MERGING SUSTAINABILITY AND CLOTHING

AN EXPLORATORY STUDY ON THE LEASING OF CLOTHING AND THE SELLING OF SECOND-HAND CLOTHING

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Merging Sustainability and Clothing: An exploratory study on the leasing of clothing and the selling of second-hand clothing

Abstract:

Propelled by the environmental impact of the fashion industry, more sustainable business models for fashion consumption are emerging but have yet to become a widespread alternative to newly produced clothing. This thesis explores the potential of two of these more sustainable business models. More specifically, the purpose of this study is to explore clothing leasing services and the selling of second-hand clothing and their potential to become viable, profitable and scalable business models. This purpose is addressed through a qualitative multiple-case study based on semi-structured interviews. Firstly, value creating processes of the business models were examined, showing that value-in-use and co-creation play a significant role. Secondly, opportunities and challenges were explored. Consumer behaviors, finding investors, streamlining the processes of sorting and collection in second-hand, creating appropriate online leasing platforms and financing of leased inventory were found to be significant opportunities and challenges.

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To all the interviewees

Your enthusiasm, passion and knowledge has made this journey a rewarding and interesting experience.

Table of contents

1.   Introduction

1.1.   Background

1.1.1.   The Fashion Industry

The way in which clothing is predominantly produced and consumed in this day and age is marked by a rather linear approach, in which the life-span of each garment is generally limited to the use of one individual (Steensen Nielsen & Gwozdz, 2018). In addition to this, the prevailing business model for the clothing industry today is characterized by the concept of fast fashion. Companies engaged in fast fashion seek to sell at a rapid rate and do this by responding to seasonal fashion trends, thereby promoting a short product life span. (Byun & Sternquist, 2008). This type of clothing consumption has contributed to a 40% rise in the amount purchased per person in the EU between 1996 and 2012. Considering the extensive use of water, energy and chemicals in clothing production process, this is problematic. (Sajn, 2019). The fashion industry is directly responsible for an estimated 10 percent of global carbon emissions ("Putting the brakes on fast fashion", 2018).

A different approach to clothing production has to be taken in order to reduce its environmental impacts. Recycling textile fibers to create new ones is quite an uncommon practice and still in the early stages of development, only done on a small scale. Of the clothing that is recycled today, most is done so mechanically. This means that the recycled fabrics are deconstructed and turned into new fibers by cutting, tearing and carding. The downside to this process is that the fibers are weakened, meaning the quality of the material is weakened. To create acceptable quality, the recycled fibers have to be mixed with virgin ones. An alternative, less developed option is chemical recycling. In this process, textiles are melted or dissolved with the help of chemicals to create new fibers, but this approach is still a work in progress. Overall, clothing recycling is still in its infancy, meaning its environmental implications are largely unknown and to develop adequate technology will take time. In the meantime, we need to find alternatives to help reduce the environmental impact of clothing on our planet. (Östlund et al., 2015).

At the same time, we see a rise in consumer interest for more sustainable alternatives of clothing. For example, at around Christmas time every year for the past 30 years, the Swedish research and consultancy firm HUI Research announces "Årets julklapp", roughly translated to "Christmas gift of the year". "Årets julklapp" reflects current or future consumer behavior and prevailing social trends in Sweden. In 2018, the recycled garment became "Årets julklapp" and they define it as a garment entirely or partly recycled, or second-hand. ("Årets julklapp 2018", n.d). Additionally, the American second-hand clothing chain ThredUP and the research company GlobalData estimated

the worth of the U.S. market for second-hand clothing to increase from 24 billion dollars in 2018, to 64 billion dollars in 2028. This can be compared to the fast fashion market, whose worth is expected to rise from 35 to 44 billion dollars during the same period. ("Nya hotet mot modejättar som H&M: Den snabbt växande second hand-branschen", 2019).

Moreover, as the importance of ownership is decreasing in today's society, increasingly more value is put on experiences. Forbes magazine calls this phenomenon "The Rentership Society", emphasizing that people are, for instance, increasingly renting and leasing clothing, furniture and using on-demand services to consume movies and music. (Coughlin, 2018). In Sweden, private leasing of new cars has increased from 7 percent to roughly 30 percent in the last five years (Swärd, 2018). In the US, the rental and leasing industry for clothing is estimated to grow from 1 billion dollars in 2018 to 4.4 billion dollars in 2028 (Felsted & Halzack, 2019).

1.1.2. Second-hand and Leasing

The clothing industry must be willing to embrace circular business models, rather than linear ones, to be able to extend the lifespan of a garment. As recycling technology is still underdeveloped, collaborative consumption offers significant opportunities to meet this challenge in the near future. The concept of collaborative consumption has been grouped by Botsman and Rogers (2011) into three distinct systems

1. Product Service Systems: Characterized by usage rather than ownership. It encompasses companies which instead of transferring ownership by sales, supply goods as services, allowing customers to for instance rent or lease the goods.

2. Redistribution markets: Market places in which used goods change ownership through for instance bartering or second-hand markets.

3. Collaborative lifestyles: Exchange or sharing of intangible things such as space, time and skills. An example within this category is the company Airbnb.

This paper will focus on the two first systems, Product Service Systems and Redistribution markets. More specifically, it will investigate second-hand and leasing within the clothing industry.

Second-hand

A transfer in ownership, or in other words, the reselling of used garments, characterizes second-hand retailing. This is either carried out by non-profit actors, who sell donated items or for-profit actors, who sell on consignment. Traditionally, second-hand stores have not employed any particular assortment strategy. However, as niche players have emerged during recent years, often focusing on selling high-quality brands and aspiring to resemble ordinary fashion stores, that is changing. C2C platforms such as Tradera,

Blocket and Shpock are also prevalent within the second-hand market. On these platforms, customers are responsible for the whole sales journey, from uploading an item to delivery of the product. (Sweet, Aflaki, & Stalder, 2019).

Leasing

Clothing rental services have been around for decades, focusing on special occasions such as weddings. The core idea is that the company retains ownership of the clothes while the customer gets to enjoy them for a short period of time, often 1-2 days. Additionally, in exchange for a service fee, certain companies today allow customers to use their clothing for a predefined period, often a couple of weeks, before returning them. This type of service is referred to as leasing. Subscription based services for leasing have also emerged, where customers pay a monthly fee that allows them to take home and use a specified amount of clothing each month. (Steensen Nielsen & Gwozdz, 2018).

Mixed model

In addition to pure second-hand and leasing companies, some traditional fashion companies such as Appletrees, Nudie Jeans and Houdini have started to lease and resell clothing from their own brands.

Market Sizing

A study by Mistra Future Fashion recently tried to quantify the size of the Swedish second-hand market but came to the conclusion that it would be extremely difficult. The first reason being the number of players. There are only a few large actors, while there is an incalculable amount of small-scale second-hand actors that embody various concepts. A second reason is the lack of numbers. The market for second-hand clothing is overall still emerging, as several actors have just recently begun their business endeavors and have thus not yet begun gathering and publishing quantifiable data. (Sweet, Aflaki, & Stalder, 2019). Although the study could not draw conclusions on the size of the Swedish second-hand market, it can be noted that Swedish consumers buy on average 12,5 kilos of newly produced clothing every year, compared to on average 0,9 kilos of second-hand clothing ("Potential för större second hand-marknad", 2017). As the Swedish second-hand market is difficult to quantify, it also difficult to observe general patterns of growth. However, an isolated example of growth is the Swedish platform Tradera, which saw a 21 percent increase in its sales of second-hand clothing during the first quarter of 2019 (Gunnilstam, 2019). This can be compared to a 13 percent growth in online sales of clothing in Sweden in 2018 ("Den svenska e-handeln fortsätter växa", 2019). Clothing leasing services have only been around in Sweden for a couple of years, with just a handful of small-scale actors and there is therefore no data available on market size or growth rate. The biggest actor on the Swedish market is

Sabina & Friends, with a turnover of roughly one million SEK ("Sabina & friends AB", 2018).

1.2.   Problem Area and Research Gap

In previous research, second-hand fashion retailing and clothing rental/leasing services have been discussed from different consumer perspectives. For instance, by conducting in-depth interviews, Turunen and Leipämaa-Leskinen (2015) found five different ways consumers attach meaning to second-hand luxury accessories, namely Sustainable Choice, Pre-loved Treasure, Unique Find, Risk Investment and Real deal. Moreover, attention has been given to mapping consumer segments based on their clothing consumption behavior, in order to better understand which type of consumers are currently most open to alternative, more environmentally friendly business models for clothing. Gwozdz, Nielsen and Müller (2017) identify five different segments based on clothing acquisition volume and the price level of clothing purchases. Their findings suggest that two segments, which are both characterized by high volume and high spending consumers, are the ones most open to new alternative business models such as renting and leasing. Additionally, cognitive aspects, such as fear of physical contagion, have also been researched and found to affect the adoption of access-based business models like renting and leasing (Axelson & Sivertsson, 2014). A study done by Mistra Future Fashion in Poland, Germany, the United States and Sweden showed that younger consumers are more likely to have used clothing leasing services and bought second-hand clothing, with female consumers having a higher intention than their male counterparts to do so in the future. The study also concludes that a characteristic that distinguishes those who have a high intention of using clothing leasing services and buying second-hand clothing is high self-transcendence values. (Steensen Nielsen & Gwozdz, 2018).

Though research investigating consumer perspectives adds significant value on the path towards sustainable clothing consumption, there is a need to find viable business strategies that generate value for both consumers and business owners alike within business models that extend the lifespan of clothing. While some attention has been given to examining the drivers and barriers of collaborative consumption from a business perspective (Becker-Leifhold & Iran, 2018; Pedersen & Netter, 2015) and the opportunities and challenges of second-hand fashion retail stores (Gopalakrishnan & Matthews, 2018), the authors call for more research in the area of e-platforms for second-hand fashion and cost-effective renting models. To complement the consumer perspective, further research is needed from the business perspective, which is a research gap this study aims to fill.

1.3.   Purpose and Research Questions

The purpose of this study is to explore the potential of clothing leasing services and second-hand clothing to become viable, profitable and scalable business models. The study therefore aims to generate knowledge on the value creating processes involved, as well as insights on what is needed in order to attain profitability and large-scale business activity. This purpose forms the basis for the following research questions.

RQ1: How is value created in clothing leasing services and the sales of second-hand clothing?

RQ2: What opportunities and challenges do actors face in the market for clothing leasing services and second-hand clothing?

The first research question generates valuable knowledge in itself but will also help in facilitating the understanding of the opportunities and challenges explored in the second research question.

