

# **COLLECTIVELY CLOSING THE CONSUMPTION CIRCLE**

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**AN EXPLORATORY STUDY ON THE SWEDISH MARKET FOR  
FASHION SHARING**

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# **Collectively Closing the Consumption Circle: An Exploratory Study on the Swedish Market for Fashion Sharing**

## **Abstract:**

Sharing business models have made their way into plenty of industries. One of them is the fashion industry. New innovative fashion sharing models strive to change consumerism behavior towards circular usage and a smaller environmental footprint. On top of emerging in a young market, many fashion sharing businesses launched closely to or in the midst of the Covid-19 pandemic. By mapping the fashion sharing market in Sweden, this thesis aims to identify underlying patterns as to how fashion sharing business model innovation is disruptive. The thesis also aspires to explore the effects of the Covid-19 pandemic on the market, as well as the future outlook.

The methodology used is qualitative and exploratory which is motivated by limited previous research. It furthermore lets the authors contribute with market understandings and insights. Through in-depth interviews primarily with founders of fashion sharing businesses the thesis finds two interesting trends: an increase in technology profiling and scalability being a market wide obstacle. Fashion sharing business model innovation is found to be disruptive in several ways, for instance by challenging the cost and revenue structures of linear fashion companies. The Covid-19 pandemic has had a contradictory effect on the market, both increasing the demand for digital platforms and lowering the demand for formal clothing. The future outlook is an increasing growth in technological platform developments.

## **Keywords:**

Fashion Sharing, Collaborative Consumption, Disruptive Innovation, Covid-19

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## LIST OF DEFINITIONS

**Business Model:** “The value proposition, value creation and delivery, and value capture elements and the interaction between these elements within an organisational unit.” (Richardson, 2005)

**Business Model Innovation (BMI):** “the conceptualisation and implementation of new business models [which comprises] the development of entirely new business models, the diversification into additional business models, the acquisition of new business models, or the transformation from one business model to another” (Geissdoerfer et al., 2018)

**Sharing Economy:** “is built on using and sharing of products and services among others.” (Puschmann & Alt, 2016). “The term covers a sprawling range of digital platforms and offline activities, from financially successful companies like Airbnb, a peer-to-peer lodging service, to smaller initiatives such as repair collectives and tool libraries” (Schor, 2014)

**Collaborative Consumption (CC):** “Traditional sharing, bartering, lending, trading, renting, gifting, and swapping redefined through technology and peer communities - that is remodeling business, consumerism, and also the means we tend to live.” (Botsman & Roger, 2011)

**Fashion Sharing:** “Fashion sharing services refer to services for sharing clothes.” (Won & Kim, 2020)

**Clothing Rental:** “a rental service of fashion items to customers.” (Perlacia & Duml, 2015)

**Clothing Swapping:** “individuals use the retailer's platform to exchange clothing items without buying, selling or bargaining involved” (Perlacia & Duml, 2015)

**Clothing Reselling:** “[sell] used or pre-owned goods” (Botsman & Roger, 2011) It includes both second-hand goods and overproduced items (stock sales).

**Platform:** “Platform[s] bring together producers and consumers to drive high-value exchanges” (Baines, Fill & Rosengren, 2017). “Platforms all have an ecosystem [...] comprising four types of players. The owners of platforms control their intellectual property and governance. Providers serve as the platforms’ interface with users. Producers create their offerings, and consumers use those offerings.” (Van Alstyne et al., 2016)

**Peer-to-peer (P2P):** “Transactions of goods and services between two individuals. P2P is primarily a mode of relationship that allows human beings to be connected and organized in networks, to collaborate, produce and share” (Bauwens et al., 2019)

**Business-to-consumer (B2C):** “Transactions of goods and services between businesses and consumers” (Rose et al., 1999)

**Incumbent:** “profit-seeking actors that are ‘established’ and ‘positioned’ in markets.” (Steen & Weaver, 2017)

**Value Network:** "the context within which a firm competes and solves customers' problems" (Christensen & Rosenbloom, 1995)

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# 1. INTRODUCTION

## 1.1. Background

There is a cultural shift towards sharing as the demand for ownership is decreasing and the willingness to pay for access is increasing (Bardhi & Eckhardt, 2012). With the rapid development of the Internet, new ways to share have been created and have become accessible to individuals, businesses, and governments. In recent years, this has expanded from predominantly sharing information and media content to including physical goods and services, and thus a new sharing economy model termed collaborative consumption (CC) has emerged. Since the publication of *What's Mine is Yours*, CC has continuously gained widespread traction around the world. The concept is defined as “Traditional sharing, bartering, lending, trading, renting, gifting, and swapping redefined through technology and peer communities – that is remodeling business, consumerism, and also the means we tend to live” (Botsman & Roger, 2011) . It is recognized that CC has a significant business potential in the fashion industry to reduce over-consumption as well as over-production by prolonging the lifespan and number of uses of already produced garments. The concept is in an embryonic state in the fashion industry, meaning that it is growing but has yet to gain a proper foothold. This market is characterized by business model innovation (BMI) as it challenges conventional linear businesses, and in doing so conceptualizes and implements a new business model (Geissdoerfer et al., 2018). Whereas traditional innovation in the fashion industry has been related to the production of fashion items, current innovation focuses on redefining the way fashion is consumed. CC in fashion, also called fashion sharing, creates value chains that conflict with those of conventional fashion, as it redefines how value is created, delivered and captured (Duml & Perlacia, 2015). From a BMI perspective, this disrupts the current ways of operating in the industry (Markides, 2006).

The established concepts of fashion sharing are currently reselling, renting and swapping. The global market for second hand was valued at 32 billion US dollars in 2020 (Future Market Insights, 2021), and the global rental market is expected to reach

the value of 1.8 billion US dollars in 2021 (Statista 2020). This is to be compared with the global fashion market being valued to 1,500 billion US dollars in 2020 (Statista 2021). How these numbers will look in the afterlife of the pandemic is still unknown. One thing can be said for sure: The past year has been turbulent with the announcement of the global Covid-19 pandemic on the 11th of March 2020 (WHO, 2020). While e-commerce and digital platforms have gained positive momentum, there have been challenges in both demand and supply in general. The pandemic has also functioned as a wake-up call amongst many, and is believed to have impacted the industry forever (Aleksander, 2020).

## 1.2. Previous Literature and Research Gap

Existing literature on business models can be divided into three groups. The biggest group concerns e-commerce and information technology, the second group studies value creation and competitive advantage from a strategy perspective, and the last group focuses on BMI (Zott et al., 2011).

Within the literature on BMI, current research streams can further be classified into four groups. The first one covers the conceptualization of BMI and the second one explores BMI as an organizational change process. The third research stream focuses on BMI as an outcome and the fourth one studies the consequences of BMI in terms of organizational performance. The third research stream therefore addresses the emergence of new business models in specific industries by looking at innovative ventures (Foss & Saebi, 2016). Narrowing it down, a fraction of this research stream studies BMI in sharing economies. Much of the research is industry specific, but some looks at broader classifications of BMI in sharing economies. An example is the research by Sanasi et al. (2020) which classifies sharing economy-startups into five clusters, based on their sharing vocation and tangibility level.

In the existing literature on CC in fashion there are three major research streams: the consumer perspective, the business perspective and the environmental perspective. The vast majority of research belongs to the consumer perspective and a significant amount of research has also been conducted on the environmental impact. The least attention

has been given to the business perspective. Although the previous research on the business perspective is insubstantial, various theories have been explored. Pedersen and Netter (2015) were the first to research the business perspective when they explored business model opportunities for fashion libraries in Scandinavia. Fashion libraries were a new phenomenon at this time, and they found that neither consumers nor investors were ready for this market. Since then, challenges and opportunities from a business model point of view have been explored by Todeschini et al. (2017) who looked at BMI in sustainable fashion, covering CC but also corporate social responsibility and technological innovation. Kant Hvass and Pedersen (2019) researched challenges and solutions faced by an established fashion brand implementing a circular solution within their existing brand. Duml and Perlacia (2015) studied BMI and created a framework of business model typologies within collaborative fashion. Furthermore, Choi and He (2019) found that P2P collaborative commerce positively benefits fashion brands. Jin and Shin (2020) found that fashion sharing as BMI is disruptive by meeting unmet demand and creating efficiency in how inventories are used.

Moreover, the market for collaborative fashion is young and innovative. The market is expected to have seen plenty of changes in terms of growth, number of actors and technological advancements in the last couple of years. Because of the low number of research papers on the business perspective, a research gap is identified. Not only in terms of “updating” the current market status, but also in terms of exploring BMI. There is also no complete mapping of the businesses on the Swedish market.

### 1.3. Research Question & Purpose

The purpose of this thesis is to identify underlying patterns as to how fashion sharing companies disrupt conventional fashion consumption and hence challenge the linear fashion industry. As a means of being able to explore this, the landscape of fashion sharing business models is firstly mapped. The thesis also aims to explore how the market for fashion sharing has been affected by the Covid-19 pandemic and what the future outlook is. Hence, the research questions are:

- 1) What is the current landscape of fashion sharing business models in Sweden?
- 2) How does business model innovation in fashion sharing disrupt business model designs in the linear fashion industry?
- 3) How has the market for fashion sharing in Sweden been affected by the Covid-19 pandemic and what is the market's future outlook?

#### 1.4. Delimitation

The study excludes initiatives that are extensions to incumbents in the fashion industry. The relevant actors are those whose business models are entirely CC based, while still being for-profit, and solely operate within fashion (or have a vast majority of their sales within fashion). The focus is limited to companies that are online-based and whose business is centered in Sweden. Therefore, actors that offer shipping to Sweden, but do not run their operations from Sweden are excluded. Lastly, the companies included are those that were active as of March 2020.

