="" type="checkbox"/> Secondary BM
NAME OF COMPANY	Company J		
MARKET POSITION	<input type="checkbox"/> Established fashion brand <input checked="" type="checkbox"/> Middleman		
ASSIGNED FRBM TYPE	<input type="checkbox"/> Access focused fashion brand <input checked="" type="checkbox"/> Access focused middleman <input type="checkbox"/> Experience focused middleman		
BM ROLE	<input checked="" type="checkbox"/> Primary (main or only) BM <input type="checkbox"/> Secondary BM		

## APPENDIX 9: DATA PROCESSING FLOW CHART

The authors have used the following four steps in their data processing and analysis



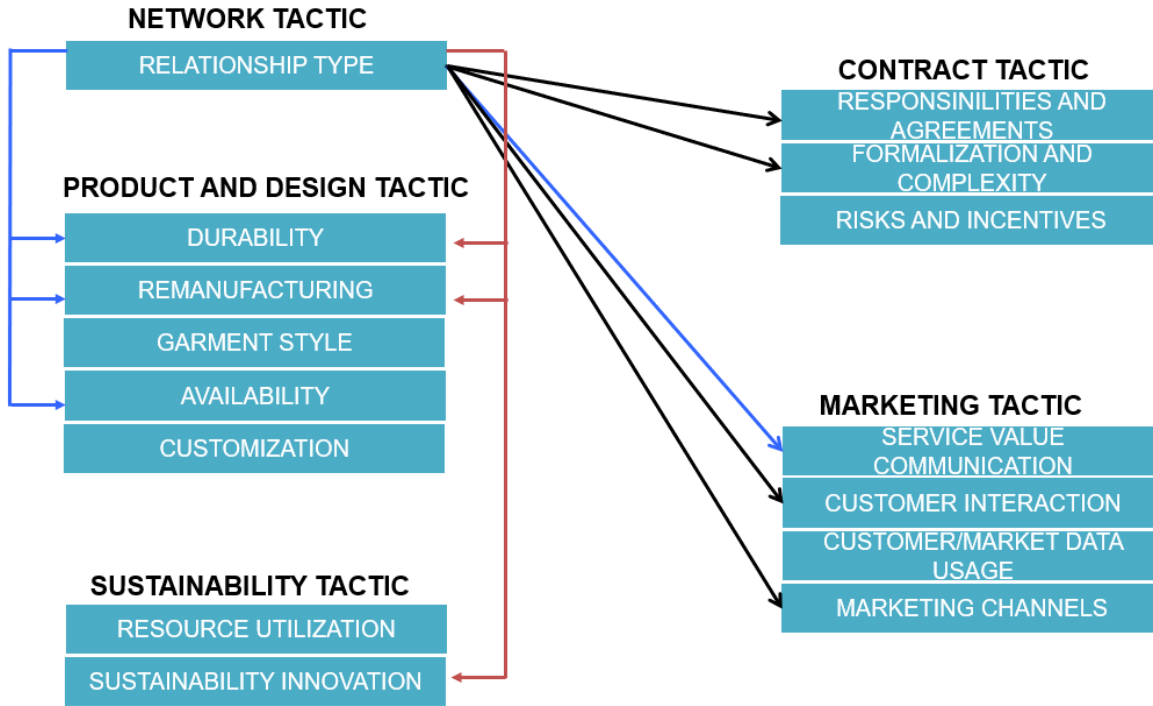
## APPENDIX 10: FRBM CHARACTERISTICS AND KEY DIFFERENCES (Case specific findings in blue)