1.4.   Delimitations

This thesis investigates only the Swedish market. This is partly due to limited time and access but also stems from the fact that the Swedish market is a dynamic one, with many emerging, as well as established actors within second-hand and the leasing of clothing. Furthermore, companies such a Schpok who focus on creating platforms where private persons can sell to other private persons, will be excluded from the study. This is due to the fact that such companies are used as platforms of communication between consumers and the focus of the study is on B2C rather than C2C. Additionally the study will also exclude small, individually owned boutiques that do not have the ambition of expanding, as the study focuses on scalability of business models that extend the lifespan of clothing. Furthermore, the study will not investigate second-hand and leasing from a consumer perspective since previous research has already addressed this topic.

It may be noted that clothing short term rental services (1-2 days) and buying clothing online while keeping the tag on and then returning them after only using them once, can be seen as substitutes to clothing leasing services. However, these can be seen as rather weak substitutes as the point of leasing is to be able to use the clothing several times like one's everyday garments. Because they are rather week substitutes and because it is rather the garments that we wear every day that we have the most of and therefore have the greatest environmental impact, this paper will not investigate short-term rental services (1-2 days) of special occasion garments.

1.5. Expected Contributions

From a theoretical perspective, this study aims to contribute to the development of value creation theory based on the service dominant logic. It will do so by applying it in the context of second-hand and leasing. Based on the review of previous research, no similar applications of value creation theory have been found. The theory of service dominant logic has been cited as one of the most influential marketing theories of the 2000s (Gummerus, 2013), thus making this study highly relevant for marketing research.

Moreover, the study aims to contribute with practical and relevant knowledge on how value can be created within second-hand and the leasing of clothing. It also aims to contribute with insights on what opportunities and challenges these businesses need to address in order to achieve long term success. The study will not provide any prescriptive advice, but by enabling businesses to learn from each other about the current situation, and by applying value creation theory, it will hopefully provide useful insights for future practical strategic considerations.

2. Theoretical Framework

The following section outlines the theories used to answer the research questions. The theories have been identified by searching in databases for literature, using search words such as "business model", "value creation", "co-creation", "second-hand", "leasing", "pre-used", "pre-loved", "collaborative Consumption", "PSS" (Product Service System).

First, a theory about value creation is explored. This theory will primarily be used to answer the first research question but will also help in deepening the understanding of some of the challenges and opportunities the interviewed actors face. Second, the concept of business models and the Business Model Canvas, will be introduced. The Business Model Canvas will be used to map the business model components and individual strategies employed by the interviewed companies, serving as a basis for facilitating the analysis of the research questions.

2.1. Value Creation

Value and value creation have a number of different meanings and definitions in marketing literature and have been cited as ambiguous concepts with no distinct definitions. However, two major value literature streams have been identified: value creation processes and value outcome determination. The study of value creation processes concerns the "...*activities, resources, and interactions that result in value creation…*" (Gummerus, 2013, p.21) whereas value outcome determination takes a customer-perspective. It is the study of how value is perceived, determined and assessed by the beneficiaries of the value creation processes. Traditionally, value creation processes have been said to reside within the firm. (Gummerus, 2013). However, recent research suggests otherwise, presenting a theory for value creation revolving around service systems and the application of a service dominant logic perspective (Vargo, Maglio, & Akaka, 2008).

2.1.1. Goods Dominant Logic

Goods-dominant (G-D) logic is the traditional view on value and value creation. A firm creates value and distributes it to the market, commonly through the exchange of goods for money, which is referred to as "value-in-exchange". Value creation is from this perspective seen as a set of activities performed by a firm and value is measured by the exchange transaction, the producer and consumer playing distinct roles in the value creation process, with only the producer creating value. Here, the function of economic exchange is to create and distribute things to be sold on the market. A firm creates the value of a good in its production process and that value is represented by the goods price. (Vargo et al., 2008).

2.1.2. Service Dominant Logic

Service-dominant (S-D) logic is the alternative view on value and value creation. From this perspective, a firm is not the only actor creating value. Value is created jointly and reciprocally between providers (e.g. firms) and beneficiaries (e.g. customers). The firm creates value only once its offerings are used and integrated with other available resources, which can either be market-facing (i.e. other firms) or non-market-facing (e.g. private and public). This is referred to as "value-in-use". For instance, a car only has value once there is a private user who is able to drive it. So, the producer and consumer do not have distinct roles as value is created together in any given exchange, however value is always determined by the beneficiary through use. (Vargo et al., 2008).

2.1.3. Service Systems

A service system consists of an individual or a group of individuals (e.g. firms, nations, governments) and is defined as an arrangement of resources, such as people or information. From a service system perspective, the distinct roles of the producer and consumer dissolve as all actors involved together create value both for themselves and for others. Service systems depend on the resources of others to survive, this drives the integration of resources and is the basis for economic exchange. For instance, in order to apply their skills, a hairdresser is dependent on the usage of resources such as scissors and shampoo. The goal of an exchange is to use the knowledge of others as resources to better one's own circumstances, whether it be knowledge to produce a tangible good or provide a certain skill. From this perspective, our society is dependent upon value-creation processes where the driving force is value-in-use but where value-in-exchange still remains an important element as a mediating and facilitating factor for services to be exchanged. Service systems thus interact as a network, all contributing to each other's working. (Vargo et al., 2008).

2.1.4. Value Co-creation

In the S-D logic, the customer is thus always involved in the process of value creation, even in the exchange of tangible goods;

> *...goods are appliances that provide services for and in conjunction with the consumer. However, for these services to be delivered, the customer still must learn to use, maintain, repair, and adapt the appliance to his or her unique needs, usage situation and behaviours* (Vargo & Lusch, 2004, p.12).

The topic of value co-creation based on the service dominant logic is further explored by Grönroos (2011), who makes a distinction between the production process and a customer's individual value creating process. The production process represents a firm's development, manufacturing and delivery phases and is seen as a value facilitator,

offering potential value. The customer then continues the value creating process on their own and real value is generated through usage, in other terms value-in-use. Grönroos argues that it is only in interactions between the firm and the customer that value can be co-created and that these interactions may either be value creating or value destroying, depending on if the interaction has a positive or negative effect on the customer's value creating process. These components of the value creation process are illustrated in figure 1 in appendix 1. However, Grönroos notes that although the figure illustrates a rather linear process, the value creating activities can occur in a different order. For instance, the customers may early on in the process interact with a firm as co-creators of value by being involved in the creation of new resources. (Grönroos, 2011).

2.2.   Business Model Canvas

The business model concept has been discussed in multiple settings by researchers and practitioners, yet no common, widely accepted definition of the term "business model" has been agreed upon. However, a widespread, overarching idea among the literature is the notion of business models as a way of expressing the value creation processes within companies and their environment. (Zott, Amit, & Massa, 2011). Drawing upon this insight, this paper will define the term "business model" in accordance with Osterwalder and Pigneur (2010), who describes it as *"...the rationale of how an organization creates, delivers, and captures value"* (p.14). Moreover, the Business Model Canvas, originally developed by Osterwalder and Pigneur, will be used as a theoretical framework. The Business Model Canvas consist of nine interrelated components which together capture the value creating processes of a company. The nine components are presented below.

2.2.1.   Key Partnerships

This building block encompass all of the various business partners a company is dependent on and collaborates with in order to create value, such as logistics providers, suppliers and sometimes even competitors. Osterwalder and Pigneur identify three main purposes for establishing partnerships: risk reduction, resource optimization and economies of scale for acquisition of resources and activities. (Osterwalder et al., 2010).

2.2.2.   Key Activities

The key activities are the day-to-day operational activities a business must perform in order to successfully deliver value for its customers and manage the company. Depending on the business model type and which industry a company acts within, the key activities will differ but typically include activities such as production, problem solving or managing platforms, customer relationships and networks. (Osterwalder et al., 2010).

2.2.3. Key Resources

This component of the Business Model Canvas outlines the most essential assets a company needs to work efficiently. Four main categories of resources are presented in the model: *physical* (such as buildings and machines), *intellectual* (for instance brands and patents), *human* (employee knowledge, experience and skills) and *financial* (cash, lines of credit etc.). (Osterwalder et al., 2010).

2.2.4. Value Proposition

The value proposition describes how a company's products or services provide value for its customers by solving problems and satisfying customer needs. Value creation may be achieved through superior product quality and performance, but it may also be accomplished by for instance customization, a competitive price, the status of a brand or by helping customers reduce their costs. (Osterwalder et al., 2010).

2.2.5. Cost Structure

The cost structure depicts the most significant costs incurred in a particular type of business model. The costs can either be variable or fixed costs and may have characteristics such as economies of scale or economies of scope. Osterwalder and Pigneur distinguish between two different cost structures, Cost-driven vs. Value-driven, where the former focuses on minimizing costs whereas the latter emphasizes value creation such as personalization and premium quality. (Osterwalder et al., 2010).

2.2.6. Revenue Streams

This component represents the various ways a company can generate cash. Some examples of revenue streams are: sales of assets, usage fees, subscription fees, renting/leasing fees, licensing fees, brokerage fees and advertising fees. (Osterwalder et al., 2010).

2.2.7. Customer Relationships

This building block of the Business Model Canvas is about determining which type of relationship a company wishes to have to its customers. Establishing and maintaining customer relationships can be done is various ways, ranging from personal assistance and co-creation to automated services. A company may also choose a business model characterized by self-service, implying minimal interaction with its customers. (Osterwalder et al., 2010).

2.2.8. Channels

The channels represent the ways in which a company reaches and communicates with its target customers and encompasses all the touchpoints along the customers journey. The use of channels can be categorized according to five phases: raising awareness, helping customers evaluate the offer, purchasing options, delivery of the good/service and after sales support. The channels can either be owned by the company themselves or by partners and may for example be stores, websites or advertising. (Osterwalder et al., 2010).

2.2.9. Customer Segments

This element of the Business Model Canvas concerns the identification of groups of customers with common needs, behaviors and characteristics that a company aims to serve. A company may choose to target one or multiple segments. It also important to determine which type of customer segment the company will try to reach, whether it be a mass market or niche market. (Osterwalder et al., 2010).

3.   Methodology

3.1.   Research Strategy and Design

This thesis takes the form of an explorative study. It aims to develop and generate in-depth insights that provide a better understanding of the complexities facing actors with business models that extend the lifetime of garments. Therefore, a qualitative research design was chosen. A qualitative design allows for a description of reality and an understanding of processes, (Bryman & Bell, 2015) which are important to fulfill the purpose of the study. Furthermore, as the market for second-hand clothing and clothing leasing services is still in an emergent and dynamic phase, pinpointing and quantifying cause-and-effect relationships would not be as appropriate as developing insights of the market conditions. Therefore, a quantitative method was not chosen.

A case study strategy based on interviews was applied to fit the study's exploratory purpose. More specifically a multiple-case design was used, as the study aims to investigate the mechanisms of two different business models. Moreover, as there are variations among the companies in the market concerning their competitive strategies, there was a need to review multiple cases within each business model to get a holistic perspective of the market. An advantage of the case study strategy is that it enables in-depth insights and understandings about complex processes and contexts. Nonetheless, an often-cited critique of qualitative case studies is that generalizations cannot be made (Bryman & Bell, 2015). However, rather than making generalizations, the intent of this study is to promote and further the development of insights about the investigated business models. An alternative case method that could have been used is ethnography. However, due to time constraints, this was not possible.