#### 1.5. Contribution

The thesis will contribute to the limited amount of research within the field of CC by mapping the landscape of fashion sharing models in Sweden and explore how fashion sharing disrupts conventional fashion consumption. Furthermore, the paper will explore the effect of the Covid-19 pandemic, as well as the strategic future outlook of the market.

The research is to be used by researchers to further deepen the understanding of the emergence of the market, by current businesses to gain insight on how they can sustainably develop their current models, and by potential founders in the design of their own innovative business models.

## **2. THEORETICAL FRAMEWORK**

This section outlines the theoretical framework used in the thesis. The purpose of this chapter is to introduce the reader to relevant concepts and theories, and give an overview of applicable literature. Firstly, the business model concept is introduced followed by the Business Model Canvas. Secondly, the four categories of innovation are presented, and in more detail the concept of Disruption Innovation.

Previous research has been obtained by database searches using keywords such as: collaborative consumption, sharing economy, fashion, business models, business model innovation, innovation, disruptive innovation, fashion libraries, clothing rental, clothing swapping and second-hand.

### **2.1. The Business Model Concept**

The term ‘business model’ came to be used in the context of business layout and activities during the dotcom bubble in the 1990s, and the literature on the concept has grown massively since (Foss & Saebi, 2017). There are ongoing discussions about the exact definition of a business model, as the usage of it in research has varied greatly. When Zott et al. (2011) did a literature review of business model research they found a trend of using the definition which best suits one’s research. Despite the variation in definitions, common themes have been found in the definition. The most recurring theme is the concept of how value is created (Geissdoerfer et al., 2018). Other common themes are: a tool used for a holistic approach that spans beyond the focal operations of the business, a way of categorizing firm activities, and seeking to explain how firms do business (Zott et al., 2011).

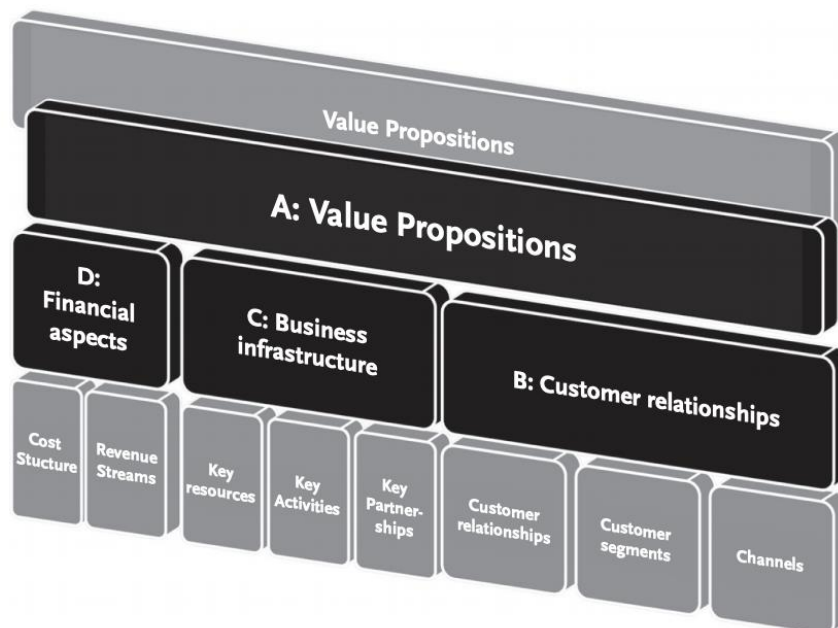
Several business model frameworks have been created around the concept of value creation. Richardson (2005) classified a framework based on value proposition, value creation and value capture, whereas Zott and Amit (2010) created a framework that studies value creation from an activity system perspective. Gassman et al. (2013) designed The Business Model Navigator which is based on answering the questions

*Who? What? How? and Value?* produces 55 different business model patterns. Furthermore, Osterwalder and Pigneur (2010) created the Business Model Canvas which based on nine variables outlines how a business creates, delivers and captures value.

## 2.2. Business Model Canvas

Osterwalder and Pigneur (2010) created the Business Model Canvas as a tool to outline the creation of value in a business model. The Business Model Canvas has been widely used as a theoretical framework to map businesses from a holistic approach. Based on a literature review, Schaltegger et al. (2012) classified four business model pillars namely value proposition, customer relationships, business infrastructure and financial aspects. These four pillars can be used to group the nine variables of the Business Model Canvas into a pyramid shape as illustrated below (Morgan, 2015).

**Figure 1.** Business model innovation canvas, and business model pillars: nine building blocks shown in grey; four pillars, A, B, C and D, shown in black (Osterwalder and Pigneur, 2010)



**Value Propositions:** The value proposition defines what the company offers to its customers in terms of value creation, and hence how they satisfy customer needs. It refers to what problem or problems are being solved and how this creates value to the customer through the product or service offering. The value could be either quantitative, such as a competitive price, or qualitative, for instance a unique customer experience. (Osterwalder and Pigneur, 2010)

### **Customer Relationships**

- **Customer Segments:** Customer segments refers to whom you are creating the value for, who the target customers are and who show most interest in the company. (Osterwalder and Pigneur, 2010)
- **Channels:** Channels refers to how the value proposition is delivered to customers; how the company communicates with customers and which resources are used to create communication channels. (Osterwalder and Pigneur, 2010)
- **Customer Relationships:** This refers to how relationships are built with customer segments, to facilitate the process of value creation. Relationships can be built through for instance personal assistance, communities and networks, self-service systems, or automation. (Osterwalder and Pigneur, 2010)

### **Business Infrastructure**

- **Key Resources:** Key resources refer to the key assets that enable the business to exist, both in terms of setting up and operating the business, reaching desired customer segments and generating revenue. They can either be physical, financial, intellectual or human. (Osterwalder and Pigneur, 2010)
- **Key Activities:** The key activities are the building blocks of the business that enable operations to occur. Key activities heavily depend on the product or service offering and business model. If a company delivers a product the production process is a key activity. If a platform is central in the value proposition, creating and developing the platform is a key activity. (Osterwalder and Pigneur, 2010)

- **Key Partnerships:** These are the key networks and alliances that enable the business to run. It includes relationships with suppliers, joint ventures to create a new business, strategic alliances between non-competitors or strategic alliances between competitors. (Osterwalder and Pigneur, 2010)

### Financial Aspects

- **Cost Structure:** A company's cost structure refers to all costs that occur from operating the business. These can be compiled based on key resources, key activities, and key partnerships. (Osterwalder and Pigneur, 2010)
- **Revenue Streams:** Revenue streams refer to how cash is generated from the customer segments. A business can have one or several revenue streams and use different pricing mechanisms. Revenue streams either occur through one-time transactions, or as recurring revenues from ongoing payments, and can be in the form of an asset sale, a usage fee, a subscription fees, renting, licensing brokerage fees or advertising. (Osterwalder and Pigneur, 2010)

## 2.3. Innovation Theory

Innovation Theory characterizes four different types of innovation. Firstly, disruptive innovation is the process of disrupting an existing market or creating a new market by creating a new value network. And in doing so, a company is able to challenge established businesses. Secondly, sustaining innovation, on the other hand, develops existing value networks rather than creating new ones and therefore sustains a market. It improves attributes that customers already value. Thirdly, incremental innovation which is composed of gradual developments. Fourthly, radical innovation constitutes a significant change in a short time frame. (Bower & Christensen, 1995)

## 2.4. Disruptive Innovation

Bower and Christensen (1995) introduced the theory of disruptive innovation in 1995. In their article as well as in Christensen's book *The Innovator's Dilemma* (1997) disruptive innovation was classified from a technological innovation's perspective. The term proved to be useful for other kinds of innovation as well, and in the book *The*

Innovator's Solution (2003), product innovation and BMI are also let into the frame of disruptive innovation. There has been an ongoing discussion in research streams on how the term is to be used. Many argue that the term is being used too broadly and has come to be used in contexts of all kinds of innovation (Christensen et al., 2015). With the pioneering of tech startups, such as Uber, that have changed market dispositions, the term has gained even more prominence. Turning to the original definition of disruptive innovation, it is argued that in order to be disruptive, innovation needs to be a low-end or a new-market disruption. Low-end disruption refers to innovation that focuses on customers that are overserved by incumbents. This customer segment is typically attracted by lower price offerings, why these tend to be low profit markets. On the other hand, new-market innovation focuses on customers that are underserved by incumbents. They tend to look for a niche market offering and therefore compose a lower margin sector (Larson, 2016).

One could also make the distinction between technological product innovation and BMI. Markides (2006) argues that these compose two different forms of disruptive innovation as they challenge incumbents differently and therefore create different kinds of markets. BMIs are considered to be disruptive as they attract different customers to incumbents and use value chains that conflict with established companies. Because of conflicting value chains, the BMI could not coexist with incumbents' business models, and therefore disrupt the current market. If an incumbent would like to incorporate the new BMI, they would have to create it independently from the main business (Bower & Christensen, 1995).

### **3. RESEARCH METHOD**

#### **3.1. Research Strategy and Design**

Due to the rapid growth of fashion sharing models and the lack of academic articles within the field, there is a need to further develop market insights. Our research is therefore conducted through an explorative study and qualitative method. The paper takes on an explorative design as it is supposed to give a better understanding of an industry rather than provide conclusive evidence of an industry. Therefore, the researchers would with the result of new data and insight be able to generalize their findings and draw conclusions from those (Saunders et al., 2012).

