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Fashion-as-a-Service: Circular Business Model Innovation in Retail

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Abstract: This article seeks to contribute to the literature on circular business model innovation in fashion retail. Our research question is which 'model'—or combination of models—would be ideal as a business case crafting multiple value creation in small fashion retail. We focus on a qualitative, single in-depth case study—pop-up store KLEER—that we operated for a duration of three months in the Autumn of 2020. The shop served as a 'testlab' for action research to experiment with different business models around buying, swapping, and borrowing second-hand clothing. Adopting the Business Model Template (BMT) as a conceptual lens, we undertook a sensory ethnography which led to disclose three key strategies for circular business model innovation in fashion retail: Fashion-as-a-Service (F-a-a-S) instead of Product-as-a-Service (P-a-a-S) (1), Place-based value proposition (2) and Community as co-creator (3). Drawing on these findings, we reflect on ethnography in the context of a real pop-up store as methodological approach for business model experimentation. As a practical implication, we propose a tailor-made BMT for sustainable SME fashion retailers.

Keywords: circular economy; fashion; business models; experimentation; sensory ethnography; pop-up shop; retail

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1. Introduction

Despite the circular economy acting as a catalyst for transitioning towards sustainability in business, a large degree of uncertainty remains regarding its impacts and implementation. In order to garner an understanding which ideas would work in practice to kickstart transformations within business, circular business model experimentation is necessary [1,2]. Business models not only provide entrepreneurs with a critical overview of the inner workings of the ways they create value, but also with a framework of analysis [3–6]. The preponderance of competition no longer lies with organizations' products or services, but with business models [7]. The fashion industry is currently responsible for 10% of global CO_2 emissions, it is therefore pertinent to create innovative business models [8,9]. Rental and resale business models for clothing provide interesting investment opportunities that might have the biggest impact on sustainable and systemic change in the fashion industry [10,11]. Resale is booming with large brands stepping on the bandwagon of offering resale of their collections [12] while the market for person-to-person resale of used clothes is scaling up across Europe [13]. At the same time, we observe that small retailers that currently account for 62% of the physical stores in city centers are being left out [14–16]. Independent rental models such as physical clothing libraries and online rental services in The Netherlands are either dependent on funding or do not survive longer than a few years. It appears that the business model 'Product-as-a-Service' [17] (P-a-a-S) does not function within the Dutch SME context: the focus on solely the physical product (a clothing item) does not suffice to become a viable, positive business case. The gap in the literature we want to focus on is: if P-a-a-S does not work for small innovative fashion retailers, which strategy would be beneficial to come to a sustainable business case? [17].

With this study we want to provide perspectives for small and medium enterprises (SME) that have established or want to start a resale or rental model in fashion retail. Our guiding research question is which 'model'-or combination of models-would be ideal as a business case crafting multiple value creation in fashion retail.

Drawing on several bodies of literature [5,18] and a single in-depth case study of a pop-up store, we develop a model that offers three key strategies into circular business model innovation for fashion retail: Fashion-as-a-Service (1), Place-based value proposition (2), and Community as co-creator (3). Our aim with this study is three-fold. First, we aim to contribute to theorizing around circular business model innovation for SME fashion retail. Second, we propose ethnography as a methodological approach to business model experimentation. Third, the practical objective is to help fashion retail innovators to create real impact by proposing a tailor-made business modelling tool for entrepreneuring in this emerging landscape. The article is structured as follows: first we conduct a literature review focusing on circular business model experimentation (CBME), introducing the BMT as a tool for CBME and zooming in on gaps in the literature with regard to circularity in fashion retail. Second, we elaborate on the methodological, as well as material choices we made including the pop-up store as a testlab and extreme case. Third, we report our findings by presenting a chronological narrative of the case, the three strategies, and the proposed model for circular business model innovation in SME fashion retail. Thereafter, we discuss the implications of our findings and finally, we conclude with directions for future research.

2. Theoretical Background

Two bodies of literature are integrated to come to a conceptual lens for studying our phenomenon. We draw from the discourse on circular business model experimentation with a focus on the Business Model Template as a tool for experimentation, and we capture what has been written about circularity and P-a-a-S in fashion retail. The goal is to understand the theoretical and methodological gaps that exist with regard to business model innovation in SME circular fashion retail.

2.1. Circular Business Model Experimentation (CBME)

Circular business models (CBMs) focus on creating (novel) value for the customer and on developing an innovative value network together with partners in the production-consumption-circle [2,6,19]. In business model innovation, usually only financial value is regarded while transitioning to a circular economy requires the creation of multiple values [6,20]. The discourse on multiple value creation usually evolves around social, ecological, and economic value (the well-known Triple P of People, Planet and Profit), but we suggest that additional values can be created [21]. Creating circular business models requires out of the box thinking as companies as well as consumers need to adjust their behavior to accept new ways of living and doing business. Experimentation with business models has recently become popularized in sustainability studies [2,22]: it has been described as a process to learn about future business models [20] and co-create them in practice. Even though experimentation is a long-standing methodology in natural and physical sciences, further development is needed for application to the business context [1].

A recent study by Bocken [5] identified various approaches to experimentation within H&M and Philips, confirming studies by Chesbrough [3] including effectuation [23] design thinking [24] and Lean Start-up [25]. Bocken recommends starting to experiment for the circular economy, albeit initially at the product or material level, as this will likely lead to a more profound impact on the levels of business model and value chain [5,26]. Irrespective of the method, experimentation is critical in rendering innovative solutions [1], but further insight is essential in developing appropriate business practices, which is where action research and ethnography might be of value.

2.2. The BMT as a Tool for CBME

Our study was guided by the question which 'model'-or combination of models-would be ideal as a business case crafting multiple value creation in fashion retail. We selected the Business Model Template (BMT) [18], which allows to plot innovative business activities on a canvas and relate them to each other. Different to more well-known canvases such as the Business Model Canvas (BMC) [4], the BMT accounts for multiple value creation, which is ideal in the context of circular business model experimentation. We decided to use the BMT as a conceptual lens that supported the development of three key strategies into circular business model innovation for fashion retail. As such, this BMT (visualized in Figures 1 and 2) merits a short explanation.