3.2.   Research Approach

This study primarily takes an inductive approach, meaning that the empirics form the basis for the development of theory. However, Bryman and Bell (2015) emphasize that not all studies with a primarily inductive design generate theory but rather generate illuminating, illustrative insights. The inductive approach is commonly used for qualitative case study designs (Bryman & Bell, 2015). In relation to the purpose and qualitative nature of the study, it was therefore decided that this approach would be the most appropriate. Although the study primarily has an inductive design, existing theory has been used to guide the content of interview questions and the study thus contains some elements of deduction as well. Bryman and Bell point to that *"Deductive and inductive strategies are better thought of as tendencies rather than as a hard-and-fast distinction"* (Bryman & Bell, 2015, p.25) a statement that suits the scientific approach of this study well.

3.3.   Research Philosophy

This study follows the interpretative paradigm. This implies that the basis for understanding is formed by the experiences of the individuals working within the chosen organizations (Bryman & Bell, 2015). The use of interpretivism as an epistemological research philosophy is based on the qualitative nature of the study, as well as on the fact that when exploring the challenges and opportunities of the identified business models, the answers will be based on the subjective understanding and knowledge of the interviewed company representatives.

The study takes a constructivist ontological position, meaning that social actors produce the social reality, rather than seeing social reality as predefined by rules and structures (Bryman & Bell, 2015). This suits the study well, as the investigated market has emerged as a disruptive alternative to traditional behavior within the fashion industry.

3.4.   Data Collection and Analysis

3.4.1.   Interview Sample

The interview sample was selected based on a generic purposive sampling method and the interview objects were thus subjectively chosen to fit the purpose of the study (Bryman & Bell, 2015). One of the reasons for using purposive sampling is to ensure sufficient diversity within the sample, in order to be able to explore what the study aims to investigate (Ritchie, Lewis, McNaughton Nicholls, & Ormston, 2014). Therefore, purposive sampling was appropriate considering that there are variations in competitive strategies within each identified business model. To fit the criterions for being considered as a potential interview object, the companies had to either have plans for scaling or already be national companies. Having a plan for scaling means that the companies had to have the ambition, and actively work on a day to day basis, to expand the business beyond just selling from a single store in one city. Scaling may either be done through online sales or through opening stores in several locations. Small, individually-run, second-hand boutiques were thus not considered in our sample. Non-profit organizations were accepted as candidates if the purpose of their second-hand operations was to generate a profit. Unlike for-profit organizations, the generated profit is used for social betterment but as they still need to generate a profit, they were considered as relevant interview objects. For the scope of this paper, bags are included in the definition of the leasing of clothing.

In order to identify relevant interview objects, we conducted extensive research online and reviewed the industry partners of Mistra Future Fashion, a cross-disciplinary research program (Mistra Future Fashion, n.d.) for sustainable fashion. 18 companies in Sweden matched our criterions and were contacted through email. Email addresses to relevant persons within the organizations were either provided by a researcher at Mistra

Future Fashion or found online. 9 companies agreed to participate in the study and were interviewed either face-to-face or over telephone for 45-60 minutes sessions (for list of interviews, see appendix 2)

3.4.2. Interview Design

The interviews were semi-structured to allow for flexibility, depending on the various strategies employed by the different companies in the study. Furthermore, a semi-structured approach was appropriate, considering the predominantly open-ended nature of the questions in the interview guide. This enabled follow-up questions that could promote a better understanding of the complexity of the interviewees' business operations.

When formulating the questions in the interview guide, the Business Model Canvas presented in the theoretical framework was used as a basis. A few adaptations were made in the interview guide, depending on which business model defined the interviewed company (for interview guide, see appendix 3).

Each interview was initiated by asking for permission to record it, which all of the interview objects agreed to. In asking for permission, it was emphasized that only the researchers would listen to the recordings. This was done in order to establish trust and make the interviewees feel comfortable to talk openly. Moreover, being transparent about the study's objective, which was conveyed through the initial email, was also important for building trust. The interviews were conducted in Swedish and both researchers participated in all of the interviews. The interviews were either held at the offices of the interviewed companies or at the Stockholm School of Economics. To ensure good quality of the recordings and no distractions, the interviews were held in quiet rooms.

It should be noted that although some second-hand actors do not only sell clothing, the interviews focused on the operations related to clothing. However, some aspects, such as funding, could not be confined to clothing operations.

3.4.3. Data Processing

All interviews were transcribed based on the recordings. Following transcription, thematic analysis was used to analyze the data. Thematic analysis involves "*...discovering, interpreting and reporting patterns and clusters of meaning within the data*" and the method incorporates a process of thematic coding (Ritchie et al., 2014, p.271). Some contend that thematic analysis is not a distinctive, identifiable method in its own, and rather consider it to be a general approach for qualitative analysis. However, it is still recognized as one of the main qualitative analysis traditions and was considered to be the most appropriate approach to answer the research question, as it allows for substantive interpretation as well as recognition of patterns in the data.

(Ritchie et al., 2014). A grounded theory approach was considered but was not recognized as appropriate, due to that the aim of the study is not to develop an explicit theory.

The analytic journey of thematic analysis followed two main steps as suggested by Ritche et.al (2014); "data management" and "abstraction and interpretation". In the data management step, we familiarized ourselves with the data by reading through the transcriptions before coding and sorting the data according to themes and sub-themes. As part of the data management step, all components of the Business Model Canvas were mapped for each interview object. In the abstraction and interpretation phase, the identified themes were scrutinized to identify what various actors had said about certain themes and subthemes, recognizing both similarities and differences. Moreover, linkages between themes were examined.

3.5. Quality of the Study

As alternative measures for reliability and validity, qualitative studies are proposed to consider four separate criteria for trustworthiness in order to ensure the quality of the study: credibility, transferability, dependability and confirmability. Credibility corresponds to internal validity and transferability is used as a measure for external validity, while dependability represents a way of measuring the reliability. Additionally, confirmability is added as an objectivity measure. (Lincoln & Guba 1985; Guba & Lincoln 1994, referenced in Bryman & Bell, 2015).

3.5.1. Credibility

Credibility involves ensuring that the research has been *"carried out according to the canons of good practice"* as well as making sure that the researchers has correctly understood the interviewees (Bryman & Bell, 2015, p.401). In order to achieve credibility, respondent validation was used by having the interviewees verify and approve the content presented in the empirics.

3.5.2. Transferability

For others to be able asses the transferability of the study, thick descriptions and details have been provided by describing each interviewed company and their specific context. This facilitates for readers to for instance assess whether or not the results can be transferred to second-hand within markets other than clothing.

3.5.3.   Dependability

To establish dependability, an "auditing approach" is proposed to be adopted, implying that the researchers should keep complete records of the research process, which is then supposed to be reviewed by peers acting as auditors (Guba & Lincoln, 1994 referenced in Bryman & Bell, 2015). Due to limited time and resources, a complete formal auditing approach has not been adopted. However, records of the research process have been kept and systematically organized and the research process has been continuously reviewed by our supervisor.

3.5.4.   Confirmability

Confirmability refers to that *"...while recognizing that complete objectivity is impossible in business research, the researcher can be shown to have acted in good faith"* (Bryman & Bell, 2015, p.403). To achieve confirmability, mere awareness about the importance of it, and thus always keeping confirmability in mind throughout the whole research process was essential. Moreover, we tried to make sure to not ask any leading questions while interviewing, to avoid probing the answers in any direction.

4.   Empirical Findings

In this section, the main findings for each interview object will be presented. A Business Model canvas for each interview object can be found in appendix 4.

4.1.   Appletrees

Appletrees is Swedish company that sells premium, high-quality unisex clothing. In 2014, the company established its base in Stockholm. It is from there it currently runs a store but has since its establishment started selling to exclusive retailers in over 10 countries. Charles is the sole owner and employee of the company. Sustainability is a core value of the company and impregnates all of its operations. One and a half years ago, Appletrees started collecting and reselling their own garments as second-hand for 50 % of the original retail price, both in-store and online. Those who return a used garment to the store get a discount of 30 % on a new product. Aside from this, Appletrees never offers any discounts, mainly because of environmental and branding concerns. Charles says that second-hand garments are therefore a good way to reach younger consumers who currently cannot afford their regular assortment.

At present, second-hand is not a big source of revenue for Appletrees. Charles says that the primary reason they still take the time to do it is because they want to take responsibility and as a bonus, it generates marketing. As each garment needs to be handled individually, the most time-consuming part of their second-hand operations is the online store. *"It takes just as long time to upload a second-hand garment on the website as it takes to upload a garment that I will sell for years to come"*[1]. Once a garment is sold, it also needs to be taken down from the website. Charles explains that there is a balance between how much time he can spend on the second-hand online operations versus focus on his regular operations, since second-hand does not generate much additional income. Therefore, he considers restricting the second-hand sales to the physical store. Charles mentions that another challenge for scaling their second-hand operations is that they cannot control the inflow of clothing.

4.2.   Nudie Jeans

Founded in 2001, Nudie Jeans is a Swedish denim brand with stores all around the world. In-store they collect and resell their own-brand jeans as second-hand. As of 2018, Nudie Jeans also started selling their second-hand jeans online by having drops of roughly 200 jeans at a time. The customers who bring their worn jeans back to their store receive a 20 % discount on a new pair. Currently, the online second-hand operation just breaks-even, while the stores make a profit. However, Nudie jeans will

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[1] All original quotes in Swedish can be found in appendix 5

continue doing both to take responsibility and regards it as an important part of their sustainability profile. According to Kevin, the Sustainability Coordinator at Nudie jeans, the store personnel have an important role in the promotion of second-hand as they can talk to customers about sustainable consumption and how to best take care of their jeans to prolong their lifetime.

Kevin says that having second-hand online sales in the form of drops has been a successful strategy, as it has generated enthusiasm. When their drops have been released globally, their jeans have sold out in 1-2 days. However, if they were to have continuous sales online, Kevin says that would require much larger investments in personnel and digital platforms. Nudie jeans has predominantly gotten positive feedback about their second-hand department, but some customers have expressed complaints over high prices. Still, their online second-hand operation just breaks-even and Kevin outlines that this is one of the challenges for scaling because if they should invest more in it, it ultimately needs to generate a profit.

4.3. Sellpy

Sellpy is a Swedish company founded in 2014 and operates an online sales platform for second-hand products, selling and collecting all over Sweden. Sellpy has received money from several investors, their biggest being H&M. Anyone can order a Sellpy bag to fill and place outside their door for Sellpy to collect for free. Sellpy then takes care of the whole sales process, creating the advertisements and pricing the garments. Sellpy sells on consignment, meaning that once the products are sold, the seller will get 40 % of the sales price. The prices are set by an algorithm that they have developed, which lowers the price over time, but can also be adjusted by the seller. Their assortment ranges from budget to premium quality clothing.