BM TYPES	Access Focused Fashion Brands (Company A and G)	Access Focused Middlemen (Company C, H J)	Experience Focused Middlemen (Company B and F)
Customer Segments	(1) <b>Budget conscious</b> consumers (2) <b>Convenience driven</b> consumers (3) <b>Environmentally aware</b> consumers (4) <b>Quality conscious</b> consumers (5) <b>Variation driven</b> consumers, as well as (6) <b>Experience driven</b> consumers.		
	- Access over Experience driven customers - Access to brand over garments	- Access over Experience driven customers - Access to garments over brand	- Experience over access driven customers - Access to garments over brand
Value Proposition	1. Fashion <b>access</b> via rental service (2) <b>Economic</b> benefits (3) <b>Functional</b> benefits (4) <b>Experiential</b> benefits (5) <b>Environmental</b> benefit		
	- Brand access over Experience - One brand, varying number of designs	- Garment access over Experience - Several brands and designs offered	- Experience over access (creative playground) - Several brands and designs offered
Distribution Channels	(1) <b>Sales</b> Channels: offline and online (2) <b>Marketing</b> Channels: owned online/offline and third party channels (3) <b>Delivery</b> Channels: in-store delivery		
	- High offline sales channels focus - Low online sales channels focus (under development) - <b>In-store delivery</b>	- High offline sales channels focus - High online sales channels focus - <b>Online delivery and in-store delivery</b>	- High offline sales channels focus - Moderate online sales channels focus - <b>Online delivery and in-store delivery</b>
Customer Relationships	1. <b>Duration</b> : Moderate/long-term (everyday garments) and short-term (less frequently used garments) (2) Varying <b>relationship depth</b> (3) Varying consumer <b>data collection and processing</b>		
	- Transactional Relationship depth	- Moderate/varying Relationship depth:	- High Relationship Depth:
Revenue Streams	(1) <b>Asset sales</b> and <b>rental/subscription payments</b> the largest portion of revenue streams (2) <b>Delay and repair fees</b> stands for a fraction (3) <b>Revenue model</b> build on: rental type, the membership form, the rental time period, the rented item, rental volume and additional added services		
	- Revenue streams from both owned and third parties sales channels - Rental revenue streams are only a fraction compared to asset sales - <b>One-off rental revenues</b>	- Revenue streams from owned sales channels - Subscription/rental payments and regular asset sales are the main revenue streams - <b>Recurring (subscription) and one-off (rental) revenues</b>	- Revenue streams from owned sales channels - Rental/subscription payments are the main revenue streams - <b>Recurring (subscription) and one-off (rental) revenues</b>
Key Resources	(1) <b>Physical</b> : garment stock and store/showroom (2) <b>Human</b> : staff operating the store and rental service founders/developers (3) <b>Financial</b> : Varying financial resources (4) <b>Intellectual</b> : Brand equity from own/rented garments and IT system for handling the rental orders (with different complexity levels)		
	- <b>Physical resources</b> : (1) pre-existing store (high importance) (2) Low brand variety and varying design assortment - <b>Human resources</b> : Designers - <b>Financial resources</b> : <b>Company funds</b> - <b>Intellectual resources</b> : Pre existing brand equity	- <b>Physical resources</b> : (1) store, currently important but maybe not in the future (2) High brand variety and high design assortment - <b>Human resources</b> : - - <b>Financial resources</b> : <b>Company funds, bootstrapping or bank loans</b> - <b>Intellectual resources</b> : Positive spill over from rented garments brand equity	- <b>Physical resources</b> : (1) Showroom in a good location and used for the service experience (2) High brand variety and high design assortment - <b>Human resources</b> : additional service experience staff - <b>Financial resources</b> : <b>Bootstrapping or private bank loans</b> - <b>Intellectual resources</b> : Positive spill over from rented garments brand equity
Key Activities	(1) <b>Pre-rental stage</b> : choice/purchase of garments to rent, partner management, marketing (brand and service communication) and rental IT system/web page development (2) <b>Rental-usage stage</b> : provide rental access online/offline, creating rental orders, serving clients (3) <b>Post-rental stage</b> : garment returns, laundry and dry cleaning, repairs, and late return or product damage fees.		
	- <b>Pre-rental stage</b> : (1) Rental garment selection from existing sales assortment (designated/ non designated), (2) management of manufacturing supplier - <b>Rental-usage stage</b> : <b>No product shipment management</b> - <b>Post-rental stage</b> : -	- <b>Pre-rental stage</b> : (1) Rental garments search and purchase (extensive assortment), (2) management of supplier brands - <b>Rental-usage stage</b> : <b>Product shipment management</b> - <b>Post-rental stage</b> : -	- <b>Pre-rental stage</b> : (1) Rental garment search and purchase (extensive assortment), (2) management of supplier brands and additional service experience staff management - <b>Rental-usage stage</b> : Creating the service experience, <b>product shipment, collecting customers garment desires</b> , <b>Post-rental stage</b> : -
Key Partners	(1) <b>Laundry</b> services (2) <b>Repair</b> services (3) <b>Communication</b> partners (4) <b>IT</b> partners		
	- Manufacturing and textile suppliers - <b>Communication partners (low variety)</b>	- Supplier brands and designers - <b>Communication partners (high variety)</b> - <b>Consumers as garment stock partners</b>	- Supplier brands and designers - Additional service experience staff - <b>Communication partners (high variety)</b> - <b>Consumers as garment stock partners</b>
Cost Structures	(1) <b>Fixed costs</b> : physical store/warehouse expenses, marketing, salaries (2) <b>Variable costs</b> : purchasing/reserving garments to rent, laundry and repair.		
	- <b>Fixed costs</b> (1) Pre existing store, (2) Pre-hired staff), (3) moderate marketing costs - <b>Variable costs</b> : (1) garment assortment (Low), (2) product maintenance	- <b>Fixed costs</b> (1) physical store (2) salaries (3) low marketing costs - <b>Variable costs</b> : (1) garment assortment (High), (2) <b>garment purchase cost reduction via leasing agreements</b> (3) product maintenance	- <b>Fixed costs</b> (1) showroom (2) salaries (3) varying marketing costs - <b>Variable costs</b> : (1) Garment assortment (High) (2) product maintenance (3) experience creation expenses