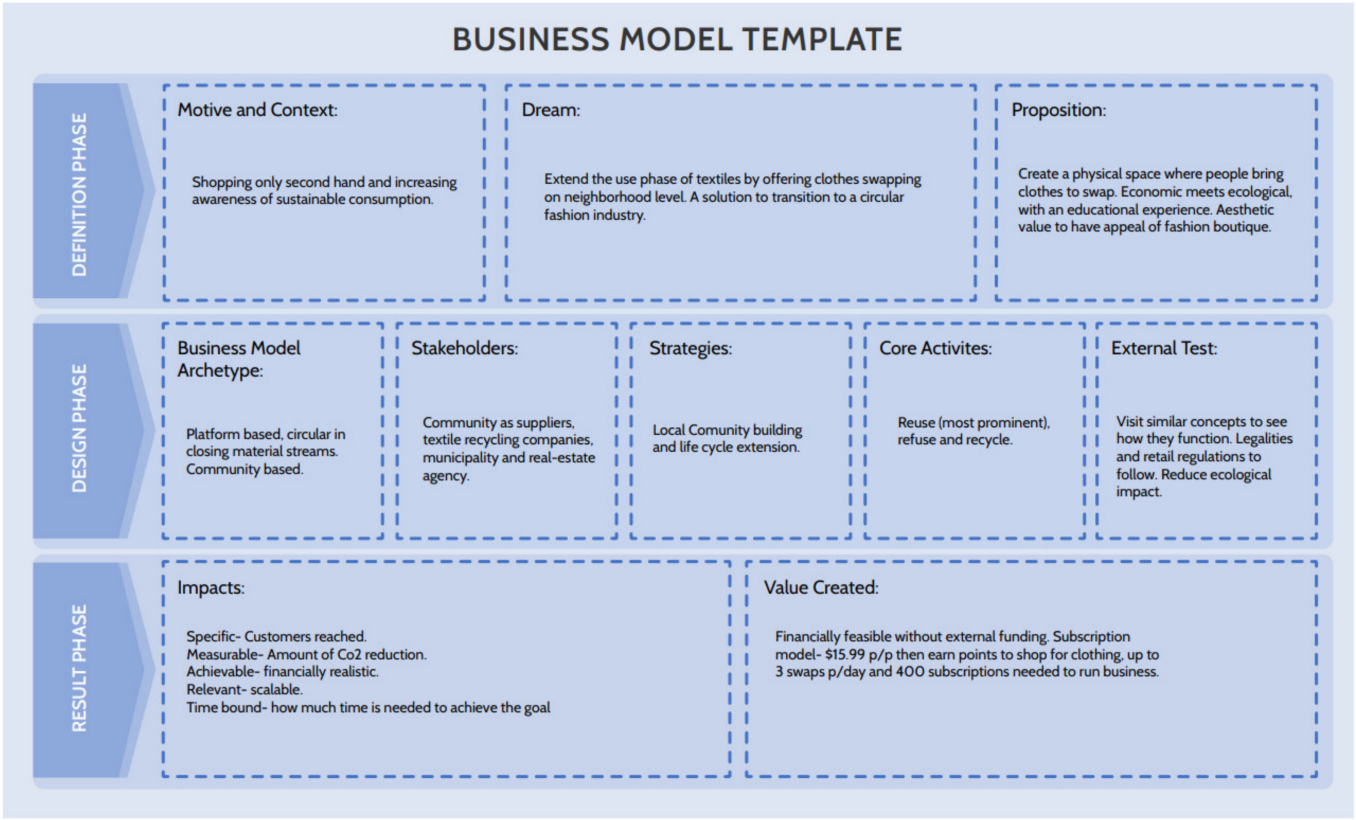

Figure 1. BMT filled out for KLEER *before* opening the pop-up shop.

The BMT is set up similarly as the BMC [4] but breaks down into ten building blocks separated into three different phases [13]. The first phase is the definition phase that deals with the context (building block 1) that led to the entrepreneurial dream (2) and culminates in a value proposition (3). If we consider the first phase as establishing the why, the second phase is conducive to explaining the how of the business model. This phase is comprised of establishing the Business Model Archetype (BMA—building block 4), stakeholders (5) involved, the strategies the business utilizes (6), and the core activities (7). The last building block in this phase, the external test (8), highlights the need for consistent reflexivity. The final phase of the BMT, the results stage, focuses on two elements: measuring impact (9) and the values created (10). In this phase, the SMART acronym [27] can support with measuring a realistic portrayal of the impact that the startup can have. In our method section, we will further elaborate on how we employed the BMT as a conceptual lens to organize and analyze our data.