Lisa, the head of sustainability at Sellpy, says that they manage large volumes of unique clothing every day and therefore work actively with machine learning to try to streamline the process of second-hand clothing collection and management. At this point in time, much of the sorting and selling processes are still done manually, which is time consuming and thus entails high costs relative to time invested. Lisa also states that it is the cheaper clothing, which they have most of, that is hardest to sell. Aside from donating what they do not sell to the non-profit actors Myrorna and Stadsmissionen, Sellpy also works together with Wargön Innovation, a laboratory focusing on finding more effective ways to handle large volumes of clothing. She also says that both the descriptions and photographs need to be continuously improved to attract the right buyer, but that the additional effort per garment needs to pay-off economically.

For some people, buying second-hand clothing is a big step and Lisa thinks that one should respect that. She also states that most people buying, and selling are women. Lisa hopes that in the near future it will not matter whether or not a garment is second-

hand. She adds that she believes that promoting clothing as second-hand does not necessarily have to be what draws customers, rather that the piece fit the needs of the customer.

4.4.   Varié

Varié was started in 2015 and sell timeless, premium second-hand clothing online. In the fall of 2018, they opened a pop-up store in Norrköping which has now been turned into a permanent store, but their main focus is still online sales. Varié sells on consignment, the provider receiving a commission of 30 or 60 %, depending on the price of the clothing. The provider can either leave their clothes in-store or send them by mail. Varié then takes care of the sales process. Ann-Sofie, who runs the company with Linda, says that through an improved dialogue with their providers, only 10% of what they receive does not match their premium profile, a percentage that used to be 70%-80%. The clothing that does not fulfill their standards is donated to Myrorna. In addition to selling clothing on consignment from private individuals, Varié helps Filippa K sell their own used clothing that Filippa K collects in-store. Ann-Sofie states that they see similar collaborations as an opportunity in the future.

Ann-Sofie claims that the main challenge of their operation is the fact that each individual garment is unique. First of all, she says that it is time consuming and thus costly to manually photograph, price and advertise each garment. Secondly, it makes it harder to do marketing. *"Recently we had a photoshoot of 20 garments, but the problem is that we only have one of each, so we need to focus on selling a style rather than an individual garment. We cannot push for certain clothes in the same way as regular fashion brands"*. In order to face this challenge, Varié works towards using AI to be able to give personalized recommendations based on style. However, in order to achieve this and to automate the sorting and sales process of each garment, more investments are needed, which have been hard to get. *"When we talk to investors, it is hard to show them good financial predictions since we can't control the inflow of the clothes we sell"*. Moreover, Ann-Sofie says; *"Investors often want a quick return which is hard for Varié to guarantee since it requires patience to change an ingrained consumer shopping behavior as we are trying to do"*.

In the interview, Ann-Sofie also points out that a factor that reduces their profitability is that they are required to pay VAT for each sold garment, while the private individuals that provide them with clothing are not required to pay VAT. This means that they cannot settle VAT receivables against VAT payables.

4.5.   The Red Cross

The Red Cross is a non-profit humanitarian organization that opened their first donation based second-hand store in Växjö, in 1986. Currently they have over 300 stores around Sweden, all led by local associations. Individuals donate their garments to a local store where relevant pieces are picked out, priced, fixed up if needed (e.g. buttons and zippers are sewn on) and sold. Sometimes stores do auctions on Tradera for objects of high value, as they can get a higher price when selling to all of Sweden, rather than locally. Martina, business developer of second-hand at the Red Cross, says that the competency to sort is extremely important in this case; to know what is demanded locally and what has a higher value and can be sold on Tradera. The organization also works with commercial clothing actors to collect donations, such as Zalando.

Martina points out that The Red Cross wants to sell as much as possible in Sweden, so they have sales when needed and some stores even do exchanges of clothing, as different places in Sweden have different demands. What cannot be sold in-store is sent by trucks to depots where the companies Texaid or Soex first sort and then recycle or export the material.

Marina says that she has over the years noticed new target groups forming, such as conscious young adults. Moreover, she also says that both second-hand and non-second-hand clothing actors are now more than ever interested in collecting used textiles and customers are also understanding the fact that they can sell their own clothing on consignment. At the same time, thousands of tons of used textiles end up in the trash each year and The Red Cross hopes that their efforts can contribute to people activating that material instead and are working to find easier ways for people to donate.

4.6.   Myrorna

Myrorna is a chain of second-hand stores in Sweden, selling both online on Tradera and through 33 physical stores. As they are non-profit, the products they sell are collected through donations and all their profits from their stores go to the Salvation Army's social work in Sweden. Myrorna collects their clothing through in-store collection, municipality recycling centers, boxes outside stores (e.g. IKEA) and private homes and in some instances, they do at home pick-up. Furthermore, they have partnered with Lindex, MQ and Varner Group who either help them collect clothing through their stores or by donating leftover clothing from clearances and reclamations.

Caroline Andermatt, the current CEO, says that since the number of second-hand actors is increasing and since consumers are becoming more aware of the second-hand value of their clothing, making them more likely to sell on consignment, Myrorna now works more actively than they did a couple a years ago to find new and more effective ways to collect. Caroline adds that the increased competition on the market has most likely

contributed to that they now experience a decrease in the quality of the clothing they receive.

For the clothing not collected in-store, garbage has to first be removed before the sorting process can start. Then, clothing is sorted according to if it can be sold in Sweden or if it is more appropriate to be sent abroad through an export company. The next step in the sorting process is to sort the clothing into fractions such as winter/spring and men/women/children before each garment is priced and shipped to the stores. Caroline mentions that the pricing process is knowledge intensive and requires that the personnel are aware of current fashion trends as well as product quality differences. Caroline says the sorting process is costly as it is time consuming and they therefore try to find ways to get donors to better sort the clothing themselves before donating.

According to Caroline, many consumers expect second-hand to be cheap. She says: *"We are imprinted by the perception that a new garment is worth more than second-hand".* Caroline claims that, together with competition from reoccurring discounts in fast fashion chains, this is one of the probable reasons as to why it has been hard for Myrorna to increase their sales of "volume products" such as tank tops. To maximize their sales and avoid discounting, they often rotate clothing between stores, as exposing the garments to more customers make them more likely to be sold. Caroline also mentions that they recently had a pop-up store at The Lobby, a concept store in central Stockholm where actors can rent a space for no more than a month. The pop-up store was a test in trying to reach new, less price-sensitive audiences and Caroline states that it was a success as they were able to charge more than usual for their clothing. To reach new audiences, Myrorna has also established stores at shopping malls such as Emporia, in addition to the stores they have in the city streets.

4.7. Sabina & Friends

Sabina & Friends is a clothing leasing service for women founded in 2011. Operating both online and through a store in Stockholm, its founders Unni and Åsa currently focus on about eighty clients per month. The concept is based on the leasing of casual clothing and one can choose between leasing two or four pieces per month. Washing or dry cleaning is included in the service. Åsa and Unni buy in clothing from upscale fashion retailers such as Stylein and Rue de Femme twice a year for Fall/Winter and Spring/Summer. Once it's time to switch seasons, the pieces are either sold to current clients who have requested to buy certain items, at their own store or occasionally to second-hand retailers like Sellpy. If anything happens to the garment, it is usually the customer's home insurance that covers the costs.

Our interviewee Unni says that her customers see the leasing of clothing as a fun way to experiment with different styles, often leading them to buy less than they otherwise would. However, she states that there is a need for a behavioral change in the way

people choose to consume. It is not always easy to get people to try the concept, as it can be perceived as time consuming to commit and consumers are used to the notion of buying.

Although they have a few smaller investors, there is in general problems with finding suitable ones, as most are quite short-sighted and rigid. She also points out that current online sales platforms/checkout systems are not suited for leasing, making them difficult to work with, as the availability of the clothing fluctuates and this needs to be communicated to customers accurately. This, coupled with the fact that many customers expect free shipping, has led to Unni and Åsa choosing to mostly focus on leasing in-store, rather than online. When coming in close contact with their customers at their store, they can also give style-advice. Unni notices that customers appreciate this, as they can give them truly honest advice considering that the customers have already paid for the service, compared to regular fashion stores where the personnel might give positive feedback just because they want to sell more.

4.8. MyDresscode

MyDresscode was founded in 2017 and runs a leasing service where customers can lease designer bags for either a week, two weeks or a month. Their main sales channel is through their website, but their bags are also displayed in the same store space as Sabina & Friends. In some cases, customer pick up the bags in-store but anyone in Sweden can have a bag sent to them by mail. However, Christina, the sole owner and employee, says that they have had many instances with delayed shipping. This causes problems since they need to have the bags back in time to be able to lease them to other customers.

For Christina, one main daily activity is responding to customers questions about how the service works as most consumers are not used to the leasing concept. For instance, many customers worry what will happen if they break the bag. At present, it is the customer who is responsible for the cost of restoring the bag if it would break but most customer's household insurances will cover this according to Christina. However, she says: *"When we first contacted insurance companies, they said they would not cover such cost but when we asked them to show us their terms, it turned out that they actually do cover leased movable property. The customer service personnel were just not aware of it"*.

All of the bags in MyDresscode's assortment are bought through second-hand. Once MyDresscode wants to renew their assortment, the bags are sold as second-hand again. To determine which bags they should add to their assortment, MyDresscode currently runs a rating system on their website where customers can vote on which bags they want. In order to scale and be able to offer a subscription service, Christina believes they would need to invest in a larger and more varied assortment and build online systems better suited for leasing. However, Christina says it is hard to find investors due

to the uncertainty revolving around the behavioral changes that need to happen among customers for leasing to take hold.

4.9. Houdini

Founded in 1993, Houdini is a global Swedish outdoor clothing company focusing on sustainability. They sell in-store and online, offering renting, repairs and second hand. Quality is important to Houdini, the better quality, the more both they and the customer can get out of the garment. They therefore work actively with educating customers on how to best take care of their garments. Customers bringing in used Houdini garments receive a 50% commission on what the clothing is sold for, along with a 20 % discount on a new piece of clothing.

About half a year ago, they started a pilot project that gave a limited number of selected individuals in Stockholm the chance to test Houdini's leasing (which Houdini refers to as Product-as-a-service) pilot for six months, getting access to a shared wardrobe and thus being able to change clothing regularly. Furthermore, minor repairs and washing have been part of the service pilot. Our interviewees Carl-Johan and Gustav state that they have gotten feedback from customers that they appreciate leasing since it allows them to experiment with material, color, size and style without the commitment of buying. In the process of offering the service, rather than focusing on cross-selling and up-selling, Houdini can give genuine product advice, while at the same time emphasize sustainable clothing practices and focus on the experience in nature with the clothing, taking away the focus on consumption.