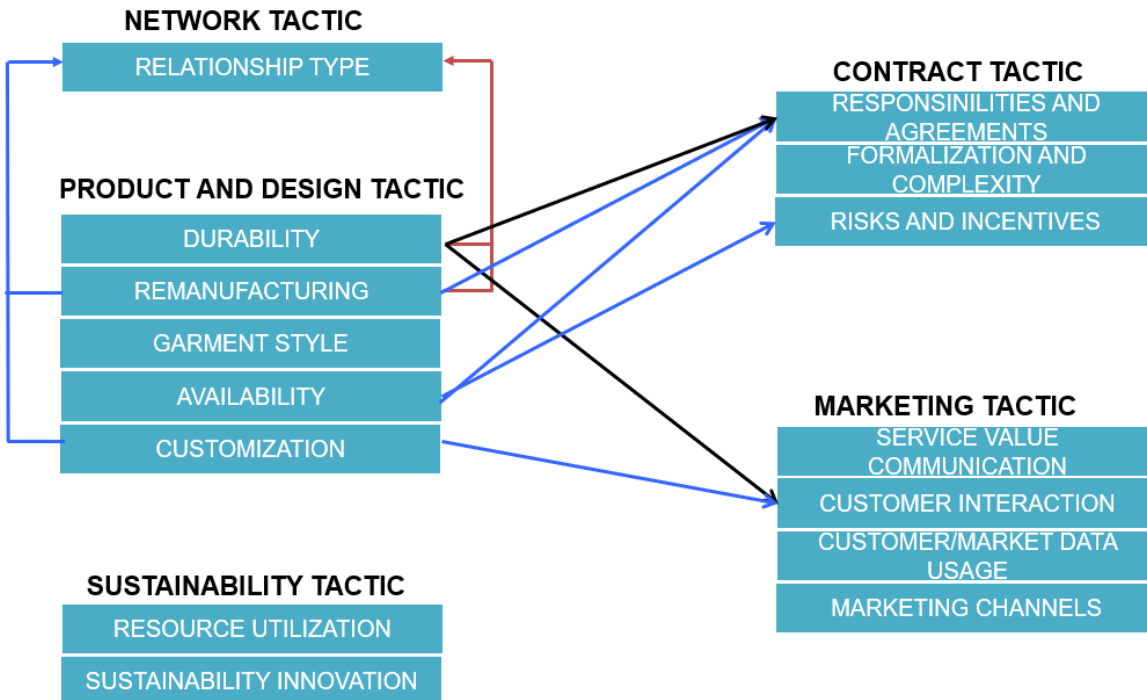
## APPENDIX 11: CONNECTIONS BETWEEN THE DIFFERENT TACTICAL ASPECTS