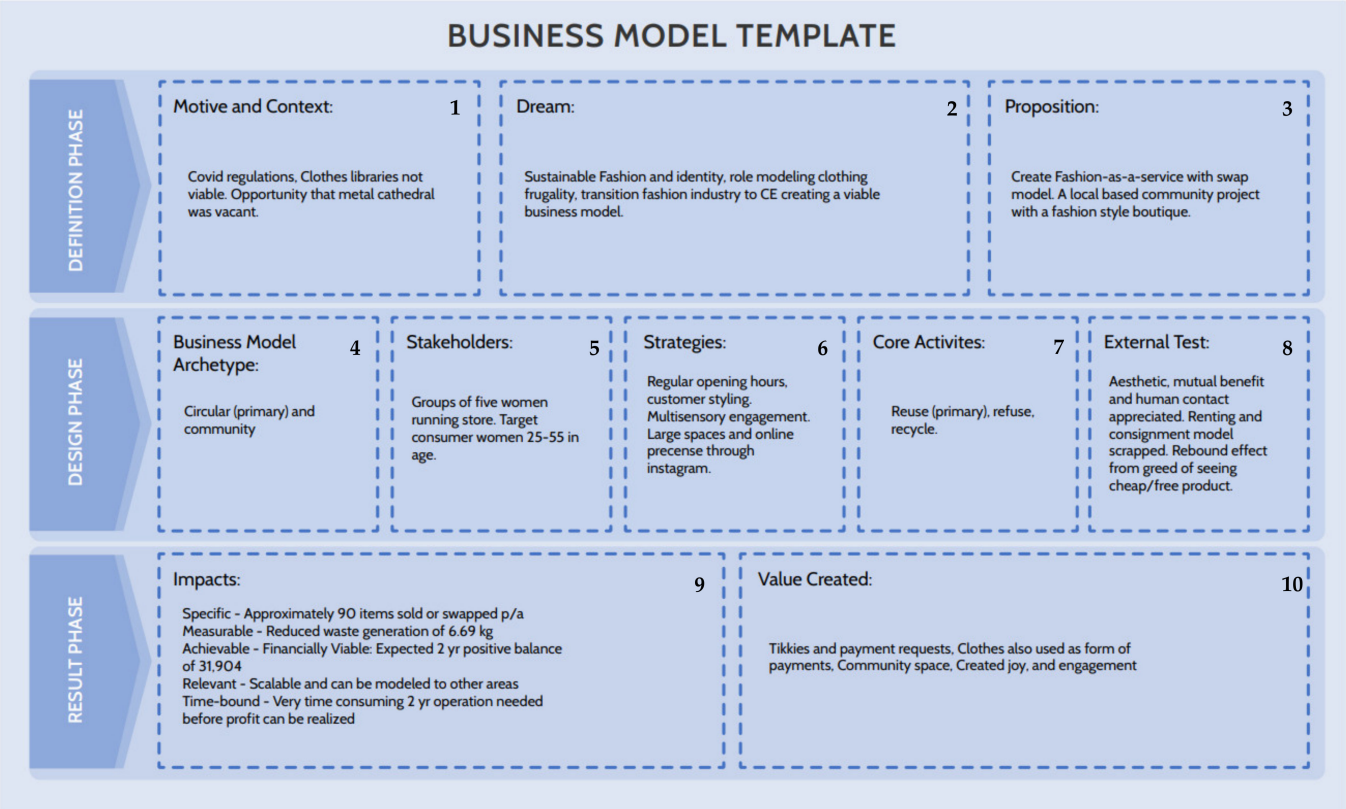

Figure 2. BMT filled out for KLEER *after* closing the pop-up shop.

2.3. Circularity and P-a-a-S in Fashion Retail

There are many CBM initiatives in fashion retail [9,28,29], but most of these are niche activities [30]. According to several articles [31–33] the lack of scalability of CBMs is the main reason for the slow transition to a circular economy, even when the demand is expected to be high. Hultberg and Pal [30] argue that approaches beyond the economy of scale perspective are needed to capture multiple value creation of circular models. Current studies aim to uncover circular economy scalability strategies for larger fashion producers, leaving the many SME retailers understudied. However, these studies identify 'increasing the volume of used apparel resold' as one of the four main activities to further the circular fashion economy [30] (p. 694). This calls for a framework that allows to analyze multiple value creation and reflect on the above-mentioned activity when researching SMEs in circular fashion retailing.

Research on circularity in a fashion retail context discloses four areas which need further study. The first is a clear intention gap; a large proportion of consumers desire circular products, yet when it comes to purchase fail to implement this ambition. The reason is that they lack knowledge about circular products and services such as rentals and resales [34]. Literature discloses that product-service schemes (PSS) in fashion were well received by customers in a Finnish context [35,36]. However, in a Dutch context, offering Product-as-a-Service for clothing does not add up to a viable business case. P-a-a-S, although it has shown promise in some contexts such as rentals, often focuses on formal wear or other more high-end clothing, however a model more broadly applicable than this niche is needed [37]. Furthermore, the sparce literature on P-a-a-S in fashion focuses solely on the consumers and not on the entire business case including the role of social context [37,38]. Thus, we argue that P-a-a-S falls short in offering a financially viable value proposition to customers of small SME fashion retailers [39], which is why we employ the BMT to explore new business model innovations.

Second, it is unclear which costs consumers are prepared to pay for circular production and what motivates them to buy or swap second-hand clothes. Literature in second-hand

retailing suggests that "second-hand consumption is driven by frugality" [40]; people buy second-hand as it is cheaper. Others, like Phillip [41] and Ferraro et.al indicate that the "vast majority (83%) of second-hand shoppers are driven by fashion when shopping in second-hand stores." [42] (p. 262). Fashionistas shopping for second-hand items are principally motivated by "treasure hunting" for unique and quality pieces. Henninger [43] (p. 334) attests to the fact that "swapping is similar to treasure hunting", which mobilizes fashionistas. The phenomenon of "fashionability and the ability to express participants' individuality" [40] (p. 337) also seems to be critical for this group of customers [41].

Third, it is vital for retailers to be able to anticipate policy regulations as the Dutch government aims to become circular by 2050. To achieve this, retailers need a foundational understanding of the skills needed for obtaining circularity. Unfortunately, the Dutch policy program on circular textiles leaves retailers out [44] while they can serve as a gateway for creating awareness amongst consumers [45]. Fourth, retailers need to shape collaboration with partners in the supply chain to come to circular procurement and sales [2,15,43]. There is a whole body of literature indicating that space plays an important role when it comes to successful fashion business models [46–48] and value creation might also lie in local network creation and curation [15]. Business model experimentation needs further comprehension of the role of social context, to understand if consumers want to shift from models of ownership to rental. Grounded in this literature, we refined our research question towards 'What are CBM building blocks for SME retailers that account for multiple value creation and the role of social context?'

3. Materials and Methods

To yield the highest fidelity, it is crucial to test potential novel business models with real customers paying real money [3]. Previous P-a-a-S research focuses largely on surveys and interviews which studies intentions; they stipulate the need for "measuring tangible behaviour" [36,38] (p. 584). Therefore, we developed our study as a single explorative case study for ethnographic action research. In the following, we first describe our research setting and data creation, then explain why we made several methodological choices after which we elaborate on our analysis.