The nature of the qualitative method enables in-depth analysis and understanding of issues with higher complexity by being inductive, interpretative, and constructive. Through an inductive approach, it is the research and empirics that form the theory. The inductive method is combined with the interpretative paradigm which aims to understand the chosen field of research, through interpretation of information given by people active in the particular market. Lastly, the constructivist ontological position is an idea where the reality is not predefined by rules and structures and is subject to change (Bell & Bryman, 2015). This represents the chosen field of research where fashion sharing businesses have disrupted the traditional fashion retail market with new innovative business models. Therefore, representatives from these businesses were approached due to the fact that they have played a major part in the disruption of the market.

#### **3.2. Data Collection and Analysis**

##### **3.2.1. Primary and Secondary Data**

To get a complete overview of the landscape, there are two means of collecting data: primary and secondary data (Hox & Boeijs, 2005). The primary data was collected through in-depth interviews with the companies as well as interviews with two eminent researchers in the field. The secondary data was collected through extensive online

research. This research includes, but is not limited to, scientific articles, management consultant reports, and information from company websites.

### 3.2.2. Sample of Interviewees

A purposive sampling technique was applied when selecting the interview subjects. The method is used by researchers who use their own judgement to approach subjects that are knowledgeable within a specific area (Bryman & Bell, 2015). A total of 14 companies were identified within the frames of our delimitations. The founders or co-founders of these companies were approached through email and LinkedIn. Ten representatives from a total of nine companies agreed to participate in digital interviews, where eight of them were founders or co-founders, one was an operations manager, and one was a co-owner (see Appendix 1). The choice of interviewing founders stems from the fact that they have the most knowledge of their businesses. Not to mention, they also have extensive knowledge about the overall landscape in the market. This allowed for snowball sampling and confirmed that our selected interview subjects were correct and relevant.

Furthermore, two researchers within the field of fashion sharing were contacted. Both agreed to partake in digital interviews; Susanne Sweet and Esben Rahbek Pedersen (see Appendix 2). One of the reasons for reaching out was to get a better understanding of the academic landscape, get deeper insights on the landscape, and ask specific questions about their published research papers. Another reason was to complement the more business-specific insights shared by the company representatives with a more general perspective of the market.

The reasoning behind the chosen companies was that they cover the whole market of fashion sharing in Sweden, based on our delimitation of the market. Three companies that liquidated after March of 2020 were also approached to understand whether the reason for their liquidation was the pandemic. However, only one of them decided to participate. Furthermore, three relevant companies chose to not partake in the interviews or did not respond. They are therefore not included in the thesis due to insufficient

information where the material available online does not give a complete picture of the companies.

### 3.2.3. Interview Design

The design of the interview questions is aligned with the Business Model Canvas. Questions about the Covid-19 pandemic as well as the future outlook for the market were also added (see Appendix 3). The interviews were semi-structured in the sense that the same standardized questions were asked, which then allowed for follow-up questions that were customized to the interviewees' answers. All interviews were recorded with permission from the interviewees, and the data was processed in accordance with the GDPR. Finally, the interviews were transcribed, sorted, and analyzed through a narrative analysis.

### 3.2.4. Narrative Approach

The primary data is presented with a narrative approach. The different steps of the narrative method are (a) organizing and preparing the data, (b) obtaining a general sense of the data, (c) coding the data, (d) categorizing the data into connected themes, and (e) interpreting the data (Butina, 2015).

The nature of a narrative method is for the interviewed individuals to make sense of an experience through storytelling (Riessman, 1993). Narratives are then organized into analytic constructs where past events are presented as one coherent story that explains each separate element comprehensibly. These elements might otherwise have been viewed as distinct and separated parts (Griffin, 1993). Therefore, the narrative approach is a fitting method in our study about the fashion sharing market where the aim is to find common patterns and themes from the various interviews in order to establish causality. Furthermore, it is also to facilitate for the reader to understand the purpose and the results of the study.

Since the secondary data is obtained from reports, and not direct conversations, the data is rather presented thematically.

### 3.3. Research Trustworthiness

The traditional ways of measuring credibility must be adapted for qualitative studies as it operates in “a completely different domain with different missions and agendas” compared to quantitative studies (Parker, 2012). Thus, four criteria of research trustworthiness have been developed by Lincoln and Guba (1985) which have been extensively cited in research method literature (e.g Bell & Bryman, 2015). These are *credibility*, *transferability*, *dependability* and *confirmability*.

*Credibility* decides if the research findings represent both the correct information and correct interpretation of the participants’ views. The way we ensured credibility during the interviews was by repeating what just had been said to make sure that the information was understood correctly. Furthermore, opportunities were continuously given to fill out any potential gaps. During the online research of secondary data, as far as the accessible information allowed, the data from the conducted interviews was compared to online findings.

*Transferability* is whether the results can be used in another context or setting with other participants. Purposive sampling is often used to maximize transferability as the chosen sample subjects are chosen to be the ones most feasible to answer the research questions on the applicable context.

*Dependability* establishes if the findings are consistent over time, while *confirmability* means that all the information and interpretations are clearly derived from the collected data. It is important that future researchers are able to replicate the results to show that the findings are not a result of a bias. The most commonly used strategy to ensure these two factors is known as an audit trail. It is defined as “[...] describing the research steps taken from the start of a research project to the development and reporting of the findings. The records of the research path are kept throughout the study” (Korstjens & Moser, 2018). Transcribing all the interviews and keeping a record on the progress of the data collection ensures that all material used is properly and transparently cited and interpreted.

### 3.4. Ethics

Another crucial aspect to consider in research design is the ethical and legal considerations. It is important that there is no harm, lack of informed consent, invasion of privacy, or deception of the participants involved (Diener and Crandall, 1978). As previously stated, all interviewees gave permission for recording, and there was clear communication regarding the fact that all data is processed according to GDPR. Furthermore, it was explicitly stated that it would be acceptable if questions could not be answered due to confidentiality. It can be argued that this poses a risk of the participants not feeling a need to share. On the other hand, it increasingly builds trust between the interviewee and interviewers, which is likely to have increased the probability of the interviewees answering completely and truthfully. A combination of these actions ensures that the research design was both ethically and legally defensible for all parties involved.

## 4. FINDINGS

### 4.1. Clothing Rental Companies (*See Appendix 4*)

#### 4.1.1. Sabina & Friends – Paved the Way for Other Rental Companies

Åsa Nilsson and Unne Werner, friends and both owners of clothing stores, were contemplating what to do with clothing items that were left over every season. The idea of starting a clothing rental business came to their minds and in 2010 they opened the doors to Sabina & Friend. With a central location in Östermalm in Stockholm, the store became a mecca for busy career women wanting a variation in outfits for their business meetings or appearances on TV programs. Although they offered a website service as well, customers loved to come into the store, try on clothes and get styling advice from Nilsson and Werner, who both previously have worked as stylists (Åkerlund, 2018). They also invited subscribers to after-work events. Offering food and drinks, they would talk about circular fashion and discuss fashion brands, and let people try on clothes.

However, Sabina & Friends experienced difficulties in finding investment. They point out how difficult it is for female founders with a business directed to women, to get investment from male investors mainly interested in technological innovation. It was the lack of digitalization that was the end of Sabina & Friends when the Covid-19 pandemic knocked on the door, as demand for the service fell. Monica Holmvi Persdotter, co-owner of Sabina & Friends, does not think that the business model would have survived long term, because the business model lacked fundamental structures for digitization. But on their 10-year journey, Sabina & Friends raised incredible awareness about clothing renting as a concept, for instance when they won the Elle Conscious Award in 2018 (Lejon, 2018). They paid a high price for being groundbreaking, and in doing so they paved the way for other rental companies.

#### 4.1.2. The Wow Closet – Better Design at a Cheaper Price

The idea for The Wow Closet arose when the founders, Oksana Poliakova and Anna Ceornea saw a similar business idea abroad. The founders coming from business and fashion backgrounds respectively, therefore decided to create an exciting alternative to fast fashion. Offering formal attire for women, The Wow Closet's store and website attracts customers that want to rent mainly dresses but also jumpsuits, blouses and skirts for weddings, graduations and other occasions. The cost of a clothing item is roughly 20 % of its price as brand new. Customers range from the age of 16 to 80, and are easily convinced of the concept, as it is cheaper and better for the environment compared to purchasing the same clothing brand new. Although it comes across as a business-to-consumer offering, most clothing is owned by private people who let The Wow Closet rent it out while they receive 20 % of the renting price. It is possible to purchase clothing as well, in which case the previous owner receives 50 % of the sales price.

The Wow Closet focuses largely on being visible in social media, both through paid and unpaid marketing in the form of google ads and sponsored posts. They also collaborate with other businesses in the event industry through photoshoots. Afterwards, everyone shares pictures on their social media channels and tag the other companies.

With more consumers being aware of the rental concept, The Wow Closet could see a big change in the market. After H&M's rental launch in 2019, which The Wow Closet views as a pure PR strategy, they saw an increase in people searching for the rental concept online. The business itself reached break-even in 2019 and experienced a growth rate of 150 % between January and March in 2020. When the Covid-19 pandemic hit, however, they experienced a large fall in demand. This led to them cutting all costs possible, for instance by letting go of personnel. They also made some changes to their assortment, offering more clothes that would work for smaller gatherings with friends and family. As of now, the business is not profitable.

Their biggest challenge for growth is the difficulty in obtaining financial investments. They believe that clothing rental is perceived as a new, weird and risky industry in the eyes of many investors, and male investors often have a hard time understanding the

business idea. Whereas they have a positive view on competition, as competitors help spread awareness about the rental concept, they do compete with other market actors over investment. In terms of future outlook, they believe that renting has even more potential than the reselling of second-hand long term.