Gustav pointed out that in the beginning, customers often chose the more expensive garments to feel that they got value for their money, basing their choice on retail value rather than experienced value. Moreover, sometimes customers wanted to purchase garments that they liked. However, as the pilot went on, some customers began to focus less on retail value and more on experience value, as well as understood the commitment of having less impact. Gustav says; *"One customer once came to me and said 'Gustav, now that I even lease clothes, I looked at my car and thought, what do I need that for, so I sold my car"*.

Houdini hopes to in the future extend their leasing service with more variety in prices and timeframes. A suitable back-end platform is also needed to handle a scaled and more flexible leasing model. Scaling would also require a larger investment in inventory which they mention is affected by that financial institutions are more used to calculating risk in linear business models rather than for example leasing models. The same goes for the insurance industry that is not used to insuring items that are leased but rather used to insuring inventories that will be sold.

5. Analysis

Firstly, an analysis of research question one will be carried out before moving on to an analysis of research question two. Each question analyzes second-hand and leasing separately. The results from the mixed model actors are incorporated into the analysis except for second-hand in research question two, where there is also presented a paragraph with specific challenges for mixed model actors.

5.1. Value Creation

RQ1: *How is value created in clothing leasing services and the sales of second-hand clothing?*

5.1.1. Second-hand

Clothing Collection

By employing various tactics for clothing collection, actors selling second-hand garments start the value creation process. Methods employed include: in-store collection, sending clothing by mail, boxes outside of stores and private homes, collection at municipal recycling centers and pick-up services at private homes. Nonetheless, referring to the S-D logic, true value is not created until someone has used the clothing and the collection process can therefore only be seen as a value facilitator. However, it should be noted that the collection of clothing can also be seen as a co-creative process in those cases in which the persons providing their used clothing are customers of the second-hand company. Value co-creation thus occurs when for instance customers of Varié, Sellpy, Myrorna and The Red Cross also sell or donate their old clothing to them. In such interactions, such actors can communicate with their customers what they would like to receive, which was something Varié highlighted. When customers provide their old clothing to mixed-model actors like Appletrees, Houdini and Nudie Jeans, in return receiving a discount on a new garment, value is also co-created as both parties interact in a value creating process. Value is generated to the company because they receive garments to sell and potentially generate new sales from the incentivizing discount. Simultaneously value is also created for the customer as they receive monetary value from the discount, which can be interpreted as value-in-exchange.

Clothing Management

The creation of value is facilitated by second-hand companies through the sorting, repairing and pricing of clothing. By applying either an algorithm, as Sellpy does, or personnel knowledge to price the clothing, value creation is facilitated as pricing the clothing correctly is imperative to get them sold and used. For companies operating

online, photographing and writing ads for their clothing is also value facilitating. Moreover, exchanging clothing between stores as Myrorna and The Red Cross does, and working towards giving personalized recommendations through AI as Varié does, further facilitates for customers to find garments to buy and use. All of these processes help customers find clothing that they would like to buy and use, thus the customer finishes the value creating process through value-in-use.

Service System Integration

Second-hand actors do not operate in isolation, they create value with the help of other service systems. For instance, the garments Sellpy and Varié cannot sell are donated to Myrorna, which in turn are dependent upon service systems such as the clothing export-companies Texaid and Soex. Without such interactions, much value would be lost, as some clothing would not come to use. Moreover, in the collection stage, second-hand actors have partnered with companies selling newly produced clothing such as Zalando and pick-up services such as Move by Bike. Thus, integration between different service systems is integral to the value creating process of second-hand, as the operations of several actors are intertwined.

Educating Customers

Value co-creation occurs when store personnel use their knowledge about sustainable clothing practices to educate customers on what they can do to take care of their clothing in the most sustainable way possible, something actors such as Nudie Jeans and Houdini mentioned. When customers use this knowledge, value is created as the life-time of their garments is prolonged. For mixed-model actors producing high-quality clothing, this is also value generating, as it increases the chances of the actor getting the clothing back in good condition, thus enabling them to resell the clothing as second-hand.

5.1.2. Leasing

Clothing Usage

Leasing actors facilitate value creation by making available a varied assortment of garments for a predetermined fee (value-in-exchange). However, it is the concept of value-in-use that lays the foundations of the leasing business model, as it is not through ownership, rather through the usage of the garments, that value is created for the customer. Customers are able to regularly change every-day clothing and access high quality clothing from actors like Houdini and Sabina & Friends, without having to commit large sums of money.

Customer Interaction

Both Houdini and Sabina & Friends expressed that their customers appreciate that leasing allows them to experiment with color, style and size and that the store personnel can help them in this process by giving honest advice, as there is no incentive for the personnel to up-sell or cross-sell. Value thus emerges from an interactive, co-creative process. Furthermore, value co-creation plays a significant role in MyDresscode's operations through their wish-list system. By collaborating with their customers, value is generated as the customers receive what they wish for and MyDresscode receives insights on how they should allocate their budget.

Service System Integration

Value is created in leasing services through interactions with other service systems, such as insurance companies. Insurances allow customers to worry less about issues such as breakage and spillage while using leased clothing, adding value to the experience. Value is also created through the interactions of service systems when actors like Sabina & Friends and MyDresscode sell their used products to second-hand actors. It allows them to renew their assortment at a lower cost while also extending the product's lifetime.

Educating Customers

Just as in second-hand, the co-creation of value occurs when store personnel educate customers in sustainable clothing practices. However, this might also have spillover effects into other parts of the customers lives, as it can facilitate a change in mindset to a more sustainable lifestyle in general, thus creating value for the planet. This was exemplified by Houdini, who told the story of a customer who sold his car after using Houdini's clothing leasing service.

5.2.   Challenges and Opportunities

RQ2: *What opportunities and challenges do actors face in the market for clothing leasing services and second-hand clothing?*

For a bullet-point summary of all the opportunities and challenges, see appendix 6

5.2.1.   Second-hand

Collection

As the market for second-hand clothing expands, so does the competition for pre-owned textiles. Many consumers are now understanding the value of their own closets and will oftentimes sell what is of higher value on consignment to for-profit actors like Varié or Sellpy and donate the rest to non-profit actors like Myrorna or The Red Cross. To

combat competition, non-profit actors see an opportunity in finding new and improved ways to make it easier for people to donate to them. They continuously work on this, not only to capture textiles that might otherwise go to competition but also to try to capture the large amount of textiles that currently end up in the trash every year in Sweden. At the same time, it is important for all actors on the market to clearly communicate to those donating or selling to them, what sort of garments they are looking for. Some actors have succeeded in their communication while others still see it as a challenge. Varié sells about 90% of what they receive, while Myrorna sometimes receives trash with their donations.

Furthermore, collaborations can be seen as an opportunity. Second-hand actors often collaborate in the collection process with actors that sell newly produced clothing. Examples include Varié collaborating with Filippa K to sell their clothing on consignment and The Red Cross collaborating to collect through Zalando. For-profit actors also collaborate with non-profit actors, for example both Varié and Sellpy donate what they do not sell to Myrorna.

Sorting and Selling

After the process of collection, clothing is first sorted and then sold. Sorting is reported to be time-consuming and expensive, especially when actors are dealing with large volumes. Most actors still do all their sorting manually. However, some actors like Sellpy, have some help from technology. Either way, the process still requires a significant amount of human resources in the form of employee knowledge, to be able sort out what is relevant to sell. Both the Red Cross and Sellpy are currently working with the laboratory Wargön Innovation to find more effective ways to sort and manage large volumes of second-hand clothing. Once sorted, it is time to sell. Non-profit actors are value-added tax (VAT) exempt. However, for for-profit actors the VAT presents a financial challenge. Unlike a regular for-profit clothing company, they cannot settle VAT receivables against VAT payables, since the individuals they buy their clothing from are not required to pay VAT. This reduces the for-profit actors' margins. Unlike traditional retailers, a further challenge second-hand actors face is that they only have one of everything. For many actors, it is only economically justifiable to sell something unique if it is of higher value, as return on time invested can even be negative for items under a certain value. This is where digitalization offers both an opportunity and a challenge. Currently, several actors selling in-store choose to not invest heavily in selling online, as the process requires additional resources. However, streamlining and automating the process of selling unique garments online, which Sellpy is currently working on, can not only give a larger return per garment but also justify selling garments of lesser value, which there are the most of. Furthermore, Varié is also working with artificial intelligence to come up with a way of giving personalized recommendations to promote a style, rather than a certain piece of clothing as they

cannot push for large sales volumes of a specific garment in their marketing, like fast-fashion brands can.

Consumer Behaviors

Although many actors reported opportunities in the form of new customer segments and an improved interest in buying second-hand clothing in general, there are still significant consumer behavior-related challenges present. There is a stigma around second-hand clothing that requires consumer adaptation. Actors pointed out that customers seem to be motivated to buy second-hand garments mostly because it is environmentally friendly, a good bargain and/or a unique find. However, second-hand shopping motivations need to be changed and expanded to become similar to those of newly produced clothing. Moreover, because customers expect second-hand to be a good bargain, some perceive it be expensive relative to newly produced clothing.

One way that some actors have tried to help adaptation of consumer behavior along is by showing up in places that second-hand clothing would traditionally not be. Myrorna has established a store in the shopping mall Emporia in Malmö, and also rented a spot in the "The Lobby" in central Stockholm. Additionally, as consumers shopping habits digitalize, second-hand actors need to keep up. Furthermore, it should also be mentioned that all of the interviewed actors, except for Nudie Jeans, pointed out that their largest customer segment is women, which presents both a challenge and opportunity in reaching more men.

Investments for For-Profit Actors

One of the challenges that Varié presented was the difficulty in obtaining investments, many consumers have a positive attitude towards sustainable consumption but do not take action. This makes it hard to generate predictions about when and if a behavioral change will take place, thus making a significant return on investment and fast growth uncertain.

Mixed Model

For mixed models that sell second-hand, a challenge is finding a balance between how much time and money to invest in regular operations versus second-hand operations. Both the interviewed brands, Nudie Jeans and Appletrees, run a second-hand operation on the side, mostly because they want to take responsibility and see marketing benefits from doing so. Furthermore, as Appletrees never has sales, their second-hand range is a great way to introduce the brand to younger customers, who are currently price-sensitive but will be less so in the future. Since the actors only accept their own brands, the incoming supply is significantly less than that of pure second-hand business models, making it less consistent. To combat this challenge, Nudie Jeans does online-drops, instead of having continuous sales online. The drops are a great opportunity to not only

create excitement and build up for the customer but allows Nudie Jeans time to gather the relevant items to sell.