3.1. Research Setting and Data Creation

The research setting is second-hand clothing pop-up store KLEER near the city of Utrecht (The Netherlands) run by the first author over a period of three months from September until December 2020. KLEER is an acronym of Koop, Leen, Ruil (buy, borrow, swap, translated from Dutch) and she initially came up with the concept based on theoretical analysis using the BMT (see Figure 1 for the PRE-BMT) in the Autumn of 2019. In the summer of 2020, she was offered a location, which enabled her to attract staff and open the shop to visitors three days a week, on Thursday, Friday, and Saturday from 13–17 o'clock. The first author co-designed and tested different value propositions together with her colleagues in the shop. In a weekly rhythm she adapted value propositions like lending, sharing, and purchase of pre-owned fashion items in reaction to customer feedback in the store and online. In action design research [49,50] this constitutes an iteration of different value creation practices, which resulted in 12 h per week for 12 weeks leading to a total of 144 h of direct customer engagement. In addition, she spent approximately 8 h a week managing KLEER's Instagram account, which served as the digital business card of the store and answering to inquiries from the media and other interested parties. The Instagram account of the pop-up shop was used to highlight certain items from the store to inspire customers to visit. Texts (in Dutch) were kept short as the images of clothes spoke for themselves. On her personal Instagram account, the first author openly contemplated on the process of entrepreneuring and her interactions with customers. The combination of images, often selfies in an outfit sourced from the store, with English narrations of her experiences can be perceived as a reflective diary. The data creation process resulted in ethnographic data consisting of images, Instagram posts, artefacts (mainly fashion items),

reflective diary notes and (media) articles online and in print. The first author also collected a range of artefacts, from the everyday sales gathered in a simple accounting system, up to the hang tags on the clothing and of course the entire collection of garments that served as 'inventory'. The estimation is that a total of 500 customers visited the store so we could argue that 500 people directly took part in our single case study with several hundreds more engaging via Instagram.

3.2. Methodological Choices

A case study approach has been selected as it is an ideal approach when the right conditions are met; a clear case that has definable parameters and seeks to contribute an in-depth understanding of a particular phenomenon [51,52]. We choose a pop-up store as an *extreme* case, that according to Flyvbjerg [53] allows for generalization in the sense that if a practice works in this particular case, it probably works in less extreme cases. The pop-up store is an extreme case as a temporary store lacks the time to establish brand value and customer relations. On the other side, a pop-up store is known to allow for experimenting with so called "slow fashion" retailing [54–56]. In the academic discourse, a pop-up store is prompted as an ideal space in which co-creation with consumers and business can emerge. Moreover, it serves as a good test lab for marketing and design research [57] in a social context. Hence, designing a rich, in-depth extreme case study that focuses on the curation of a pop-up store employing a local network can garner new insights for appropriate and rich ethnographic data collection to answer our research question. Moreover, an inductive approach iterating between data and existent theory [58], enables utilizing different value creation practices as well as experimentation in a real-life setting.

The data creation by the first author resulted in a variety of types of data like her first-person reflection on the case, photos of the different stages of experimentation, Instagram posts framed as a reflection diary, the accounting system, and media articles about the store (secondary data), which allowed for data triangulation. The two other authors joined the first author as researchers after the completion of the data gathering phase: they had not been emerged in the field and thus had a third-person perspective. With the BMT as a conceptual lens, the three authors together adopted a sensory ethnography approach to explore the relationship between visual [59,60] and other knowledge. Sensory ethnography enables to move beyond merely translating 'visual evidence' into verbal understanding, which usually underpins an underlying dominance of writing versus visual input. Instead, sensory ethnography considers other senses such as smell, sound and speech, and relates it to the visual [60]. Our assumption was that this methodological approach would add value to the CBM discourse in fashion retail.

3.3. Data Analysis Steps

The process of analysis consisted of a total of 8 steps (see Figure 3) starting with selecting the BMT as a conceptual lens (step 1). Before opening the pop-up store, we filled out the 10 building blocks of the BMT based on the business model we had in mind for KLEER (step 2, see Figure 1 for the pre-BMT). After having operated the pop-up store, step 3 was meant to initially make sense of the data. The three authors independently and manually coded the data following grounded theory and inter-coder alignment sessions. We found that our multi-sensorial ethnography helped to disclose the more aesthetic and emotional aspects of value creation in circular business model experimentation. Following the exploratory coding round (step 3), we wrote a chronological narrative of the coming into being of the pop-up shop (step 4). This vignette [61] served as one of the main data sources in the rest of our analysis (see Section 4.1 for the summary of this narrative). In step 5 we did a round of first order coding [62] of the data using a shared project in Atlas TI software leading to 373 codes. This round was followed by a round of second order coding in which we could largely categorize the 373 codes according to the ten building blocks of the BMT (step 6). As a seventh step, we filled out the BMT for KLEER again, this time based on the ethnographic action research data (see Figure 2 for the post-BMT). Finally (as

an eighth and final step), we compared the two BMT's to reveal three strategies key for circular business model innovation in SME fashion retail. All the while, calibration between the three researchers and reflective sessions supported in making sense of the findings and validate our insights. Figure 3 below provides a graphical overview of the eight steps in the analytical process.

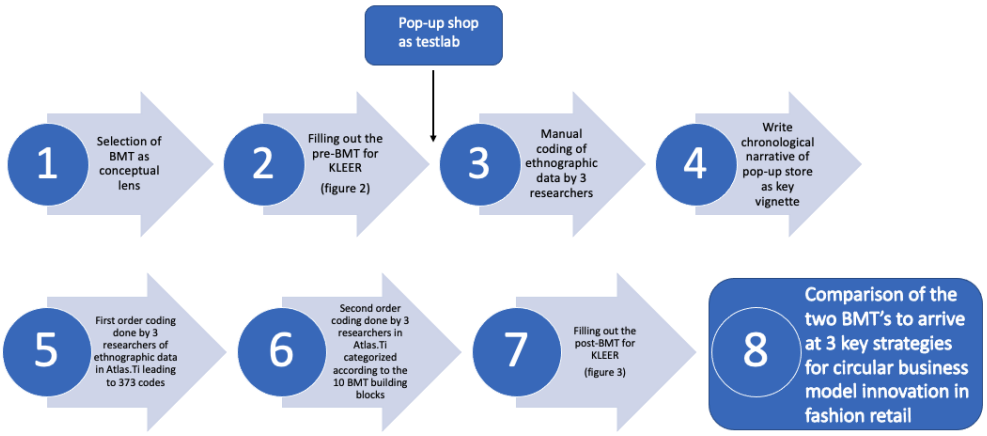

Figure 3. Graphical overview of the eight analytical steps.