#### 4.1.3. Hack Your Closet – A New Way of Consuming Second-Hand Clothing

Founded by Lisa Gautier and Mikaela Larsell Ayasa in 2019, Hack Your Closet redefines the way second-hand clothing is consumed. With previous experience from fashion and tech companies, Gautier who moved to Sweden from France was astonished by the great volumes of second-hand clothing in Sweden. What bothered her was the difficulty in finding items matching one's personal preferences in the sea of assortments, as well as the difficulty in doing quality checks of the garments. Therefore, Hack Your Closet was founded to offer customers a large assortment of second-hand clothing, but pinpointed to one's personal preferences. Through a clothing rental subscription, Hack Your Closet sends four items of clothing to one's door for 299 SEK per month. But, it is a surprise what clothes one will receive. The choice of clothing is based on a questionnaire about one's style filled out by the user when they sign up. Hack Your Closet employs five stylists that apart from buying all the second-hand clothes, match the clothing being packed every month with each user's style profile. Apart from second-hand clothes, they also get some of their clothes from brands that have excess inventory.

Their biggest customer segment is women between the ages of 25 to 45 who like to update their wardrobes yet are conscious about sustainability. Hack Your Closet's monthly surprise package attracts people who like to try new styles. Their wardrobe consists of 28,000 garments, out of which 80 % usually are out with customers. Moreover, profiling themselves as a tech and sustainability company, they have not found it difficult to attract investors.

They experienced financial hardship when the Covid-19 pandemic hit, and needed a cash injection, which led to the opening and closing of a new investment round in 2021. They also adapted their wardrobe to more Covid-friendly items, such as blouses that

people can wear for Zoom meetings. Nonetheless, they were able to expand greatly during 2020 and currently have 32 employees. In early 2021, they also announced their expansion to France. However, they are not yet profitable.

In the future, they believe that there will be an increasing trend of large fashion retailers entering the market, and that it will be beneficial for them to collaborate with smaller market actors that already have the logistics in place. In terms of competition, they see positively on all businesses that help drive consumer behavior change.

#### 4.1.4. Rent Routine – The Partnership Solution

The idea of opening a clothing rental business came to Fanny Höglund as she could not find anything to wear for a party although her wardrobe felt like it was big as a museum. She teamed up with Alexander Popovski who had experience working for different tech companies. With an assortment of several designer brands, Rent Routine launched in 2020 and focuses on high quality clothing items that customers would want to wear all the time - both on weekdays and weekends. Their business model is built around being a middleman between designer brands and customers. The customer signs up to a monthly subscription of 695 SEK and gets to pick out 4 items on the website every month. Rent Routine does not own the clothing items, instead they have entered into partnerships with the designer brands. This means that the designer brands get a proportion of the sales price. It also means that it is in the interest of the brands to offer clothes that are popular and of good quality - so that as many customers as possible will use them. These partnerships allow Rent Routine to focus more on technology, logistics, data gathering, marketing and other business developments.

As a direct result of the Covid-19 pandemic, Rent Routine postponed its launch from the spring of 2020, and decided to do a pre-launch in August 2020 instead, with a focus on gaining customer data and customer behavior insights. Although they have not yet reached profitability, they have been positively surprised by the great customer interest, which has exceeded their predictions. Their customer segments are women of different ages; younger women with a smaller budget that like to renew their wardrobes and middle-aged women who are less financially restricted but do not have the time to go

shopping. As of now, they have 250 items on their website but their vision is to have a much larger assortment. They want customers to feel like they don't have time to rent everything that they would want to.

They look positively on the future, and think that the biggest challenge but also the biggest opportunity is consumer behavior change. They believe that market actors drive this change together, and are therefore positive to competition. They do also recognize that market actors within renting have slightly different customer segments, pointing out that Rent Routine and Hack Your Closet target quite different customer groups.

#### 4.1.5. Gemme Collective – The Fashionista Platform

Emelie Gustafsson Maistedt and Tomas Meerits with backgrounds in fashion and finance respectively, mainly looked at sharing-business models outside of fashion when they founded Gemme Collective in 2020. Companies such as Uber, Airbnb, Voi and Hygglo acted as inspirations. Identifying themselves largely as a technology company, they facilitate a digital platform mainly for P2P rentals, but also offer the opportunity to rent directly from brands. With a focus on high-end fashion and creating a cool platform, Gemme Collective sponsors influencers who create profiles. Although, anyone can create a profile, and as of now they manually approve which items can be posted. They aspire to automate this process through AI filters in the future.

The service is currently offered in Stockholm, where sellers and renters can decide on meeting up or using a shipping alternative. Their main customer segments are therefore women living in Stockholm who like designer clothing that is fashionable and fun. Marketing wise they use paid social media advertising but have also done an outdoor campaign in Stockholm. There are currently 250 items on their platform, a number they aim to increase significantly. The company is not yet profitable, but has already secured valuable investment with the vision to offer their service in every large European city.

They launched their service during the Covid-19 pandemic, and have not been able to expand as much as they hoped to because of low demand. They have put marketing initiatives on hold, waiting for demand to rise. An example is that they postponed their

launch of several designer brands onto the platform, and have instead put more focus on onboarding brands to launch in the future. They have a positive outlook on the future, as the sustainability trend is growing in society. A challenge is to time initiatives with customer readiness. Therefore, they identify linear fashion companies as their biggest competitors.

## 4.2. Clothing Swapping Companies (See Appendix 5)

### 4.2.1. Swop Shop – The Triple-Win-Formula

Seven years ago, the first for-profit clothes swapping business in Sweden was founded by Jane Olsson in the era of swapping events (“klädbytardagar”). After travelling abroad for many years, she realized that her lifestyle was at the expense of people around the world and wanted to do something about it. Olsson set up a store in the center of Malmö, with the purpose of gathering people that would like to swap their unwanted clothes for new clothes. When clothes are handed in, they are valued and the customer gets paid in a currency of green hearts through which they can pay for new clothes. The customer segment is broad, but the largest group is mothers.

Olsson wants to use her store to fight against injustices and make a sustainable change. Swop Shop is therefore run based on a triple-win-formula where the seller, the buyer and the environment all benefit. She believes that people think that circular economy is about dumping one’s problem on someone else and continuing to consume, and that this is important to re-think.

Swop Shop is for-profit but has never been about making profits. The focus has always been on changing consumer behavior and contributing to a circular society. This is seen as the biggest challenge, and she believes that the road towards a circular world must be created through a collective effort. Olsson has always been the only employee of her company and has 4 000 registered users online and at least as many additional unique visitors in the physical store. The value at which a clothing item will be traded is decided upon by Olsson and the customer together in the store. Of this, she keeps 25 % and the remaining amount is paid to the customer in the green hearts-currency. In 2020,

a membership option was introduced for 29 SEK a month, which allows users to swap one item for free monthly. The introduction of a new financial model is a consequence of the Covid-19 pandemic as she saw a decline in the number of customers. Swop Shop was profitable in the year of 2020; however, this was at the expense of Olsson not taking out sufficient monthly salaries. Nevertheless, Olsson's persistence to keep working towards a circular world for the past seven years has paid off. With the help of an international company, Swop Shop will start scaling to open more stores around Sweden and move one step closer towards fulfilling Olsson's dream of creating a fully circular world.

#### 4.2.2. PopSwap – A Tinder for Clothes and Accessories

Right before the global pandemic hit, Lin Kowalska was pondering over the fact that up to 60-80 % of items in people's wardrobes never are used. The idea of creating an accessible solution for people to see into each other's wardrobes came to her mind. This would allow people to easily swap clothing items that they did not use, for ones that they would use. She reached out to two app developers and Popswap was created and launched in August of 2020. Popswap can best be described as a community-based P2P platform inspired by Tinder where users swipe, match, and then swap clothes. Although the app is practically built by the team of Popswap, the development has been influenced by the community consisting of 15 000 members. Their members are mainly Gen-Zs looking for a large turnover of their wardrobe, who are both fashion and sustainability conscious. Kowalska says that the goal is to build a community with fashion lovers and potentially even brands. All the logistics are handled by the swappers themselves, which means that Popswap's focus lies in developing the platform and making it more automated.

Despite launching in the midst of the pandemic, it has not affected them negatively. People have had more time to explore new digital solutions, and what the fashion industry thought would happen in terms of digitization in five years, happened in three months instead. Kowalska, however, noticed that investors were reluctant when the pandemic first hit, but she still managed to close a smaller round during the fall of 2020 to cover the initial costs. In its current state, the app is completely free for users to

download and use, which also means that there are no revenue streams. The priority for Popswap is to keep growing the community and spread the concept of swapping to a larger audience, and then introduce a financial model. Since the platform is completely decentralized, it is organically popping up in other countries.

Since swapping is still a relatively new concept, a challenge is to change consumer behavior and get people to start using the platform. It has been observed that if users get over the initial threshold of using the app, working with retention is easier. Therefore, Kowalska is positive to all competitors that offer solutions focused on redistributing or renting already produced clothing items. She moreover believes that the market will see increased growth in innovative solutions around how to extend the lives of garments. Popswap's users are looking for genuine businesses that want to create real change, and therefore, moving forward, it is important that competitors work together.

### 4.3. Clothing Reselling Companies (*See Appendix 6*)

#### 4.3.1. Sellpy – Giving Unwanted Items a New Home

The idea for Sellpy was born in 2013 when, Michael Arnör, one of the founders, returned home from studying abroad and realized that he owned a plethora of things that he no longer used. Michael and his friends Oskar Nielsen and Philip Gunnstam decided to create a service that enabled convenient and easy selling of second-hand items. Sellpy wants to extend the lives of things, and thereby contribute to more sustainable consumption. According to Sellpy, they are part of the beginning of a long journey that fundamentally will change how people consume. The business model is focused on creating a complete e-commerce experience online, which includes everything from picking up items, sorting them and selling them. This entails a large focus on technological and logistical efficiencies, and they, therefore, identify as a log-tech company.