5.2.2. Leasing

Insurance

Although Sabina & Friends and MyDresscode point out that a customer's private household insurance often covers the cost of potential breakage, MyDresscode states that the customer service representatives of many insurance companies are not aware of the fact that insurance covers leased movable property. This might create confusion and uncertainty for customers and thus make them less likely to lease. Moreover, Houdini points to the fact that the insurance industry is not used to insuring leased items. A challenge for leasing of clothing is thus finding an appropriate insurance solution that is designed to specifically fit the full needs of leasing, such as insurance during in-store storage, shipping and customer use.

Consumer Behaviors

One challenge that all leasing service companies mentioned was that many customers are still ingrained in the mindset of buying and that it takes time for customers to get used to the concept of leasing. MyDresscode said they have to spend a lot of time explaining to the customers how their service works. Moreover, Houdini stated that customers sometimes want to buy out a product when they find something they like while leasing and that customers sometimes choose to lease an expensive clothing piece "to get value for their money", even though there are other pieces that fit them better. This points to that the notion of value-in-exchange, rather than value-in-use, is deeply rooted in society. To lower the threshold for consumers to get used to leasing, one opportunity that Houdini sees is making their service more flexible in terms of for example, price levels and length of leasing period.

Investments and Financing

Both MyDresscode and Sabina & Friends pronounced difficulties in finding investors. They said that this is due to the fact that investors often want a quick return which is hard for them to guarantee, since a shift in consumer mindset is needed for leasing to become more widely used and behavioral changes are hard to predict. In addition to this, Houdini mentioned a larger inventory would be needed to operate on a larger scale. However, due to the fact that financial institutions are more used to calculating risk in linear business models rather than circular models such as leasing, financing inventory in leasing models pose a challenge.

Online Operations

A challenge that leasing companies face is that there is no suitable online platform system for leasing, and it is time-consuming to operate online on a regular sales platform. This is a challenge that has to be met for leasing to become scalable, as actors like Sabina & Friends currently see a greater return on the time invested when spending it on their physical store. If platform systems appropriate for leasing become available on the market for actors like Sabina & Friends, or if they are able to find investors that can provide the capital for them to build one themselves, an opportunity for scaling would be presented through online sales.

Shipping is another challenge for leasing. If a customer is leasing an item, it must arrive to the customer in time and be back in time for upcoming customers, which the online-focused company MyDresscode had experienced troubles with.

6. Discussion and Conclusion

6.1. Discussion

The purpose of this study was to explore the potential of clothing leasing services and second-hand clothing to become viable, profitable and scalable business models. In today's society, much emphasis is put on value-in-exchange, especially in the fashion retail market, where price is often a driver for sales (Fontes Gerards, Goodin, Logan, & Schmidt, 2018). As clothing leasing services and second-hand clothing actors facilitate value creation, they have great potential to become viable, profitable and scalable business models. However, to unleash the full potential value of second-hand and leasing, a shift in consumer mindset is necessary. Consumers need to put less emphasis on value-in-exchange and rather focus on value-in-use. Furthermore, in both second-hand and leasing, co-creation of value and service system integration plays a crucial role. To maximize value creation, a strategic implication from the study is thus that interacting and receiving feedback from customers and actors involved in their operations, is an imperative factor for success, as much value can be derived from collaborative processes. Interactions between the firms and customers, such as when store personnel educate customers in sustainable clothing practices, when customers provide second-hand clothing and when store personnel give style advice to leasing customers, are instances when co-creation occurs. This is in line with Grönroos (2011) theory that co-creation occurs in the interactions between firms and customers. However, as the model Grönroos (2011) presents can at first glance seem rather linear, with co-creation occurring specifically after the producer (firm) has facilitated value, it is important to emphasize that the author points out that value creating activities can occur in a different order. This is especially true for second-hand actors, where co-creation appears to be a rather circular process, occurring at different points in time and potentially many times over during the value creation process.

As noted in the introduction of this paper, the consumer perspective is something previous research has addressed. Although the focus of this paper was on the business perspective, consumer behavior was found to be a significant challenge and previous research therefore plays an important role. For example, understanding underlying cognitive aspects of consumers (Axelson & Sivertsson, 2014) may aid adoption and help overcome current stigmas of the investigated business models.

As the investigated business models have thus far not become a prevalent, habitual way of shopping among consumers, the interview objects have found it difficult to find investors. However, for the business models to become fully integrated into society and a part of consumers everyday lives, investments are essential to improve for instance automation, digitization and the quality of advertisements so that the models become more attractive to customers. This situation thus presents a catch-22.

The fact that the business models are not yet fully integrated into society has also been observed in terms of the challenges presented regarding VAT for for-profit actors in second-hand, as well as insurance and financing of inventory in leasing. This indicates that there are still certain institutional and financial structures in society that need to be adapted to better fit circular business models, like second-hand and leasing.

To help their industry grow, clothing leasing services could potentially use insights from the private car leasing market. For instance, a challenge that the car leasing market and the clothing leasing market both face are the customers concerns over uncertainties regarding the leasing terms and conditions. To address this issue, the Swedish Association for Motor Retail Trades and Repairs created an informative brochure for consumers (Swärd, 2018). However, the sum of the investment for the leasing of cars is much larger than that of clothing, so time invested on research for consumers before deciding to lease might differ, which must to be taken into consideration.

As a final note, our underlying hope is that second-hand and leasing will in the near future serve as a natural alternative and eventually contribute to scaling down fast fashion. However, as consumers are increasingly shopping online (*E-commerce in the nordics 2017,* 2017), it is crucial that second-hand and leasing become more digitized in order to foster their expansion and become a more obvious choice for consumers.

6.2.   Limitations

Although the study explores nine cases, which consist of a diverse sample of companies, there are some actors we did not get permission to interview. Access to those actors would possibly have generated more insights and perspectives and could thus have enabled an even more holistic perspective of the industry. Additionally, we only interviewed one person from each company, except for Houdini, limiting the variation of perspectives. This means that there might be some opportunities, challenges and instances of value creation, in the leasing of clothing and selling of second-hand clothing, that this thesis has not been able to capture. Furthermore, it is important to point out that several of the actors are still emerging on the market, meaning that though they have the ambitions to grow in size, they are still run by either one or two persons. This means that some of the challenges that have been identified could potentially not be challenges if the companies were to operate on a larger scale and thus have more resources. At the same time, other challenges may have been present if they had operated on a larger scale already.

6.3.   Conclusion

Firstly, value creating processes were explored. The results show that in both second-hand and leasing, value is created both by the firms and the customers, as the actors are

value facilitators and choose the price (value-in-exchange), while the customers are seen as the beneficiaries, creating value through value-in-use. However, in the leasing of garments, value-in-use plays an especially prominent role as it is not through ownership, rather through usage, that the customer obtains value. Moreover, when actors interact with customers by giving style and product advice, co-creation is established in leasing. In second-hand, when customers supply and buy clothing from the same actor, co-creation takes place. Service systems integration was also shown to generate value.

Moreover, opportunities and challenges were identified. In second-hand, a challenge was streamlining the processes of sorting and collection to be able to increase profit margins and ease the process of digitization. In leasing, the creation of appropriate online platforms, financing of inventory and appropriate insurance solutions, were seen as challenges. In both cases, adapting consumer behaviors and finding suitable investors, are also challenges. In second-hand, the overall opportunities identified were the potential of digitalization, new customer segments and collaborations with other clothing actors. In leasing, creating a more flexible service to fit different customer segments and the creation of appropriate digital platforms were identified as opportunities.

As a final note, it can be concluded that there is great potential for second-hand clothing and the leasing of clothing to become viable, scalable and profitable business models as they present many value creating possibilities and several opportunities. However, it is uncertain when in time and if this will happen as there are still some institutional and behavioral challenges to overcome.

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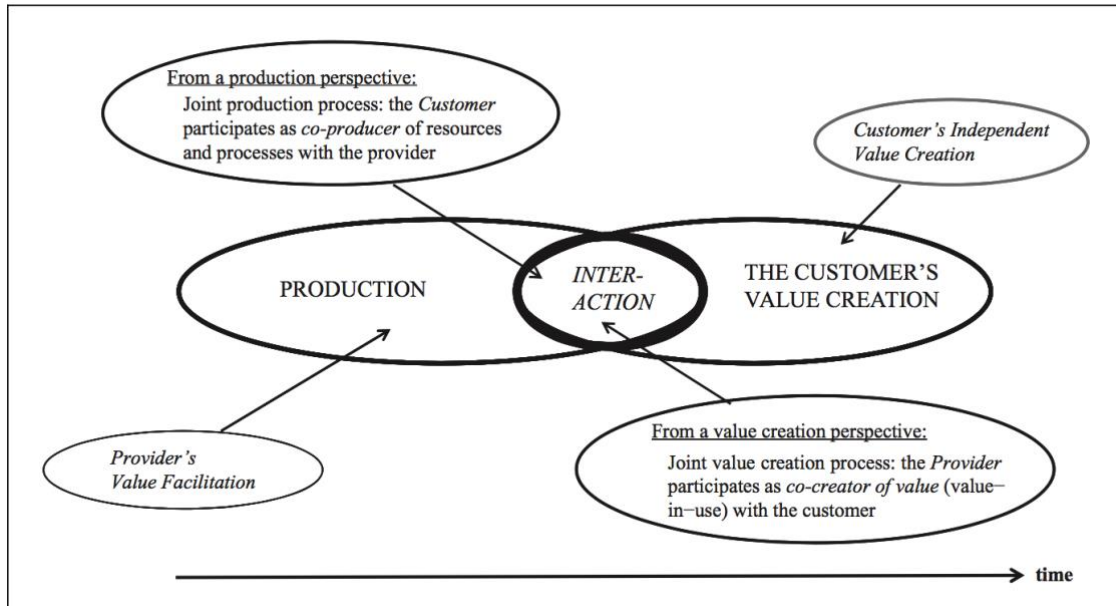
8.   Appendices

Appendix 1: Figures

Figure 1 (Grönroos, 2011)

Appendix 2: Overview of Interviews

Name	Role and company	Date	Channel
Charles Murray	CEO, Appletrees	05.03.2019	Face-to-face
Kevin Gelsi	Sustainability Coordinator, Nudie Jeans	11.03.2019	Phone
Lisa Book Taube	Head of Sustainability, Sellpy	4.04.2019	Face-to-face
Ann-Sofie Bergort	CEO, Varié	8.03.2019	Phone
Martina Bozic	Business Developer Second-hand, The Red Cross	2.04.2019	Face-to-face
Caroline Andermatt	CEO, Myrorna	1.04.2019	Face-to-face
Unni Warner	Co-founder and owner, Sabina & Freiends	28.03.2019	Facet-to-face
Christina Lindberg	CEO, MyDresscode	1.03.2019	Face-to-face
Gustav Hedström & Carl-Johan Björklund	Business Developers Product-as-a-service, Houdini	3.04.2019	Phone