4. Results

In our quest to discover which 'model' would work best as a business case crafting multiple value creation in fashion retail, we unraveled three key strategies: Fashion-as-a-Service (1), Place-based value proposition (2) and Community as co-creator (3). In this section, we first present a detailed account of the creation of the pop-up shop (the vignette) followed by an elaboration of the three strategies that emerged from our analysis of the data.

4.1. Chronological Narrative: Three Months of Impact

The pop-up shop was born from an opportunity that was recognized in conversation with the director of 'Metaal Kathedraal' (Metal Cathedral translated from Dutch); a breeding place for circular economy and the arts located in an old cathedral that had been turned into a metal factory. The first author of this article had collaborated with the owner before and conversed with her in the summer of 2020. Suffering from the COVID-19 lockdown with their café-restaurant and events closed, she had asked the owner how she could support Metaal Kathedraal. One space at the front of the building was vacant so she suggested to have a 'little clothing shop there'. Nina, the first author's sister-in-law, kept a large collection of vintage and second-hand clothes in a storage space down the road. This collection was deemed attractive for a potential clientele consisting of women aged 25–55 years. She had organized two swap events at Metaal Kathedraal before COVID-19 under the name KLEER and an opportunity was recognized to open a permanent swap location/clothing library for KLEER. Being at the front of the building, people could see that there was something new going on and in such a way the budding entrepreneurs aimed to attract more visitors to Metaal Kathedraal.

4.1.1. Motivation to Start a Pop-Up Shop

Motivations to open the shop were threefold. First, to support Metaal Kathedraal as a business as well as seek synergy between their activities and Nina's dream of setting up KLEER. Second, after working from home during the first lockdown (March-June 2020), the first author was longing to meet people and build community in her hometown. Third, as a researcher in circular business model innovation, she was frustrated that the clothing library business model was not yet financially viable. She wanted to answer the question: 'What could be a positive business case for swapping and borrowing fashion?'

4.1.2. Experimenting with the Business Model

The space was decorated with a range of vintage furniture and artifacts together with five full racks of women's clothing for the real look and feel of a shop. The Tikkie app was utilized for payments from customers. The entrepreneurs (Kim and Nina) were interviewed for a Dutch newspaper and appeared with a page sized photo, short text, and title: 'The walk-in wardrobe for the whole neighborhood'. Upon advice from people in the community, they started with a *consignment model* where customers would bring their second-hand clothes which would be sold for them on a commission basis. Many stores offer this model, and it worked well for the customers as it is time-consuming to sell clothes online, so they were happy for KLEER to do it for them in the store. However, for the entrepreneurs, it turned out to be an administrative burden and they wanted to try out novel business models and not focus on proven concepts. Thus, two weeks in, they decided customers could only swap, buy, borrow, or donate items. They turned to what could be called a *reservation model* where they would reserve items customers saw and liked online. Within one month they found that borrowing was not working well enough; people's preference for 'owning' something was dominant and the rental fee led to confusion. They noticed that while Product-as-a-Service (rental) did not work, *Fashion-as-a-Service* had a huge potential. Customers appreciated getting styling advice, which immediately led to a rise in shop sales/traffic. Selling the clothes was also the best return on investment, especially if the clothes sold were initially donated to them. The business model of receiving clothes in the physical store, then styling and posting them on Instagram, worked well with one customer remarking "this is what I came for" after entering the store and grabbing a green blouse she had seen on the shop's Instagram page. Reservations did not work for KLEER, people often did not come to pick up the items they had reserved, but while they were put aside in the back of the store, they were not available for other customers. The policy changed to reservations with advance payment.

4.1.3. New Team—New Experiments

After the holiday break mid-October, Nina had to pull back from KLEER because of family issues. By then three other women wanted to join KLEER and while the first author was busy with her full-time job as a professor, these three women were on the shopfloor when she was not able to. The team comprised of Karin-an expert in fashion retail management, who changed the look and feel of the store with less items more carefully curated. Phaeviana was transitioning from her finance job to becoming a stylist and took pictures of items to post on Instagram. Janneke had been in a burn-out and wanted to change her career to secondhand and sustainable fashion. The first author welcomed the creative and sales input of her new team members as a co-creation effort, while keeping the lead in finance and managing the location. All four women were working on a voluntary base, acknowledging the value it brought to their lives and wardrobes.

4.1.4. Customer Interaction: An Emotional Rollercoaster

There were several difficult aspects of customer interaction. The first was greed: the first author noticed herself cherry picking clothes that were brought to the shop to match existing items in her own wardrobe. Even though she considered it her 'payment' for running the shop, it left her questioning if she was displaying hedonistic behavior and reflecting on the question: "What is it that makes people so greedy when they see cheap clothes or even worse: clothes that are 'for free'? Is sustainable fashion not about consuming consciously?" It was also hard to reject (torn, dirty, or unstylish) items out of fear of unfriendly perceptions. As she wrote in November on her Instagram account; 'A desire to be seen as a nice person (and not as a bitch)' makes rejecting clothes difficult.

4.1.5. Closing the Shop

At the end of November, three months after opening the store, KLEER moved out and stored the inventory in Nina's repository until they would be able to embark on the next

adventure. Ten days later, the COVID-19 lockdown closed all fashion retail stores in The Netherlands for four months. The synergy with the other three women had led to creating a new concept built on KLEER. Unfortunately, the first author had very little time to develop it and the other ladies were occupied with other activities. Thus, in May 2021 they took their inventory from Nina's storage space and sold or donated all remaining clothes.

4.2. Three Strategies for Circular Business Innovation in Fashion Retail

The step-by-step ethnographic analysis of the three authors revealed three key strategies for circular business model innovation in fashion retail: Fashion-as-a-Service (A), Place-based value proposition (B) and Community as co-creator (C). We elaborate on each strategy by discussing which BMT building blocks are affected, illustrated by quotes from the data.