Sellpy accepts items that are believed to be worth at least 50 SEK, and therefore speak to a broad customer segment. Although fashion accounts for 90 % of items on their website, they also accept interior design and household items. The business started on

the platform Tradera before they gradually built the platform that they use today. The customer segment on the buyer side, therefore, resembles that of the second-hand platforms Tradera and eBay. The platform has gained a lot of popularity among consumers. Particularly using Sellpy as a costless, easy way of getting rid of one's unwanted clothes has been popular. This has created a great demand for their pick up service, which until recently has been for free. Sellpy's model is perceived by them as one-of-a-kind, and no other competitor has managed to copy it completely. Yaytrade is mentioned as the most similar competitor in its logistical model, however, their focus on more high-end products attracts a slightly different consumer segment. Sellpy mainly views fast fashion companies and other marketplaces such as Blocket, Tradera and Facebook as their biggest competitors. The fact that other fashion sharing companies enter the market is rather seen as an opportunity to spread consumer awareness.

Sellpy has experienced great growth with a revenue of 197 million SEK in 2019 and a total of 500 employees. Although they are not yet profitable, H&M has made large investments in the business and is now the majority owner. Sellpy has aggressive expansion plans and expansion is already quickly happening in countries all over Europe despite the breakout of the Covid-19 pandemic. The pandemic has not had large negative effects on Sellpy, rather they have seen an increase in the number of items being sent to them, as well as a growth in the number of purchasing customers. However, they emphasize how fortunate they have been to be located in Sweden, as warehouses have been allowed to remain open during the pandemic. As their whole business is dependent on operations in their warehouses, a lockdown would have led to large negative consequences.

Moving forward, Sellpy has the ambition to move closer to an even more circular platform. They recently branched out their business model with a new initiative called Sellpy Circle. The initiative offers the opportunity to consumers to resell previously bought Sellpy items. As they keep growing, they expect future challenges to be optimization of their logistics and increasing automation in their operations to be able to handle large volumes of clothing even more efficiently.

#### 4.3.2. Yaytrade – Incorporating Competitors in Their Business Model

Back in 2015 David Knapé was discussing the sharing economy with his friend Jon Berglund. They realized that there were not any major marketplaces that were responsible for all parts of the supply chain in the process of selling second-hand items online. A few years later in 2017, they launched the alpha version of Yaytrade. Initially, they allowed anything to be uploaded, from cars to clothes, and the payment methods offered were money, services, or trading. Shortly after, the influencer couple Jon Olsson and Janni Olsson Delér joined as partners, and Yaytrade started selling Jon and Jannie's pre-loved clothes which was very successful. Eventually, the business model changed to only focusing on clothes. However, this did not change the fact that the business model requires complex logistical structures and technological development. Yaytrade therefore views themselves as a log-tech company.

Anyone can send clothes to Yaytrade, which then are uploaded onto the website. There is also an option to upload one's own ads. If an item is sold, Yaytrade charges 150 SEK plus a floating commission fee. Moreover, they focus much on influencer collaborations and also offer a unique online marketplace for designer brands to do their stock sales on. This means that fashion brands that could be viewed as competitors, actually are incorporated into the business model. Yaytrade sees a large potential in collaborating with competitors and views other fashion sharing companies in a positive light.

Unlike Sellpy, Yaytrade only accepts goods with a retail price of at least 400 SEK, and has more of a niche on designer brands. Knapé, therefore, emphasizes how Sellpy and Yaytrade take two different parts of the market, and are glad for their existence. To reach their customer segments, they invest in paid social media marketing. They have also done a marketing campaign in the Stockholm subway, which had a greater breakthrough than their digital campaigns. They believe that outdoor campaigns are more credible in the eyes of consumers, as it creates a general perception of the company having more capital.

During the spring of 2020, it was difficult for Yaytrade to secure investments due to investors being more risk averse. Overall, however, Yaytrade has experienced a positive

outcome of the Covid-19 pandemic, as the customer base has grown both on the supply and demand side of the business. In March 2021, Yaytrade was listed on the Nasdaq stock market to raise more capital. In years ahead, the company wishes to become a fashion tech group that acquires other companies through M&As.

#### 4.4. Researchers Insights about Fashion Sharing

Susanne Sweet and Esben Rahbek Gjerdrum Pedersen agree that the biggest obstacle to achieving profitability in fashion sharing is obtaining volume and scalability. In order to scale, Pedersen stresses the importance of having enough customer behavior insights that can be used to shape the value proposition. This demands consumer interest, which Sweet points out increased greatly in 2019. The willingness to sell or donate one's clothes has existed for a long time, but the willingness to wear second-hand clothes is a trend that has taken longer to establish. Sweet mentions the significance of political initiatives that help shape consumption patterns, and believes that we will see more and more of those. For instance, the EU aims to have garment recycling in all member countries by 2025 (Šajn, 2019).

One way to achieve scalability is by combining different business models within businesses, Pedersen argues. In that way, the products and service offerings apply to more customers, which is an opportunity to get access to more customer data. He also believes that in the long-term, we will see some of the fashion sharing companies sell their technological platforms. The platforms can often be applied to other fields than fashion and could therefore be implemented in other markets. If the platform design is smart, fashion sharing companies could make a profit by selling them. Pedersen moreover believes that fashion sharing platforms increasingly will resemble more informal markets, such as Facebook groups. These groups appeal to consumers as they do not involve a transaction fee and can also be more niche, for instance only focusing on sneakers. Pedersen thinks that future BMI increasingly will try to resemble these, but also try to optimize them and offer the customer something that the informal market does not have.

With growing consumer interest in fashion sharing, traditional linear retailers also increase their monitoring of the market, Sweet further points out. Thus, CC threatens the linear way of consuming fashion and therefore the profitability of these big retailers. Pedersen suggests that fashion retailers that were to enter the market, do not have to develop logistics for circular models in-house. They can choose to acquire such services because of the amount of capital that they hold.

#### 4.5. Management Consultancy Reports – The Rise of Digitization and Sustainability

2020 was the year in history in which the fashion industry suffered the most in its history. Three-quarters of all listed fashion companies have lost money due to declining sales, as a direct result of changed consumer behavior and a disruption of supply chains. According to the McKinsey Global Fashion index analysis, the industry has experienced a 90 percent decline in economic profit, compared to a 4 percent growth in 2019 (Balchandani et al., 2021).

Even before the pandemic, it was predicted that the future of fashion would be digital (Hämmerle et al., 2020). The pandemic has accelerated the demand for digital solutions, which has enabled innovation and new ways of scaling businesses. Executives believe that digitalization is the biggest opportunity in the industry and will be the primary driver of growth. There is also a more generally observed behavior change and a growing consumer interest in sustainable consumption. The same report suggests that the pandemic could serve as a reset opportunity for players in the fashion industry to strengthen their sustainability commitments and thereby accelerate industry-wide changes (Balchandani et al., 2021). This reset means moving away from the paradigm of overproduction, overconsumption and waste and rethinking how fashion is done, what it may become, and what it must address (Black, 2020). Fast fashion is starting to be seen as a dying phenomenon, while slow fashion and fashion sharing is constantly taking market shares. Especially the second-hand market has experienced massive growth and by 2029 it is predicted that the total second-hand market will be twice the size of fast fashion (ThredUp, 2020). Initiatives on the Swedish market that have

contributed to the growth of second-hand are for instance H&M's launch of a rental service in 2019 (H&M, 2019), and Zalando and NA-KD announcing second-hand initiatives in 2021 (Zalando, 2021; NA-KD, 2021).

However, the report published by Balchandani et al. (2021) states three key challenges that prevent circular companies from scaling. Firstly, scalability requires that clothing items are durable enough to be worn by several people. This is a challenge as most fast fashion clothing today is produced after the concept of "wear and tear". Secondly, scalability requires a complex web of logistics, and thirdly it requires consumers to overcome stigmas.

## 5. DISCUSSION

### 5.1. The Current Landscape of Fashion Sharing on the Swedish Market

#### 5.1.1. Differences in Value Propositions

The current landscape of fashion sharing in Sweden is still in an embryonic stage and is constantly developing. The concepts of renting and swapping are more unfamiliar concepts to consumers compared to reselling, which resembles linear fashion the most. Reselling is the most successful concept of the three in terms of revenue in the studied companies.

The actors within reselling (Sellpy, Yaytrade) and swapping (Popswap, Swop Shop) have relatively similar value propositions to each other. Interestingly, the actors within rental have more distinct value propositions. By analyzing each company's story, we can identify differences in why their business proposals appeal to customers. Sabina and Friends offered value to customers by building customer relationships around personal assistance and their events. The service appealed to people looking for the in-store experience, but was not successful online, as they were not able to convert and digitalize the same in-store experience. Popswap's business model, conversely, offers value in terms of enabling relationships to be built between users in their community on their digital platform.

The Wow Closet offers value for customers from a cost saving perspective. Formal attire is expensive and for women rarely worn on several occasions, why renting an item for 20 % of its brand-new-price attracts customers. Gemme Collective also offers short-term rentals, but rather attracts fashionistas who look for "fun" high-end fashion to temporarily rent. Hack Your Closet offers value for the customer in terms of a high rotation rate of clothes (four items every month) for a cheap price and through the surprise of choice of clothes. Rent Routine offers quality design clothes and optimizes clothing offerings by partnering with brands.