Appendix 3: Interview Guide

Leasing

Key Partners

- Vilka är era viktigaste partners? *(Who are your most important partners?)*

Key Activities

- Vilka dagliga aktiviteter är viktigast för att lyckas driva er verksamhet*? (What daily activities are most important for you to be able to run your business?)*

- Har ni mött några logistiska utmaningar och i så fall vilka? *(Have you faced any logistical challenges and if yes, what are those challenges?)*

- Hur ser processen ut för om kunderna inte lämnar tillbaka kläderna eller om de lämnar tillbaka dem för sent? Har ni någon plan för om detta skulle bli ett utbrett, återkommande problem? *(How does the process look like if the customer does not return the clothing or if they return the clothing too late? Do you have a plan for what you would do if that would become a recurring problem?)*

Key Resources

- Finns det någon resurs (fysisk, mänsklig eller ekonomisk) ni upplevt begränsar er och är en extra stor utmaning att hantera? *(Are there any resources (physical, human or economic) that have limited you or are an extra big challenge to handle?)*

- Vad gör ni med de produkter som inte blir uthyrda så mycket? (*What do you do with the products that do not get leased very often?)*

- Hur ser processen för inköp av nya kläder ut och har ni stött på några utmaningar i denna process? (*How does the purchasing process for new clothing look like and have you encountered any challenges in this process?)*

Value Proposition

- Vilka värden/kundbehov tillfredsställer er affärsmodell för era kunder? Har detta på något sätt förändrats sedan er start och i så fall varför och hur? *(What customer needs or values does your business model satisfy? Has this changed since you started and if so, why and how?)*

Cost Structure

- Vad är de största kostnaderna i er affärsmodell? *(What are the most significant costs in your business model?)*

- Har kostnadsstrukturen i er affärsmodell förändrats på något sätt sedan er verksamhet startade*? (Has the cost structure changed in some way since the business started?)*

- Finns det något i er kostnadsstruktur som ni upplever behövs förändras för att affärsmodellen ska bli lönsam på lång sikt? *(Is there something in your cost structure that you perceive need to be changed for the business model to be able to become profitable in the long-term?)*

Revenue Streams

- Har era intäktskällor eller prissättningsstruktur på något sätt förändrats sedan er verksamhet startade? *(Have your revenue sources or pricing structures changed in some way since the business started?)*

- Finns det något i era intäktskällor eller prissättningsstuktur som ni upplever behövs förändras för att affärsmodellen ska bli lönsam på lång sikt? *(Is there something in your revenue source or pricing structure that you perceive needs to be changed for your business model to be able to become profitable long term?)*

Customer Relationships

- Har ni mött några utmaningar i arbetet med att skapa kundrelationer/lojala kunder och i så fall vilka? *(Have you met any challenges in trying to create customer relationships/loyal customers and if so, what are those challenges?)*

- Arbetar ni på något sätt tillsammans med kunder för att få insikter om vad de efterfrågar och i så fall hur? *(Do you in some way work together with your customers to understand their demands and if so, how?)*

- Vad är den mest återkommande feedbacken ni får från kunder? (både positiv och negativ) *(What is the most recurring feedback you receive from customers? (positive and negative))*

Channels

- Hur arbetar ni för att marknadsföra er? *(How do you market yourselves?)*

- Arbetar ni på något sätt för att utbilda kunder/förändra kundernas attityd till att bli mer medvetna om hållbarhetsfrågor och i så fall hur? *(Do you work with trying to educate your customers/change their attitudes to be more environmentally conscious? If so, how?)*

Customer Segments

- Upplever ni att där är något kundsegment som är mer mottagliga för er affärsmodell och hur påverkar det i så fall er verksamhet? Har ni provat att nå ut till andra kundsegment och hur har det i så fall gått? *(Do you perceive there to*

be any customer segments that are more open to your business model and if so, how does that affect your business? Have you tried reaching other customer segments and if so, how has that gone?)

Other questions

- Finns det några legala aspekter som hindrat er eller underlättat för er*? (Are there any legal aspects that have constrained you or made it easier?)*

- Vad upplever ni som det största hindret för att skala upp er verksamhet*? (What do you perceive to be the biggest challenge to scale your business?)*

- Mixed model: Finns det något motsatsförhållande/avvägningar mellan er ursprungliga affärsmodell (nya kläder) och leasing som försvårar ert arbete? *(Are there any trade-offs/contradictions between your regular business (selling newly produced clothing) and leasing that affects your work?)*

- Mixed model: Varför startade ni er leasingverksamhet *(Why did you choose to start leasing clothing?)*

Second-hand

Key Partners

- Vilka är era viktigaste partners*? (Who are your most important partners?)*

Key Activities

- Vilka dagliga aktiviteter är viktigast för att lyckas driva er verksamhet? *(What daily activities are most important for you to be able to run your business?)*

- Hur arbetar ni för att uppnå önskad omsättningshastighet av kläder? Hur upplever ni att ni påverkas av i vilken hastighet ert utbud förnyas? *(In what ways do you work to be able to reach desired turnover? How are you affected by your turnover rate?)*

- Har ni mött några logistiska utmaningar och i så fall vilka? *(Have you faced any logistical challenges and if yes, what are those challenges?)*

- Har ni stött på några utmaningar i arbetet med att samla in det sortiment ni önskar? Om ja, hur har det påverkat er verksamhet*? (Have you faced any challenges in collecting the assortment you want? If yes, how has it affected your business?)*

Key Resources

- Finns det någon resurs (fysisk, mänsklig eller ekonomisk) ni upplevt begränsar er och är en extra stor utmaning att hantera? *(Are there any resources (physical, human or economic) that have limited you or are an extra big challenge to handle?)*

- Vad gör ni med de kläder ni inte säljer? (*What do you do with the clothing you do not sell?*)

Value Proposition

- Vilka värden/kundbehov tillfredsställer er affärsmodell för era kunder? Har detta på något sätt förändrats sedan er start och i så fall varför? *(What customer needs or values does your business model satisfy? Has this changed since you started and if so, why?)*

Cost Structure

- Vad är de största kostnaderna i er affärsmodell*? (What are the most significant costs in your business model?)*

- Har kostnadsstrukturen i er affärsmodell förändrats på något sätt sedan er verksamhet startade? *(Has the cost structure changed in some way since the business started?)*

- Finns det något i er kostnadsstruktur som ni upplever behövs förändras för att affärsmodellen ska bli lönsam på lång sikt? (*Is there something in your cost structure that you perceive need to be changed for the business model to be able to become profitable in the long-term?)*

Revenue Streams

- Har era intäktskällor eller prissättningsstruktur på något sätt förändrats sedan er verksamhet startade? *(Have your revenue sources or pricing structures changed in some way since the business started?)*

- Finns det något i era intäktskällor eller prissättningsstuktur som ni upplever behövs förändras för att affärsmodellen ska bli lönsam på lång sikt? *(Is there something in your revenue source or pricing structure that you perceive needs to be changed for your business model to be able to become profitable long term?)*

Customer Relationships

- Har ni mött några utmaningar i arbetet med att skapa kundrelationer/lojala kunder och i så fall vilka? *(Have you met any challenges in trying to create customer relationships/loyal customers and if so, what are those challenges?)*

- Arbetar ni på något sätt tillsammans med kunder för att få insikter om vad de efterfrågar, i så fall hur*? (Do you in some way work together with your customers to understand their demands, if so, how?)*

- Vad är den mest återkommande feedbacken ni får från kunder? (både positiv och negativ) *(What is the most recurring feedback you receive from customers? (positive and negative))*

Channels

- Hur arbetar ni för att marknadsföra er? *(How do you market yourselves?)*

- Arbetar ni på något sätt för att utbilda kunder/förändra kundernas attityd till att bli mer medvetna om hållbarhetsfrågor och i så fall hur? *(Do you work with trying to educate your customers/change their attitudes to be more environmentally conscious? If so, how?)*

Customer Segments

- Upplever ni att där är något kundsegment som är mer mottagliga för er affärsmodell och hur påverkar det i så fall er verksamhet? Har ni provat att nå ut till andra kundsegment och hur har det i så fall gått? *(Are there any customer segments that are more open to your business model and how does that affect your business? Have you tried reaching other customer segments and how has that gone?)*

Other questions

- Non-profits: Upplever ni att ni har några fördelar eller nackdelar som en icke-vinstdrivande organisation? *(Do you see any advantages or disadvantages of being a non-profit?)*

- Mixed model: Finns det något motsatsförhållande/avvägningar mellan er ursprungliga affärsmodell (nya kläder) och second-hand som försvårar ert arbete? *(Are there any trade-offs/contradictions between your regular business (selling newly produced clothing) and second-hand that affects your work?)*

- Mixed model: Varför startade ni er second-hand verksamhet *(Why did you choose to start selling second-hand?)*

- Finns det några legala aspekter som hindrat er eller underlättat för er*? (Are there any legal aspects that have constrained you or made it easier?)*

- Vad upplever ni som det största hindret för att skala upp er verksamhet*? (What do you perceive to be the biggest challenge to scale your business?)*

Appendix 4: Business Model Canvases

Appletrees (mixed model: second-hand)

Key Partners	*Key Activities*	*Key Resources*
▪ Customers who provide their used clothing	▪ Collecting, washing, repairing and pricing clothing ▪ Store management ▪ Website management	▪ Employee knowledge and skills (e.g. product knowledge) ▪ Store
Value Proposition	*Cost Structure*	*Revenue Streams*
▪ Timeless, unisex quality clothing	▪ Personnel ▪ Rent ▪ Discount to customer (30% on a new item when you leave in an old Appletrees garment)	▪ Selling second-hand clothing
Customer Relationships	*Channels*	*Customer Segments*
▪ Store nurturing close relationships, enabling employees to educate customers about sustainable clothing practices and give style advice ▪ Minimal interaction through online self-service purchases	▪ Store ▪ Website	▪ Consumers looking for a unique find/style ▪ Environmentally conscious consumers ▪ Fashion conscious consumers ▪ Primarily women

Nudie Jeans (mixed model: second-hand)

Key Partners	Key Activities	Key Resources
▪ Customers who provide their used jeans	▪ Collecting, washing, repairing and pricing jeans ▪ Store management ▪ Managing online drops (e.g. photographing the jeans and managing the website)	▪ Employee knowledge and skills (e.g. sorting, repairing and product knowledge) ▪ Strong brand
Value Proposition	*Cost Structure*	*Revenue Streams*
▪ Organic, long lasting, stylish and high-quality jeans	▪ Personnel ▪ Rent ▪ Discount to customer (20% off a new pair of jeans when you leave in an old pair of Nudie jeans)	▪ Selling of second-hand jeans
Customer Relationships	*Channels*	*Customer Segments*
▪ Stores nurturing close relationships, enabling employees to educate customers about sustainable clothing practices and give style advice ▪ Minimal interaction through online self-service purchases	▪ Stores ▪ Website ▪ Social Media	▪ Environmentally conscious consumers ▪ Price-conscious consumers ▪ Consumers looking for a unique find/style ▪ Primarily men