4.2.1. Strategy A: Fashion-as-a-Service

Achieving financial viability for second-hand fashion retail innovation was one of the key motivations of creating the KLEER testlab experiment. Fashion-as-a-Service (F-a-a-S) emerged as a major strategy here being defined as the service of curation of pre-owned clothing (styling desirable displays online and offline) and personalized styling for which a certain fee can be charged. F-a-a-S was born from the gap between the willingness of consumers to buy second-hand on one side and their biases towards second-hand on the other side. Purchasing second-hand is a barrier for many customers as they are often (sensorially) put off by the odor and 'look' of second-hand stores. In addition, they often do not know how to integrate second-hand into their existing wardrobes and style themselves properly. Second-hand stores usually do not invest as much in visual merchandising—for example, by not arranging the racks of clothing by color/style-making it more difficult for the average consumer to select items they like. With KLEER we noticed that we sold more clothes when we could take the time to provide styling advise to our customers. As prices of clothes were low, customers would sometimes only pay a small amount, even after receiving a one-hour advise session from us on how to style their 'new' items. In case items were swapped, they would not even pay anything at all. We realized that if we could charge for the advice, our business model would become much more financially feasible.

Building block 4: Business Model Archetype.

Initially, we had categorized KLEER as a combination of the three BMT archetypes suggested by Jonker & Faber with a hierarchy from circular to community to platform (see Figure 1 pre-BMT). KLEER resonates most with the circular archetype (BMT building block 4) in its capacity to close material streams through extending the life cycle of clothing items. However, KLEER was also actively engaging its community through the core activities as well as the physical and virtual space (community archetype). Third, we could also argue that KLEER made use of overcapacity of clothes that were not being used thus resembling the platform archetype. Nina had stored clothes down the road in a space 'Nobody could see or access … so I said: why don't we just move those clothes here and open a shop?' Ultimately, we realized that none of these archetypes captured the uniqueness of the novel business model archetype that we developed with KLEER. Instead, we suggest replacing the three archetypes with F-a-a-S as a new archetype specifically catering for this entrepreneurial landscape of second-hand clothing shops and libraries.

Building block 5: Stakeholders.

In creating a service out of second-hand fashion, the parties involved were imperative. First, the owners of Metaal Kathedraal believed in the KLEER concept and enabled the initiators to open a shop. As previously discussed, a team of five women contributed in varying ways to ensure the shop was kept up and running. Two of the women were transitioning to jobs in styling and sustainable fashion and were therefore eager to learn the functioning of this new realm. Karin was a fashion management expert, who brought invaluable experience in curating the space and service. Staff were also vital to ensure the community was aware of the space, often modelling items available in store on Insta-

gram, to garner interest and attention to their presence. Phaeviana 'took photos of the different clothes, often modelling them herself, and posted them on Instagram'. Customers engaged with the Instagram site, even coming in for specific items they had seen posted on KLEER's Instagram account (see Figure 4). Thus, parties involved were critical in getting the local/regional community to engage with the service.

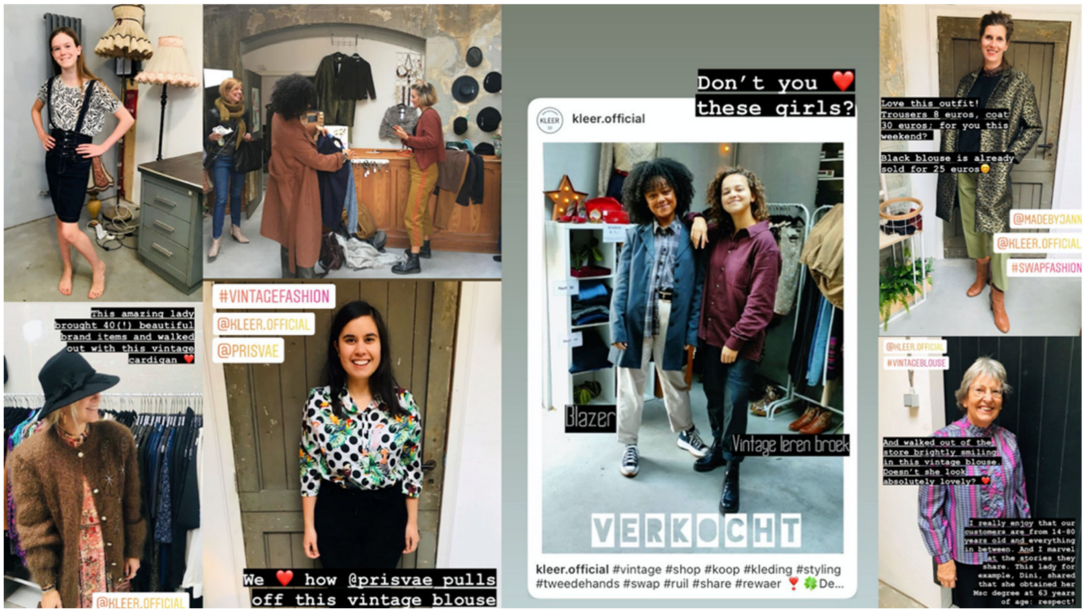

Figure 4. Images of KLEER community and customers as posted on Instagram.

Building block 6: Strategies.

Both the initial consignment model as well as the reservation model were quickly abandoned. At the epicenter of F-a-a-S was the swap service in combination with the personal styling advice. Customers relished being able to gain something in return for their old clothes that they would normally deposit into textile recycling bins or even throw away. Being able to find something in return for their old, unwanted items was of immense value.

Building block 9: Impacts.

Essentially, the more clothes KLEER sells or swaps, the larger the sustainability impact as it means a reduction in resource use elsewhere. This is a key takeaway, as the drive for profit usually means more resource depletion but in this business model the more clothes sold, the larger the positive impact on the SDGs. For KLEER, the focus was on SDG 12: Responsible production and consumption. Thus, running a circular fashion store with a F-a-a-S business model has a clear and measurable impact on sustainable development.

Even though KLEER only ran for 3 months, a prediction of financial viability over a 2-year period could be made. Expenditures that emerged were standard, for example: rent, marketing, energy, and payroll. However, it should be noted that starting stores like this in a community is a great candidate for subsidized rent costs, which will help reduce expenditures significantly. The revenues reiterate the need to offer services and innovations outside of the scope of a standard swap model or second-hand shop, such as styling sessions. These services helped ensure that over a 2-year period a profit of 31,904 euros could be expected. In this calculation, a premium fee for styling advice was not yet taken into consideration, but the expectation was that it could add considerably to the positive (financial) business case of KLEER. Subsequentially, F-a-a-S is pertinent in ensuring a successful financial outcome for second-hand models.

Building block 10: Values created.