Swop Shop's value offering is built around cost savings for consumers and also customer relationships through personal assistance in the store. Sellpy has largely appealed to customers as an easy way to get rid of one's unwanted clothing. The large demand for this service resulted in them imposing a fee on clothing collection. Yaytrade, which is more profiled with designer brands, offers value by letting customers sell their designer clothing and buy designer clothing second-hand or from stock sales. All companies also attract customers based on their sustainability offering.

Moreover, the interviewed companies fundamentally differ in whether they identify more as a fashion company or technology company. This profiling appears to strongly impact their abilities to attract investment. Companies that use stores as their main channel (Sabina & Friends, The Wow Closet, Swop Shop) have all had difficulties in attracting investment. Companies that identify more as platforms or technological solutions (Hack Your Closet, Rent Routine, Gemme Collective, Popswap, Sellpy, Yaytrade), conversely, share a positive view of the investment climate. An explanation for this would be that the venture capital market for technology solutions is tremendously capital intensive. Sabina & Friends and The Wow Closet, however, believe that their difficulty in attracting investment partly is a question of an overrepresentation of men among investors. They believe that men have a hard time understanding the potential of the rental concept and therefore are more hesitant towards the idea. The extent to which this phenomenon would be true, relative to the fact that technology solutions attract more investment, is difficult to answer. As Pedersen points out, the platform solution might be more valuable than the actual fashion offering long term, because of its potential to be implemented in other markets as well, or purchased by a larger fashion retailer. Investors are therefore likely to see more long-term potential in log-tech focused companies.

#### 5.1.2. The Challenge of Scalability

None of the companies we interviewed are profitable, and no renting or swapping company has yet managed to exceed a revenue of 1,5 MSEK. At the moment, almost all the companies have to rely on external capital while trying to scale. Besides, scaling

with a business model in fashion sharing is different from scaling traditional fashion e-commerce business. The infrastructure surrounding fashion sharing is not sufficiently established; much of today's second-hand clothing is not durable enough to be worn by several people, the complex logistics system is yet to be standardized and there are yet consumer perceptions and stigmas around fashion sharing that have to be disproved.

The companies also have to reach a large volume of sales in order to grow. Since relatively large structural and behavioral changes have to occur for the market to be scalable, businesses within the field have realized that such change has to come about through a collective effort. The interviewed companies all have a positive view on competition within fashion sharing because it spreads awareness about the concept. Additionally, Pedersen suggests that businesses can achieve scalability through combining different business models within fashion sharing in the same organization. This is something that Sellpy already has done since they launched their P2P initiative Sellpy Circle, which allows people to resell items bought on Sellpy.

## 5.2. Fashion Sharing as a Disruptive Innovation

When analysing the business models of our interviewed companies, and how these challenge the business models of linear fashion companies, several themes occur. A fundamental theme of course is their imposing of collaborative ways of consuming fashion, either by passing on the permanent ownership of an item or by temporarily distributing ownership.

Moreover, fashion sharing challenges the conventional cost and revenue structures in the fashion industry. It is mainly disruptive by capitalizing on existing garments. By maximizing the number of times a garment can be redistributed to a new user or owner, businesses are able to repeatedly capitalize on the garments. The initiative of Sellpy Circle, for instance, encourages owners to sell items that they previously have bought from Sellpy but no longer use. Rent Routine's strategy to partner with brands rather than to purchase inventory creates a feedback system where the brands strive to optimize garment quality and life length. Moreover, in all rental businesses, there is a

possibility to repair garments before they are sent to a new customer. These are a few examples of how businesses repeatedly capitalize on garments.

Another aspect of challenging linear fashion business models is seen in the P2P platform (Gemme Collective and PopSwap). It challenges the traditional retailer model by not including any hands-on operations around clothes. This means no work on clothing designs and collections, no supply chain logistics around the production of clothes, no inventory, no physical store space and no direct shipping from the company. The companies can instead focus on platform development, marketing and other business developments. Another theme is the exclusion of a monetary transaction, which we find in the swapping business models. Swop Shop uses its own currency of green hearts, whereas Popswap uses a system of direct swapping between users. The concept of paying with one's old clothes when buying new clothes creates a new transactional system that offers a win-win for the customer. P2P platforms and swapping platforms also redefine the cost and revenue structure for fashion businesses. Revenue does not come from clothing sales, and is instead to be obtained through a transactional fee or a membership fee.

Moreover, based on the definition of disruptive invention, fashion sharing could either be low-market or new-market disruptions. It is a low-market disruption as second-hand items typically are sold for a lower price than their original price and swapping is done with items. One could also argue that clothing rental is a low-market disruption for people who want a lot of variation in their clothing and for people who like to wear designer brands. However, it is a new-market segment as it offers new consumption concepts; the CC concept, renting and swapping, that greatly attract sustainability conscious consumers.

### 5.3. Mixed Impacts of the Covid-19 Pandemic

During the Covid-19 pandemic, the fashion industry has suffered record-high declines in economic profit. This is due to a change in consumer behavior as social distancing has become the new standard. The consumption of fashion has as a result decreased, and many companies have experienced a big loss in sales. Investors have also been more

reluctant. The interviewed companies have either had to liquidate (Sabina & Friends), let go of personnel (The Wow Closet), or change their strategy (Rent Routine, Gemme Collective). The change in strategy includes Rent Routine having to postpone their launch, Gemme Collective changing their strategy around marketing and launching brands on the platform. Several companies have also changed their assortments of clothes to items that people want to wear at home, during Zoom calls or for smaller events (Hack Your Closet, Gemme Collective, The Wow Closet).

Although the Covid-19 pandemic has hit the fashion industry harder than ever witnessed, the acceleration of digital solutions and change in consumer behavior has given life to new players. Popswap and Rent Routine both started their businesses in the midst of the pandemic, and have experienced a greater interest from both consumers and investors than they had expected. Besides, both Sellpy and Yaytrade have benefitted from the pandemic as they have seen more consumers send in or upload clothes, and also more consumers purchasing clothes. This illustrates the acceleration that the pandemic has had on consumers turning to digital and sustainable consumption (Balchandani et al., 2021). However, one aspect to take into consideration is the fact that Sweden's handling of the pandemic has been more liberal than other countries, by not imposing lockdowns. Sellpy and Yaytrade would not have been able to operate their businesses if warehouses would have been closed.

## 5.4. Future Outlook on the Fashion Sharing Market

### 5.4.1. A Playground for Technological Innovation

In terms of future outlook, there is a clear trend of a growing focus on technological development among the interviewed companies. A shift can be observed in companies profiling themselves less as fashion companies and more as technology companies. The case of Sabina & Friends suggests that companies in this market need to adapt to digital solutions in order to survive. Working on technological platform innovation over the fashion offerings is therefore a trend that is likely to grow in the fashion sharing business. An example is Gemme Collective's vision of an AI filter that approves or disapproves of clothing that is uploaded by users on the website. The technological

developments are also expected to increasingly resemble informal markets, as pointed out by Pedersen. This can already be seen in Popswap's platform that greatly resembles an informal market.

Moreover, several companies mention the benefit of being a small actor in a fast-paced market without set frameworks, as this gives room for innovation and trial-and-error. As a young market without set frames, fashion sharing is a playground for innovation. Popswap thinks that we will see an increase in innovative solutions around how to extend the lives of garments and make money out of garments that already exist. Rent Routine's business model already touches upon this through their partnerships with brands, as this creates a feedback system with the brands about how to maximize garment life-length.

#### 5.4.2. The Sustainability Trend and The Threat to Fast Fashion Companies

While Covid-19 has contributed to a change in consumer behavior, there is a more generally observed behavior change regarding a growing consumer interest in sustainable consumption (Balchandani et al., 2021). The interviewed rental and swapping companies outline consumer change as the main challenge, but also as a great future opportunity. The successes of their businesses largely lie in how and at what rate consumer behaviors shift to more circular patterns. As consumers are more adapted to buying second-hand than to renting and swapping, Sellpy and Yaytrade do not see consumer behavior change as their greatest challenge going forward. Their main challenge lies in optimizing logistics and developing automated methods of handling large volumes of clothing.

There is also a belief that traditional retailers will increasingly incorporate sustainable consumption alternatives in their businesses. Hack Your Closet thinks that traditional retailers will start offering rental options, as an additional service. We have already seen these initiatives on the Swedish market. For instance, H&M offered a rental service in 2019, Zalando and NA-KD both recently announced second-hand initiatives. Hack Your Closet thinks that it will be beneficial for big retailers to collaborate with smaller market actors that already have the logistics in place. Pedersen agrees that large fashion

retailers don't have to develop logistics for circular models in-house, as they could easily acquire them. Because of conflicting value chains, these initiatives will have to be created independently from the incumbents' main business. One example of this is H&M's temporary rental concept in 2019, and their investment in Sellpy. Besides, the value chain conflict might be apparent to customers as well. When fast fashion companies implement circular initiatives, there is a risk that this will be perceived as green washing. The Wow Closet believes that H&M's rental service offered in 2019 mainly was for the sake of PR, for instance. Nonetheless, The Wow Closet saw a big increase in online searches for rental companies around the time of H&M's launch, meaning that initiatives from incumbents are beneficial for smaller market actors by raising awareness about circular concepts.

