



Consumer perceptions on novel circular business models

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Introduction



- As part of the Telavalue –project, novel business models were examined from perspective of consumers
- Data was collected during Fall 2023
- 4 focus group discussions were organised, and altogether 14 consumers participated the discussions
- The focus group discussions targeted consumers that have a special interest in sustainability of the textile industry and circular economy (potential users of the models)

Three models were chosen for the research:

Linear model with
a "Circularity
guarantee"



Peer to peer
rental -model



Clothing
library –model



- The models were chosen based on the discussion in Telavalue research workshops and the wishes of Telavalue company partners
- The content of the models were described to consumers as narrative stories, without focusing on a particular company's model



Summary of results



Circular business model 1:
**Linear model with a
"Circularity guarantee"**



Linear model with a "Circularity guarantee"

Summary of description



REPAIR SERVICE



- To help extend the lifetime of a sustainably/premium quality garment, the brand offers repair and maintenance services, if the garment needs fixing or modifications
- The customer pays a fee for the brand for organising the repair and maintenance service
- The customer sends the garment to the brand/determined repair service, brand pays for postal fees

TAKE-BACK (2nd hand)



- Once the customer no longer needs/wants to wear the garment, they can send it back to the brand for resale
- As a reward, the customer receives a gift certificate to the brands store (10€-50€). The amount of the gift certificate is defined according to the condition of the garment.
- The brand puts the garment for resale on their own 2nd hand shop, or on their partner's shop
- The brand pays for postal fees

TAKE-BACK (recycling)



- Once the garment can no longer be used in its original purpose, the customer can send it back to the brand for further recycling
- As a reward, the customer receives a small gift certificate to the brands store (10€)
- The brand makes sure of the proper recycling of the garment, e.g. as textile material or back to fibre
- The brand pays for postal fees

Highlights & conclusions



- Consumers generally viewed the model very positively
- Brands could differentiate themselves by providing these kinds of services
- The model was seen to strengthen brand trust: having this kind of model implies that the products are designed for longevity, which means that the garments are of high quality
 - Can be repaired
 - Can be circulated for reuse
 - Can be circulated as material
- The model would encourage purchasing quality garments instead of fast fashion
- Different service elements were seen to increase customer satisfaction and brand loyalty
- Take-back for reuse was seen to provide financial benefits for the consumers, in the form of cost savings related to the resell process
- Reducing the burden of “reselling hassle” was seen beneficial, as the brand takes care of the resale process
- The model was seen particularly beneficial for people who shop a lot and impulse buy or dislike recycling
- The repair service should be locally produced, to reduce excessive transport abroad
- The model could increase the willingness to circulate garments (either for reuse or to recycling)
- The rewarding system (gift certificate to brand store) was seen problematic:
 - Would increase overall consumption, not really improving sustainability in the fashion industry
 - Could result in lack of motivation to take care of the garments properly
 - Can be used as a greenwashing tool: goal is only to hook customers to the brand to increase sales, rather than focusing on real sustainability actions
- The models was seen to increase complexity:
 - The shipping of garments for repair, reuse and recycling was seen burdensome and time consuming
 - Easier to buy new or throw the garment to the garbage
- Consumers also saw a risk of misunderstandings and misusing the system, as the perceptions of a reusable garment differ
- The overall sustainability of the model was also questioned as logistics would increase
- Lack of transparency and knowledge on what happens to the clothing after they are sent back for recycling was also seen as a big challenge
 - Transparent information and awareness raising of the recycling processes needed
- There was also suspicion on whether the materials of the garments can be used for recycling, or will they be incinerated

Enabling factors for the model



- **Monetary incentives** were seen necessary to enable the uptake of the model
 - Instead of giving a gift certificate to the brand store, it could be directed to a grocery store (“fast moving goods”)
- Incentivizing consumers to **try out the model** even once (might result in longer term adoption)
- In the longer term, **integrating sustainability knowledge to the education system** was seen a way to engage consumers to such models
- A **mindset change concerning repair activities**: currently repair is not valued
- Extension of repair service: the brands could also **engage the consumers to repair themselves**, by providing repair kits (with sufficient instructions)
- Providing **more knowledge on different ways to “consume fashion”** was seen necessary
- **Making the model “trendy” by utilizing social media** to reach young consumers → sustainable consumption should be made cool (currently fast fashion consumption dominates)
- **Ensuring easiness, accessibility and affordability** of the model
- **Communicating clearly the value of the model for customers** (e.g. money savings...)
- Providing open and **transparent communication to increase trust** and create awareness
 - **Evidence** of the consequences of fast fashion vs. CE offerings to the environment

Linear model with "circularity guarantee"

- perceived benefits



REPAIR SERVICE



- Guarantee of longevity for favorite garments
- Confidence on the quality of repair service
- Gives confidence to purchase the brand's garments
- Time saving (no need to find a new garment)
- Increases brand loyalty
- Offering garments with longevity in mind
- Possibility to conduct repair activities also by oneself
- A good business opportunity for the brand
- Extension possibilities of the model: providing materials also for consumers to repair garments themselves
- Supporting local actors, valuing craftsmanship