Sellpy (second-hand)

Key Partners	Key Activities	Key Resources
▪ Move by Bike and Pling ▪ Myrorna ▪ Wargön Innovation	▪ Collecting, sorting and pricing clothing ▪ Digital Development (e.g. improving pricing algorithms, sorting and advertisement automatization) ▪ Website management ▪ Warehouse management	▪ Employee knowledge and skills (e.g. sorting, digital expertise) ▪ Digital platform ▪ Financial capital ▪ Warehouse ▪ Machines (e.g. packing and folding)
Value Proposition	*Cost Structure*	*Revenue Streams*
▪ Sellers: convenient way to sell the clothing you are not using ▪ Buyers: Easy and accessible digital solution for second-hand clothing	▪ Personnel ▪ Warehouse renting ▪ Commission fee to provider of clothing ▪ Developing automatization processes (e.g. machines, digital expertise)	▪ Selling second-hand clothing on consignment
Customer Relationships	*Channels*	*Customer Segments*
▪ Minimal interaction through online self-service purchases	▪ Website ▪ Social Media ▪ Pop-up store	▪ Environmentally conscious consumers ▪ Consumers looking for a unique find/style ▪ Price-conscious consumers ▪ Primarily women

Varié (second-hand)

Key Partners	Key Activities	Key Resources
- Individuals selling on consignment - Filippa K - Myrorna	- Collecting, sorting and pricing clothing - Financial administration regarding commission fee - Managing online website (e.g. photographing and writing ads for each garment) - Store management	- Employee knowledge and skills (e.g. sorting and pricing) - Storage unit
Value Proposition	**Cost Structure**	**Revenue Streams**
- Providing premium quality up-to-date sustainable fashion	- Personnel - Rent - Commission fee to provider of clothing	- Selling of second-hand clothing through consignment
Customer Relationships	**Channels**	**Customer Segments**
- Store nurturing close relationships, enabling employees to educate customers about sustainable clothing practices and give style advice - Minimal interaction through online self-service purchases	- Store - Website - Social Media	- Environmentally conscious consumers - Fashion conscious consumers - Price-conscious consumers - Primarily women

The Red Cross (second-hand, non-profit)

Key Partners	Key Activities	Key Resources
▪ For-profit clothing companies who help in collecting donations ▪ Individuals who donate ▪ Soex & Texaid ▪ Wargön Innovation ▪ Shipping companies (trucks) ▪ Network of non-profits (Ideell second-hand)	▪ Collecting, sorting, repairing and pricing clothing ▪ Store management	▪ Volunteers ▪ Employee knowledge skills (e.g about sorting, repairing and pricing clothing) ▪ Storage space (depots) ▪ Strong brand
Value Proposition ▪ Delivering social good through profits from selling second-hand clothing	**Cost Structure** ▪ Personnel	**Revenue Streams** ▪ Selling of second-hand clothing
Customer Relationships ▪ Local stores enabling intimate relationships, both with customers who buy and those who donate clothing	**Channels** ▪ Stores ▪ Facebook page	**Customer Segments** ▪ Primarily women ▪ Bargain shoppers ▪ Environmentally conscious consumers ▪ Consumers looking for a unique find/style

Myrorna (second-hand, non-profit)

Key Partners	Key Activities	Key Resources
▪ Individuals who donate ▪ For-profit clothing companies who help in collecting donations ▪ Municipality recycling centers ▪ Exporting companies ▪ The government (receive financial aid for helping people get into the job market) ▪ Network of non-profits (Ideell second-hand)	▪ Collecting, sorting and pricing clothing ▪ Store management ▪ Website management	▪ Employee knowledge and skills (e.g about sorting/pricing clothing and marketing) ▪ Strong brand
Value Proposition ▪ Delivering social good through profits from selling second-hand clothing	*Cost Structure* ▪ Personnel	*Revenue Streams* ▪ Selling of second-hand clothing
Customer Relationships ▪ Local stores enabling intimate relationships, both with customers who buy and those who donate clothing	*Channels* ▪ Stores ▪ Online (Tradera + Website)	*Customer Segments* ▪ Bargain shoppers ▪ Environmentally conscious consumers ▪ Consumers looking for a unique find/style

Sabina & Friends (leasing)

Key Partners	Key Activities	Key Resources
Key Partners ▪ Suppliers (e.g. Stylein)	*Key Activities* ▪ Renewing assortment ▪ Website management ▪ Store management ▪ Washing and repairing	*Key Resources* ▪ Employee knowledge (e.g. fashion industry insights, product knowledge, customer orientation)
Value Proposition ▪ Vary and experiment with your wardrobe without the commitment of ownership or the responsibility of washing	*Cost Structure* ▪ Purchasing clothing ▪ Website ▪ Rent	*Revenue Streams* ▪ Leasing of clothing
Customer Relationships ▪ Store nurturing close relationships, enabling employees to educate customers about sustainable clothing practices and give style advice	*Channels* ▪ Store ▪ Website	*Customer Segments* ▪ Fashion conscious consumers ▪ Environmentally conscious consumers ▪ Women

MyDresscode (leasing)

Key Partners	Key Activities	Key Resources
▪ Showroom space through Sabina & Friends	▪ Renewing assortment ▪ Customer service ▪ Website management	▪ Employee knowledge and skills (e.g. product knowledge)
Value Proposition	*Cost Structure*	*Revenue Streams*
▪ Wear your dream bag without having to spend a fortune and simultaneously have a minimal environmental impact	▪ Purchasing of bags ▪ Website ▪ Shipping	▪ Leasing designer handbags
Customer Relationships	*Channels*	*Customer Segments*
▪ Customer service interactions online and occasionally in-store	▪ Store (in Sabina & Friend's store) ▪ Website	▪ Environmentally conscious consumers ▪ Fashion conscious consumers ▪ Price-sensitive consumers ▪ Women

Houdini (mixed model: leasing and second-hand)

Key Partners	Key Activities	Key Resources
▪ Second-hand: customers who provide their used clothing	▪ Collecting, washing, repairing and pricing clothing ▪ Customer service (e.g. helping customer find clothes that fit their needs)	▪ Employee knowledge and skills (e.g. pricing, repairing and product knowledge) ▪ Store ▪ Strong brand
Value Proposition	*Cost Structure*	*Revenue Streams*
▪ Leasing: enabling customers to reduce their footprint but still be able to regularly update their wardrobe. ▪ Second hand: sustainable high-quality outdoor clothing	▪ Personnel ▪ Inventory for leasing service ▪ Commission fee to provider of clothing ▪ Rent ▪ Discount to customer (20% on a new item when you leave in an old Houdini garment)	▪ Selling second-hand clothing ▪ Leasing clothing
Customer Relationships	*Channels*	*Customer Segments*
▪ Store nurturing close relationships, enabling employees to educate customers about sustainable clothing practices and give style advice	▪ Store ▪ Website	▪ Environmentally conscious consumers ▪ Active and/or outdoorsy consumers ▪ Consumers seeking high-quality, functional clothing

Appendix 5: Original Quotes in Swedish From Empirics

Charles Murray, Appletrees; *"Det tar lika lång tid att lägga upp ett second-hand plagg på webbsidan som det tar att lägga upp ett plagg som jag ska sälja i flera år framåt"*

Ann-Sofie Bergort, Varié; *"Nyligen att vi en photoshoot med 20 plagg men problemet är att vi har bara ett av varje, så vi behöver fokusera på att sälja en stil snarare än ett individuellt plagg. Vi kan inte pusha för specifika klädesplagg på samma sätt som vanliga klädesvarumärken"*

Ann-Sofie Bergort, Varié; *"När vi pratar med investerare är det svårt att visa dem några bra finansiella prediktioner eftersom vi inte kan kontrollera inflödet av kläder vi säljer"*

Ann-Sofie Bergort, Varié; *"Investerare vill ofta ha en snabb avkastning vilket är svårt för Varié att garantera eftersom det kräver tålamod att förändra ingrodda konsumentbeteenden som vi försöker göra"*

Caroline Andermatt, Myrorna; *"Vi är präglade av uppfattningen att ett nytt plagg är värt mer än second-hand"*

Christina Lindberg; *"När vi först kontaktade försäkringsbolag sa dem att de inte täcker sådana kostnader men när vi bad dem att visa oss deras villkor visade det sig att de faktiskt täcker lösöre som man hyr. Kundservicepersonalen var bara inte medveten om det"*

Gustav Hedström; *"En kund kom till mig och sa 'Gustav, nu när jag till och mig hyr kläder så tittade jag på min bil och tänkte, vad behöver jag egentligen den till, så jag sålde min bil'"*

Appendix 6: Summary of Opportunities and Challenges

	Opportunities	**Challenges**
Second-hand	*Collection* - An expanding market: more actors and more people selling/donating their old clothing - Competition pushes nonprofit actors to find easier and improved ways for people to donate - also helping capture textiles that would end up in the trash - Collaborations: with actors selling newly produced clothing and between second-hand for-profit and non-profit actors *Sorting and Selling* - Digitalization: streamlining and automating the process of selling unique garments online, eventually giving higher returns per garment - AI: personalized recommendations *Consumer behavior* - Reaching new consumer segments/Improved interest in buying second-hand - Stores in new places where customers do not expect second-hand to be found *Mixed Model* - Online drops	*Collection* - More actors competing for pre-owned textiles - Nonprofit actors finding easier and improved ways for people to donate - not only trying to capture garments that would otherwise go to competition but also more of what regularly ends up in the trash - Communicating to the providers of their clothing what they wish to receive *Sorting and Selling* - Sorting large volumes of unique clothing (effectively and efficiently) - VAT for for-profit actors - Digitalization: streamlining and automating the process of selling unique garments online - Marketing: cannot push for large sales volume of a specific garment *Consumer Behaviors* - Stigma around second hand: second hand shopping motivations need to be changed and expanded to become similar to those of buying newly produced clothing - Keeping up with digitized shopping habits - Mostly women buying second hand

		Investments for For-Profit Actors
		▪ Obtaining investments
		Mixed Model
		▪ Balance time invested in regular versus second hand operations
		▪ Inconsistent and limited inflow of supply as the actors only accept clothing from their own brands
Leasing	*Consumer Behaviors*	*Insurance*
	▪ Making leasing services more flexible in terms of for example, price levels and length of leasing period.	▪ Finding an appropriate insurance solution
		Consumer Behaviors
		▪ Customers are not used to the concept of leasing
	Online Operations	*Investment and Financing*
	▪ Better leasing platforms enabling actors to scale through online sales, becoming a viable alternative to digitized fast fashion consumption	▪ Obtaining investments
		▪ Financing a large inventory
		Online Operations
		▪ Building an online platform suitable for leasing
		▪ Shipping