Tactical aspect connections, based on FRBM types. The arrows represents the connections direction, where black arrows = all BM types, blue arrows = both middlemen BMs, red arrows = access fashion brands

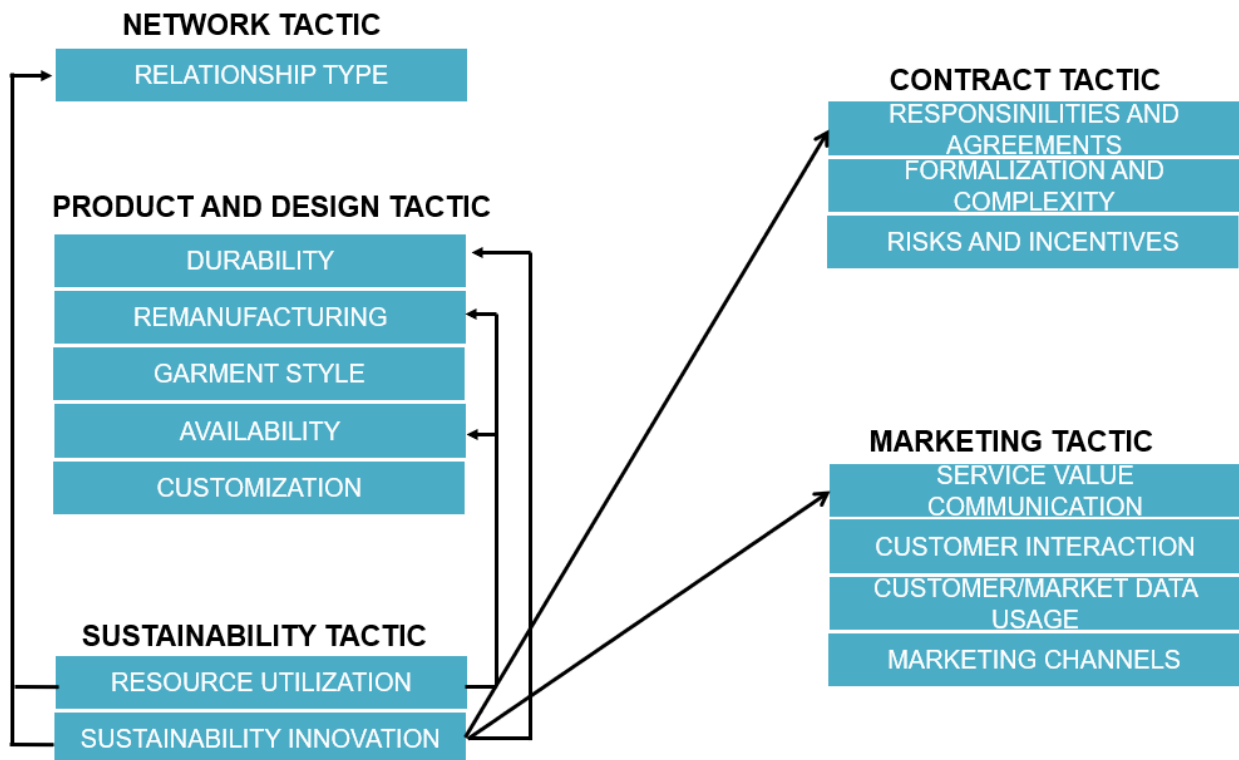
### Connections from the network tactic



### Connections from the product and service design tactic



## Connections from the sustainability tactic



## Connections between the contract and marketing tactics