## **6. CONCLUSIONS AND IMPLICATIONS**

### **6.1. Conclusions**

In terms of the current landscape of the Swedish market for fashion sharing, swapping and reselling businesses are more consistent in their value propositions than renting businesses. Each of the nine interviewed companies primarily attract customers in one or several of the following ways: as a cost saving option, by customer relationship building, by user relationship building, by offering a high rotation rate in clothing items, as an accessible and cheaper solution to purchasing designer brands, or by helping customers to easily sell or swap their unwanted clothing. Two general trends observed on the market are 1) a division between companies primarily profiling themselves as fashion companies or technology companies and 2) scalability being a market wide obstacle. In the case of a stronger fashion or technology profile, an increasing trend in new market actors profiling with the latter is observed. A strong technology profile is also observed to attract more investment. The challenge of obtaining scalability largely lies in driving consumer behavior change. There is a consistent view on competition being benefactory as the fashion sharing companies increase customer awareness collectively.

Three themes are identified around how fashion sharing BMI disrupts linear fashion business models. This is firstly done by fundamentally challenging the cost and revenue structures of linear fashion businesses. Fashion sharing businesses capitalize on existing garments and are able to do so repeatedly. In doing so, they extend the life-length of garments. In the cases of P2P platforms, there are no cost and revenue structures around the actual clothing sale. Costs are solely related to platform development and revenue comes from transaction or membership fees. The second disruptive innovation identified is that P2P platforms entail no operational structures around the hands-on handling of clothes. These companies can focus primarily on platform development. The third disruptive innovation is the swapping businesses' usage of non-monetary transaction systems.

Moreover, there is a division between companies who mainly have experienced positive or negative effects from the Covid-19 pandemic. The three companies that offer consumers to sell or swap unwanted clothing items through a digital platform (Popswap, Sellpy and Yaytrade) have all experienced high demand for their services. The companies focusing more on designer brands or formal clothing have experienced financial losses, or have had to strategically postpone their launch or other important events. It could be argued that the difference in how the pandemic has impacted the businesses lie in how important the above stated two aspects are in the business models.

In terms of future outlook, technological platform innovation is expected to increase in the market. The biggest challenges for the reselling companies going forward is optimization and automation of operations. For renting and swapping companies, changing consumer behaviors away from linear consumption patterns toward circular ones is identified as the biggest future challenge.

Lastly it can be concluded that the Swedish market for fashion sharing is a market full of creative business models and innovation. The market constantly challenges the linear fashion business concept by reinventing how fashion is offered, and by doing so fashion sharing companies collectively close the consumption circle.

## 6.2. Implications

The findings add insights to the limited research that currently exists on the business perspective within fashion sharing. Particularly, new findings have been added to the research stream on fashion sharing as a disruptive BMI. Jin and Shin (2020) found that fashion sharing is a disruptive BMI by meeting unmet demands and changing and improving the efficiency around operational usage of inventories. This thesis adds one more attribute to the list, that goes for all fashion sharing businesses, namely the cost and revenue structures focusing on repeatedly capitalizing on a garment. More specifically for P2P platforms, the thesis adds the operational layout as another

disruptive BMI, and for swapping companies the usage of non-monetary transaction systems.

Regarding the Swedish market, the thesis contributes with an insightful overview of the Swedish market for fashion sharing, given the time limitation of the thesis. Moreover, as nine of the fourteen identified actors were interviewed, it could be argued that the sample size constitutes a good representation of the market. By providing an overview of the Swedish market, the findings have the potential to appeal to current market actors, new entrants, investors and anyone who wants more market insights in the Swedish market. To a limited extent, the thesis also contributes to research on how the Covid-19 pandemic has impacted the fashion sharing market, as well as future outlook on the market.

### 6.3. Limitations

As the thesis studies an area with a limited amount of previous research streams, a qualitative and exploratory method was used to contribute with more insights and understanding of the market. A limitation of the qualitative and exploratory method is the possibility of bias in the interview question design or in the way that interview questions were asked, and the possibility of having wrongly interpreted the interview data. The unpredictability of outcomes in exploratory studies has led to a broad scope of the thesis, as the three research questions, although interlinked, have relatively different focuses. In that sense, the thesis offers an overview of interesting insights rather than deep-diving into one. This is however something that the authors were aware of during the research process, because of the exploratory method and the fact that the area of study offered a lot of interesting and unpredictable perspectives. The authors therefore decided to include and present the findings that they thought were the most interesting.

Previous research in the area of BMI is moreover found to be conceptual and descriptive rather than theoretical and explanatory (Foss & Saebi, 2017). This made it difficult to find and apply explanatory theory, which weakness and limits the thesis.

The data sample, although covering a great share of identified actors, lacked the inclusion of companies in reselling that use P2P platforms. The two companies identified in this segment, Tise and Plick, declined to participate and did not reply to the invitation respectively. Another limitation to our ability to answer the third research question, was a difficulty in accessing financial information from 2020. This limits the understanding of how the Covid-19 pandemic impacted the companies in numerical terms. Instead, the authors had to rely on the interviewees stories of how the pandemic had impacted the businesses. The authors also want to stress that the impact of the pandemic on the fashion sharing market, likely varies between countries. The Swedish Covid-19 strategy is known to have been liberal in comparison to other countries, and the thesis should therefore be read keeping the Swedish Covid-19 strategy in mind.

## 6.4. Future Research

The field of fashion sharing is expected to continuously grow, which calls for more research to be conducted. Especially research on BMI disruption in fashion sharing is still unexplored. It would be interesting to deep-dive further in how cost and revenue and operational structures disrupt conventional fashion.

Another phenomenon that has been made clear during the time period of which this thesis was written, is the fact that more and more incumbents are entering the market. A future consideration is looking at incumbents entering the market of CC from the three major research streams: the consumer perspective, the business perspective and the environmental perspective to establish its success.

It is also likely that some of the effects of the Covid-19 pandemic will not show until years into the future. Thus, for future research, it would be interesting to evaluate and gain a deeper understanding of the long-term effects of the pandemic from the three research streams.

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## APPENDIXES

### Appendix 1 - Interview Sample (Company Representatives)

**Table 1.** Presentation of interviews

<b>Company</b>	<b>Contact Person</b>	<b>Role</b>	<b>Length</b>
The Wow Closet	Oksana Poliakova	Co-founder & CEO	31:29
Rent Routine	Alexander Popovski	Co-founder	53:31
Gemme Collective	Tomas Meerits	Co-founder	35:39
Popswap	Lin Kowalska	Co-founder & CEO	50:07
Swopshop	Jane Olsson	Founder	1:00:17
Hack Your Closet	Mikaela Larsell Ayesa	Co-founder & COO	38:19
Sellpy	Alexander Winter	Operations Manager – International Expansion	38:41
Yaytrade	David Knape	Co-founder & CEO	44:52
Sabina & Friends	Monica Holmvik Persdotter	Co-owner	29:47
Sellpy	Philip Gunnstam	Co-founder & CFO	45:01

## Appendix 2 – Interview Sample (Researchers)

**Table 2.** Presentation of interviews

<b>Institute</b>	<b>Contact Person</b>	<b>Role</b>	<b>Length</b>
SSE, Stockholm School of Economics	Susanne Sweet	Associate Professor & Research Director at Center	40:32
CBS, Copenhagen Business School	Esben Rahbek Gjerdrum Pedersen	Professor at Department of Management, Society and Communication	41:35

## Appendix 3 – Interview Questions

### **GDPR Notifikation**

Fråga om det är okej att vi spelar in intervjun och se till att de är införstådda i att det kommer att användas i vår uppsats.

Fråga om de vill vara anonyma.

#### 1. Varför startades företaget?

- Hur kommer det sig att ni utformade en affärsmodell i enlighet med fashion-sharing?
- Inspirerades du av någon eller var det så att det var ett hål på marknaden?
- Vad är er affärsmodell? Vad är det som gör er unika jämfört med andra företag?
- Hur många anställda har ni?

#### 2. Hur skulle du beskriva den typiska konsumenten?

- Vilken är er målgrupp? Varför just den?

#### 3. Genom vilka kanaler når ni era konsumenter?

- Hur ändrar ni konsumenters köpbeteenden?
- Har ni stött på utmaningar med att skapa lojala kunder?

#### 4. Hur ser er finansiella modell ut? Cost/Revenue structure.

- Vad är era marginaler? Hur är ni lönsamma?
- Klädbibliotek: Hur många gånger behöver ett plagg hyras ut för att det ska vara lönsamt?
- Skulle ni kunna skicka er årsredovisning till oss?

#### 5. Hur ser ni på investeringsklimatet?

- Har ni investerare?
- Lätt/svårt att få investerare?

Påverkat av Covid-19?

#### 6. Vad upplever ni för fördelar och utmaningar med att vara verksamma i en så pass ny bransch? Hur skiljer det sig från en traditionell affärsmodell?

- Fördelar:
- Utmaningar:
- Vad har varit den största utmaningen att skala upp er verksamhet?
- Upplever ni att det har varit en utmaning att få konsumenter att anpassa sig till koncepten?
- Upplever ni att ökad konkurrens är en utmaning? Var går gränsen för vilka som är era konkurrenter (alla modeföretag, alla modeföretag inom collaborative consumption, eller de med väldigt lik affärsmodell)?
- Finns det några legala aspekter som ni behöver ta hänsyn till som har agerat som en fördel eller nackdel för er?

#### 7. Hur ser ni på framtiden i den här branschen? Hur kommer den att förändras?

- Är konsumenter redo att anpassa sig till koncepten?

- Är det en växande marknad och vad tror ni kommer att hända med lönsamheten?

Covid-19s effekt på verksamheten

8. Hur har ni påverkats av Covid-19?

9. Hur har er lönsamhet utvecklats över tid? Hur ser lönsamheten ut under Covid-19 jämfört med tidigare?

10. Har ni märkt någon skillnad i konsumentbeteende under Covid-19?

11. Har ni behövt ändra er affärsmodell, intäktsstruktur eller kostnadsstruktur till följd av Covid-19?

- Tror ni att det är något som kommer att behövas göras för att uppnå långsiktig lönsamhet?