TAKE-BACK (2nd hand)



- Increases brand commitment and loyalty
- Offering timeless models (that can be sent back for reuse)
- Motivates circulating of garments
- Possibly reduces the costs of resale for the consumer
- Worry-free aftersales process: on the responsibility of the brand
- Convenient and easy, does not tie the consumer with the sales process
- Encourages to buy quality clothes instead of fast fashion (someone else can use the clothing after you)

TAKE-BACK (recycling)



- Suitable for people who dislike recycling or would otherwise throw garments in mixed waste
- Postal fee paid by the company lowers the threshold to send back the garments
- Increases motivation to recycle
- Similar benefits to the Finnish deposit system for bottles
- Enables trust: gives the consumer insurance that this specific brand's garments can be recycled
- Knowledge that something else can be produced of the clothing after end-of-life

Linear model with "circularity guarantee"

- challenges and perceived risks



REPAIR SERVICE



- Unwillingness to pay extra: how does the service differ from regular guarantee for products?
- Lack of social acceptance: repair is not socially accepted
- Possibilities for misuse: not taking care of the garments
- Uncertainty on how frequent and for which timespan the service could be used
- "Hassle" of the process (packing, shipping...)
- Inconvenience, time and effort consuming
- Proximity of repair shops (excessive transport to other countries should be avoided)
- Lack of repair skills of consumers (if repair kits are provided)
- Potential higher costs compared to buying a new garment
- Low commitment to caring for garments by consumers

TAKE-BACK (2nd hand)



- Increases consumption (reward as a gift certificate to the brands store)
- Possibilities for "misuse" (how to ensure the garments are fit for reuse?)
- Possibilities for misunderstandings (the perceptions of the accepted condition and brands requirements for reusable garments varies)
- Potential tool for greenwashing (goal to increase consumption, no real commitment for proper circulation/recycling of products)
- An irrelevant model for consumers that limit purchasing of new garments

TAKE-BACK (recycling)



- Rewarding as a gift certificate can encourage additional consumption
- Lack of commitment to care for the product during its lifecycle (if you receive a gift certificate)
- Potential tool for greenwashing:
 - Will the garment be recycled in a proper way?
 - Uncertainty of the processes and steps after garments are collected (e.g. H&M take-back service)
- Skepticism and lack of knowledge towards recycling possibilities (can the garment material be recycled, or will they be burned?)



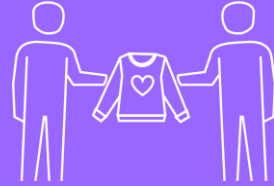
Circular business model 2:
“Peer to peer rental”

Peer to peer rental – model

Summary of description



PEER TO PEER RENTAL



- Consumers rent their own wardrobe to other consumers via a digital platform (application)
- Ownership: stays at the owner of garments
 - Selling the right to use
 - Owner is responsible for the wash and maintenance of garments
- Delivery either via postal services or as pick-up
- The rental period varies according to the need, e.g. 3 days – 3 months
- The price is determined by the rental period

Highlights and conclusions



- The model itself is socially acceptable: consumers are already used to loaning clothing to and from family and friends.
- The benefits and sacrifices of the model differ depending on the consumer role (renter or owner of fashion).
- Trust is key for the success of the model:
 - Trust between peer consumers: The garments are shared.
 - Consumer trust in platform provider company: A trustable platform and clear terms and rules for operation are required, e.g. for situations in which the rented garments are damaged. → Coordination and control from an established company is needed.
- The model could work most efficiently for a group of peer consumers that have the same style and size.
- The model needs to operate locally so that renters can try on the garments and see the condition of rented items.
- The most suitable renter segment could be consumers that extensively consume fashion and require a lot of variation, e.g., fashion enthusiasts or vintage collectors.
 - For a certain target group, could become a trendy way to consume fashion – similar to second-hand.
 - The model could potentially replace unsustainable fashion consumption habits, such as extensive online shopping and continuous returning of purchases.

Peer-to-peer rental – model

- perceived benefits



Benefits for the renter of garments

- Enables access to expensive garments: affordable way to consume compared to buying.
- No need to buy and commit to certain products:
 - Enables trying different styles and brands.
 - Enables a variety of fashion options.
 - Enables decision-making before committing to a certain product
 - Enables using fashion in a certain time frame, e.g. short-time needs, rare occasions, festive wear
- Enables sustainable fashion consumption

Benefits for the owner of garments

- Enables an earning opportunity
- Enables more use for the owner`s garments
 - More use for very extensive wardrobes
 - More use for garments that the owners use rarely
- Enables selective access to owned garments: The owner gets to decide when to rent the garments and when to use them themselves.