Fashion-as-a-Service created a unique value that digressed from traditional second-hand models in that customers could not only swap and/or purchase, but also receive styling advice. This personal attention worked remarkably well with customers and

ultimately resulted in an essential aspect of creating a profit. 'Customers showed great appreciation of being advised in combining items from the store with each other or with for example existing pieces in their wardrobe'. We could argue that this is a form of aesthetic value that was created, especially as the pop-up shop was really a place that multi-sensorially engaged customers and altered their perception of second-hand. In addition to contributing ecological value of decreasing textile waste, social value was created in interaction with the community. KLEER became a hang-out for women who connected through practices of dressing, styling, and sustainability. The educational value of KLEER was showcased in the fact that the pop-up shop served as a space to inform and inspire consumers about more conscious fashion consumption. Although the primary focus of this testlab was creating offline value, online value creation could be explored. There is some trepidation to creating an online space for sales as this would have increased the CO_2 output of the store, as the items would need to be delivered through packaging delivery services. As such, KLEER focused only on Instagram to achieve online value creation.

4.2.2. Strategy B: Place-Based Value Proposition

The second most pertinent attribute to arise from the case study is the critical significance of space, and the role it plays in ensuring slow fashion business modelling success. Being the bridge between the strategies of community as co-creator and Fashion-as-a-Service, place emerged as the critical link: serving the community with a clear and attractive service. Located in the Metaal Kathedraal (Metal cathedral), the space provided for the perfect setting of vintage and storytelling qualities. The raw aesthetics of the Metaal Kathedraal (see Figure 5) provided the perfect marriage with second-hand clothing. This, along with a selection of vintage artefacts for visual engagement culminated in an aesthetic match to create the touch and feel of a fashion style boutique. As such, the community would be more drawn into the innovative notion of Fashion-as-a-Service.

Figure 5. Images of Metaal Kathedraal and the empty store space as posted on Instagram.

Building block 5: Stakeholders.

Although those directly involved in the function of the space shifted through the duration of the experiment, a group of five women were involved in the initial inception. The director of the location played an imperative function as it was circumstantial that this space was available as due to the lockdown 'the space in front of the building had not been used for a while'. This spurred the lead author to create a pop-up shop in the local community. A fashion retail expert joined to help curate the space into a fashion style

boutique that reflected the service on offer better. The space was incremental in successfully instigating and facilitating numerous conversations around sustainability. It was offered at a reduced rate as it was beneficial to the community, and ultimately this stakeholder involvement helped make the business financially viable. Thus, a place that engages the community is key in creating a financially viable service.

Building block 6: Strategies.

KLEER was based in a circular economy hub and people had to know about it to be able to find it as it was not on a regular shopping street. Thus, most customers were likely already active in sustainable consumption. Large spaces with open doors fostered an inviting atmosphere and the cathedral was on route to the city with many bikers passing by. They would drop in, engaged by the raw aesthetic space and welcoming atmosphere, and often left the store with a few unique items in their bag. Popular feedback was the comfort found in the large space, with fitting rooms resembling a homely living room. Not only did this help customers mentality digress from the average second-hand model, but they also found the time and pace refreshing. As opposed to alternatives like swap parties; 'Swap parties are usually crowded, and you need to be fast in selecting the items you want.'

Building block 7: Core activities.

The location in Metaal Kathedraal helped as many customers were aware of the reuse, refuse, and recycle models. However, the clear difference being their ability to engage with this place as a service: not only did KLEER take your old clothes, but you could replace them for free. Critically, the space engaged the customers into learning and trying something out of their comfort zone. As such, one could argue that the space served as a vehicle for education and inspiration around sustainability issues.

4.2.3. Strategy C: Community as Co-Creator

KLEER could not have existed without a community that embraced the concept. First, the existing community around Metaal Kathedraal that quickly learnt about the pop-up shop. Second, the customers that read about the shop in (local) media, came to Metaal Kathedraal specifically to visit the shop, and then spread the word in their own (social media) networks.

Building block 5: Stakeholders.

Targeting women aged between 25–55 years, the store aimed for the aesthetic of a fashion boutique. This look and feel had a profoundly positive impact on the clientele, many of whom attested to it helping them overcome any resistance for shopping second-hand clothes. Although it was difficult to say 'NO to clothing that people bring, but that does not fit to our concept', this was necessary to attract the target group. Moreover, its location in a community that was already engaging in sustainable activities and behaviour, helped make the service viable. As such, the community was an essential aspect and should this service be attempted to scale up, the community would be an essential stakeholder to consider as the store concept is directly dependent on the community to become a viable business case.

Building block 8: External Test.

Using the pop-up store as a testlab where customers could directly and experientially relate allowed for a thorough external testing of the model. There was one element of the store that had a clear impact: customers noting the store did not feel nor smell like most second-hand shops and they clearly 'perceived it as a great advantage to be able to bring their clothes to us'. COVID-19 regulations recommended that staff in retail stores wear masks, but as the store was very small, it was decided not to wear masks to be able to have a better connection with customers. As one customer espoused; "I don't dare to go to regular stores anymore, but here I can still feel human in communicating without face mask". Private appointments were available should customers wish, and hand sanitizer was offered to ensure customers felt they had a safe shopping experience, Ultimately, the community served as the clearest means to evaluate the service on a continuous basis.

Building block 9: Impact.

Utilizing the SMART framework, it is clear there was a profound impact on the community with the F-a-a-S model. This correlates with a measurable goal in trying to have

a positive impact on the SDGs as it helps decrease waste/discarded textiles. This testlab experience clearly rendered a financially viable business case and is therefore realistic within the community it aims to serve. Albeit there is contention on the scalability of the model, if it is placed in a community likely to respond well to the space, the model is relevant. Lastly, the service is time bound to a large extent, although it should be noted that two years would be needed to create a viable business case in this community.

Building block 10: Values created.

Perhaps one of the most critical findings that arose during the testlab experiment was the significance of multi-sensory engagement. The digression away from traditional second-hand aesthetics was imperative in value creation. This can be largely attributed to the stringent quality control of items brought in by customers, most had to be rejected either as they would not fit in with the aesthetic or 'items that were not washed and ironed or were simply too worn out'. Thus, a high aesthetic standard was set, which ultimately ensured that the community saw the value in the service.