12. Vilka är era direkta och indirekta konkurrenter på den svenska marknaden?

13. Hur ser er logistikkedja ut?

- Finns det några logistiska utmaningar?
- Vad händer vid komplikationer? Vem bär ansvaret för att kläder inte lämnas tillbaka eller att man eventuellt blir bedragen?
- Vad gör ni med produkter som inte blir uthyrda?
- Vilka är era leverantörer? Hur bestäms sortimentet?

14. Identifierar ni er som ett mode eller logistik/data företag?

## Appendix 4 – Overview of Clothing Rental Companies

**Table 3.** The Wow Closet and Sabina & Friends

	<b>The Wow Closet</b>	<b>Sabina &amp; Friends</b>
Founded	2018	2010
P2P/B2C	B2C	B2C
Number of Employees	4	N/A (closed in 2020)
Revenue	1,06 MSEK (2019)	1,28 MSEK (2019)
Value Proposition	Short-term rental service offering formal attire for women. Sellers hand in their dresses and Wow Closet manages all logistics around renting. No interaction between seller and renter. Wow Closet has their own stock of dresses that they also rent out. Possibility to purchase clothes as well.	Monthly subscription service for clothing rental and one-time rentals. Mid-end Scandinavian and French fashion brands directed towards women. Mainly offered through a physical store, but also online. Service also involves styling advice and events.
Customer Segment	Women in different ages (16 - 80).	Women in Stockholm working in the business or entertainment industry.
Channels	Paid marketing through Google ads, unpaid marketing by sponsoring social media profiles and events.	Social media, events in the store, word of mouth.
Customer Relationships	Personal assistance in their store, co-creation as customers can request brands.	Personal assistance by offering styling advice, community built around events.
Key Resources	Store, website, employee knowledge.	Store, website, employee knowledge.
Key Activities	Running the store, maintenance of clothing, website development	Running the store, community building through events, maintenance of clothing, website development
Key Partnerships	Supply - Consumers  Washing and repairing - outsourced  Shipping - outsourced to Airmee  Collaboration with other businesses working with events, doing photo shoots together and sharing on everyone's social media platforms.	Supply - Scandinavian and French designer brands  Washing and repairing - outsourced  Shipping - outsourced
Cost Structure	Main costs: - purchases - personnel - assets	Main costs: - purchases - personnel
Revenue Streams /	Revenue comes from one-time rentals and purchases. Customer pays 20-25 % of the	Revenue comes from monthly subscription models. Three different

Financial Model	original price of the clothing item when renting. The seller gets 20 % of the renting price and the Wow Closet keeps 80 %. If an item is sold, the seller gets 50 % of the renting price.	subscription models: 2, 4 or unlimited clothing items.
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**Table 4.** Hack Your Closet, Rent Routine and Gemme Collective

	<b>Hack Your Closet</b>	<b>Rent Routine</b>	<b>Gemme Collective</b>
Founded	2019	2020	2019
P2P/B2C	B2C	B2C	P2P and B2C
Number of Employees	32	2	5
Revenue	0,439 MSEK (2020)	missing	0,07 MSEK (2019)
Value Proposition	Monthly subscription of clothing rental. A surprise which items one receives, based on an initial survey about one's style. All clothes are hand-picked second-hand items.	Monthly subscription of clothing rental in collaboration with designer clothing brands. The brands remain owners of the clothes and get a percentage fee of the sales.	Short-term rental P2P and business-to-consumer platform for high-end fashion based in Stockholm.
Customer Segment	Primarily women in the age 25-35. Women aged 35-45 is a growing segment. Have a family and care about sustainability.	Women in the ages: -20-30. Typically shops fast fashion, has a lower budget, and likes to renew their wardrobe.  -30-45. Career women with less budget restrictions but also less time to spend on shopping.  -45+. Not price sensitive and tired of buying the wrong type of clothing,	Women living in Stockholm around the age 35, interested in "fun and cool" designer clothing to complement their wardrobe.
Channels	Paid social media marketing.	Only unpaid marketing through PR collaboration with influencers.	Combination of paid and unpaid social media marketing. An outdoor campaign in Stockholm. Word of mouth.

Customer Relationships	Automation when style preferences are filled in on the website, personal assistance through styling, co-creation through feedback process.	Automation as everything is managed through the website, personal assistance through email.	Automation as everything is managed through the website.
Key Resources	Website, inventory, employee knowledge	Website, employee knowledge	Website, employee knowledge
Key Activities	Website development, purchasing of second-hand clothes	Website development, setting up supply from designer brands	Website development, onboarding influencers and brands
Key Partnerships	Supply - second-hand stores and excess clothing from brands  Washing and repairing - outsourced  Shipping – outsourced	Supply - Brands  Washing and repairing - outsourced  Shipping - outsourced  Partner with consultants, a designer and a copywriter.	Supply - Consumers and brands  Washing and repairing - consumer responsibility as of today.  Shipping - outsourced to Airmee  Clothing insurance – Omcom
Cost Structure	Main costs: -purchases -personnel -assets	Main costs: -personnel -external competence -the brands owning the clothes are given a percentage fee of sales	Main costs: -personnel -assets marketing
Revenue Streams / Financial Model	Revenue comes from monthly subscription fee of 299 SEK per month. Renting can be prolonged for 29 SEK/month per item. Fee of 189 SEK if a clothing item is damaged to the extent that it can't be repaired.	Revenue comes from monthly subscription fee of 695 SEK for three clothing items.	Revenue comes from one-time rentals. The seller receives 80 % of the rental price and Gemme Collective keeps 20 %.

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## Appendix 5 – Overview of Clothing Swapping Companies

**Table 5.** Popswap and SwopShop

	<b>Popswap</b>	<b>SwopShop</b>
Founded	2020	2013
P2P/B2C	P2P	B2C
Number of Employees	5	1
Revenue	0 MSEK (2020)	0,4 MSEK (2020)
Value Proposition	Community-based P2P app where users swipe, match, and swap clothes - everything without spending a dime.	Subscription-based swapping service, mainly carried out in the physical store in Malmö.
Customer Segment	Gen-Z (two groups): Want a large turnover of their wardrobes  Conscious of trends and consuming sustainably	The Mother: Body changes after giving birth and is willing to swap new clothes for themselves or for their babies.  Students: More common
Channels	Unpaid marketing on social media, lectures about fashion, Fashion Goals Academy	Unpaid marketing on Facebook
Customer Relationships	A community that shares swapping stories, feedback, and support.	Personal assistance in the physical store for setting prices of the brought in items
Key Resources	Employee and community knowledge, mobile app	Store, website, employee knowledge
Key Activities	App development and customer service	Running the store and website development
Key Partnerships	Supply - Consumers  Washing and repairing - consumer responsibility as of today.  Shipping - consumer responsibility	Supply - Consumers  Washing and repairing - consumer responsibility as of today.  Shipping - N/A
Cost Structure	Main costs: -personnel -external competence	Main costs: -personnel -rent -website development
Revenue Streams / Financial Model	No revenues. Will set up a financial model based on the freemium model.	Revenues come from a subscription fee of 29 SEK per month. Swopshop takes 25% per sold item, the consumer decides on the price together with them.

## Appendix 6 – Overview of Clothing Reselling Companies

**Table 6.** Yaytrade and Sellpy

	<b>Yaytrade</b>	<b>Sellpy</b>
Founded	2017	2014
P2P/B2C	B2C	B2C
Number of Employees	20	500
Revenue	6 MSEK (2020)	197 MSEK (2019)
Value Proposition	A marketplace for sustainable rebels – the web’s top spot to buy and sell pre-loved fashion and lifestyle products.	E-commerce that helps people sell second-hand clothing and other items they no longer need. They sell through their website across Europe.
Customer Segment	Buyers: Individuals from Gen-Z up to 45 years old  Sellers: Influencers, premium fashion companies and individuals	Buyers: Large variety, but mainly a younger audience, however, they also have target group that is reflected by Tradera  Sellers: People of all ages who wants simplicity
Channels	Paid marketing on social media, podcasts, interviews, collaborations, subway campaigns	Paid marketing on social media, Google ads, outdoor campaigns, buses
Customer Relationships	Automation as everything is managed through the website.	Automation as everything is managed through the website.
Key Resources	Website, inventory, employee knowledge, influencers as ambassadors	Website, inventory, employee knowledge
Key Activities	Website development, managing the logistics, onboarding influencers	Website development, managing the logistics
Key Partnerships	Supply - Consumers, influencers and brands  Washing and repairing - consumer responsibility  Shipping - Pack in Yaytrade bag, and order pick-up to the warehouse. If items are not accepted, the customers can get them back or donate them to charity. When sold, Yaytrade handles the shipping.	Supply: Consumers  Washing and repairing - consumer responsibility  Shipping - Pack in Sellpy bag, and order pick-up to the warehouse. If items are not accepted, the items are donated to charity. When sold, Sellpy handles the shipping.  When new owners no longer want their item, it can be resold on the P2P platform (“Sellpy Circle”), then

		the customer is responsible for shipping.
Cost Structure	Main costs: -personnel -assets -marketing	Main costs: -personnel -rent -marketing
Revenue Streams / Financial Model	Revenues come from a 150 SEK fee per sold item with a variable fee for all items exceeding 400 SEK.	Revenues come from a 10 SEK fee per item put on the website. Sellpy takes 60% per sold item up to 500 SEK, and 10% of every crown exceeding 500 SEK.

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