Peer-to-peer rental

- challenges and perceived risks



Challenges for the renter of garments

- Finding suitable garments might be difficult
 - Uncertainty regarding the sizes fits, and colors of garments
 - Fitting garments before renting might be difficult and/or require too much effort
 - The garments cannot be customized
- Concerns regarding hygienic issues, e.g. allergens used in washing
 - Maintenance of garments by the owner is not standardized
- Uncertainty of rules and responsibilities, e.g. who is responsible for washing the garments, who is responsible if the garment is damaged?

Challenges for the owner of garments

- Uncertainty of the economic benefits
 - Does the profit gained from renting cover maintenance costs (e.g. laundry)?
 - Does renting garments generate enough profits to cover the effort?
- Organizing the rental process requires a lot of time and effort
 - Communicating with the renters, organizing deliveries, maintaining up-to-date information on the rentals, washing and repairing the garments, storing the garments, etc.
- Concerns regarding the condition of garments:
 - Uncertainty of how other consumers will treat the garments during rental periods, concerns that the renters might misuse or damage the garments
 - Concerns about losing non-replaceable garments, e.g. garments with sentimental value, very unique garments
 - Requires knowledge and competence in maintaining the garments, e.g. how to treat contaminated garments.
 - Uncertainty of responsibilities regarding the condition of rentals
 - The rented garments might wear out faster than in the owner's own use, as they need to be washed after each rental period.
- The options for own fashion use will be decreased if part of the wardrobe is rented to others, especially if one does not have an extensive selection of garments.



Circular business model 3:
“Clothing library”

Clothing library – models

Summary of description



Clothing libraries



- Various library models, e.g.
 - One-time rentals / monthly subscriptions
 - Focus on a certain brand or a variety of different brands
 - Daily wear / festive wear
- The content of the library service model varies, e.g.
 - The customer takes care of the wash and maintenance / wash and maintenance are included in the service
 - The customer picks up the garments and returns them to a physical location / garments are delivered via postal services
 - The customer pays for the rental in a physical location / makes the order online

Highlights and conclusions



- Seen as a suitable model for
 - consumers that enjoy varying or testing fashion styles and brands
 - short-term use needs
- The model is perceived to require more effort and to be more expensive than traditional linear models for fashion
 - On the other hand, the model enables access to expensive, luxury items
- Sharing fashion with other consumers is seen as a challenge
 - Hygienic issues
 - Too uniform style with others
- Services, such as style consultancy, repairing and remodeling were seen to increase the attractiveness of the model
- More consumer awareness of the model is needed
 - Awareness could be increased by e.g. combining more known models with clothing libraries, e.g. traditional linear models and second.hand
 - Illustrations of how the model works are needed
- Garment selection has a key role in consumer acceptance
 - The selection needs to match the consumer's style, and quality requirements, a wide range of sizes should be available, etc.
 - The selection should be easily accessible for fitting and physically seeing the garments → local operation is important

Clothing library – models

- perceived benefits



- Enables varying and testing styles and brands without committing to a certain product, without ownership
 - No need to store garments
 - Enables flexibility in style, keeping up with fashion trends
- Enables convenient short-term use
 - E.g. maternity clothing
 - Seasonal clothing
 - Festive wear
 - Children`s wear
- Enables financial access to expensive/luxury garments
 - Additionally, for some products (e.g. children`s wear), the price is the same, regardless of whether buying or renting
- Enables moving the responsibility of garment maintenance to the rental company
- Enables enjoying the selection process regarding garments:
 - Service elements, such as consultancy on styles, fits, etiquette etc.
 - Limited selection makes choice-making easy

Clothing library – models

- challenges and perceived risks



- Requires time and effort:
 - Selecting, collecting and returning garments regularly feels like an extra chore in everyday life
 - Time restrictions: limited opening hours for clothing libraries or fixed return dates are seen as a source of stress
 - Requires to plan the rental process in advance
- The mindset of owning fashion:
 - One has to detach from garments at the end of the rental period
 - Some consumers aim to be emotionally attached and committed to their clothing, do not want them for short-term use
- Does not enable to maintain one`s own unique and personal style, as the garments are shared with other consumers
- Concerns about the hygiene and condition of garments:
 - Concerns about how others treat and take care of the garments, e.g. other consumers might wash the garments and use detergents that smell unfamiliar
 - Concerns about damaging the garment, e.g. by washing it incorrectly or if the garment gets a stain
 - Feels too intimate: other consumers have used the garments close to their skin
- Effort of finding suitable garments to rent:
 - Visibility on garment details online is limited or information is hard to find
 - Visiting a physical store is required for fitting: it might not be available locally
 - Uncertainty of the availability of suitable garments
 - If there is a limited selection of garments, concerns about finding a suitable style, size etc.
- If there is an extensive selection of garments for all styles and sizes, it may not in line with sustainable development
- Seems expensive because of the service elements
- Unclearity about the rules and responsibilities: would there be a penalty if the consumer didn't return the garment in time, the garment was damaged, etc.?