5. Discussion

In the transition to a circular economy, it is crucial to consider the organizational (micro) level that could bring us "deeper understanding of the mechanisms and routes to transitioning to sustainability" [63]. By referring our findings to the building blocks of the business model template (BMT), a tailor-made BMT (Figure 6) is proposed that can support sustainable fashion retail innovators in developing their business case. In Figure 6 we show the BMT with the three strategies in color codes showing which building blocks are involved most for each strategy. As noted by Fielt [64] (p. 100), "Specifying the compositional elements can make the business model more specific and operational and can offer the flexibility to cater for different purposes and contexts". The main finding is that KLEER shows that creating a retail concept around the three strategies we distilled from the data (see Figure 6), can be a (financially) viable alternative to existing business models such as P-a-a-S. Our study confirms some earlier studies, but also contributes to the literature in several ways.

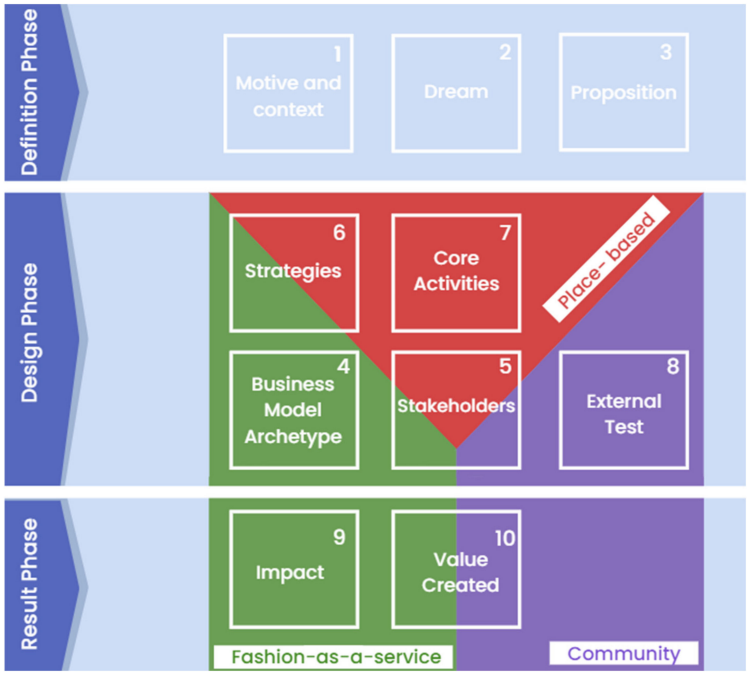

Figure 6. Proposed structure of fashion retail business model template (changed or modified elements in color codes).

5.1. Consumers as Suppliers

First, in fashion and in business model experimentation we should start seeing consumers as suppliers. The quality of the items they supply are imperative to ensure the shop's fashionable aesthetic remains, as this was of key value for the target group. Poor quality items have been found in other swap shop models, with customers often using the stores as dumping grounds for their unwanted soiled clothes [65]. Further Martina & Oskam emphasize that service models such as these "should offer both functional and beautiful products" [63] (p. 9). Thus, a critical factor for KLEER was the high standard that was set in its inception, that items were omitted, not because they were necessarily damaged or of poor quality, but also when they did not fit the aesthetic of the store. To an extent this mitigated the sense of embarrassment customers would otherwise feel. For instance, Henninger et.al purports second-hand garments are often "re-used, whilst those falling into the [unwanted] category may stay in the swaps for longer times or are not swapped at all" [43] (p. 338). Moreover, the idea that consumers wanted to act dually in supplying and consuming was found in their lack of interest in leasing as "the lease construct as a take-back system inhibits the scalability of the BM" [63] (p. 9) which was indicated in our results as customers were eager to supply and consume, but not borrow.

Next to this finding, we can distinguish between three consumer 'personas' that-we argue-can all be served with the F-a-a-S model: frugalists, fashionistas and treehuggers. Frugalists are people buying second-hand as it is cheaper, as researched by Cervellon et al. [40]. The vast majority of second-hand shoppers is comprised of fashionistas [41,42] who are principally motivated by "treasure hunting" for unique and quality pieces. According to Henninger [43] swapping is similar to treasure hunting. Once inside the shop, fashionistas have a naturally larger interest in fashion and therefore are more likely to be engaged in a conversation around sustainable fashion. Treehuggers as a third customer persona are driven by ideals of sustainability and prefer not to buy any clothing at all. For them, the swapping service that KLEER offered was very attractive and taught them (even more) to fashionably style themselves. Unfortunately, many potential customers are put off because of the specific smell that is often encountered in second-hand clothing stores. This was validated in our testlab as customers often remarked how the sensorial qualities of the store shifted their perception of second-hand as something fashionable. As such, it is not only the clothes, but the entire F-a-a-S shopping experience that accounts for a new sense of identity. The phenomenon of "fashionability and the ability to express participants' individuality' [40] (p. 337) is critical in delivering a successful F-a-a-S model.

5.2. Practical Implications: A Hierarchy of Values

Unlike previous attempts to create P-a-a-S models for the fashion industry that are highly specified to individual cases [39], F-a-a-S encapsulated into a BMT provides a clear outline of priorities that can be utilized. We could argue that the three strategies lead to priorities or 'a hierarchy of values' when thinking through the tenth building block (value creation) of the BMT. This is a significant contribution to current discourse as in its current form, P-a-a-S has been lacking in the value creation attributes [35]. First, fashionable value should be absolutely prioritized otherwise customers will never find the shop. That is why we argue that F-a-a-S should be at the core of the business model with spatial value as second best. KLEER clearly affirms that place-making is crucial to the success of the business model (see Section 2.3); not only the geographical location, but the entire atmosphere of the space in which the store is located as well as the place/context around it. We were lucky to have been offered a space in an incredible building at no cost; a space that matched our pop-up shop in terms of look and feel. Third is aesthetic value: the raw aesthetic of Metaal Kathedraal was invaluable in ensuring that fashionistas, who made up the predominant proportion of customers, became engaged. They were not only attracted visually at first hand, but also secondly because of the olfactory qualities of the pop-up shop. Offering customers unique items, in terms of quality, fabric and fit, added to the omni-sensorial experience of being in a boutique "Without the specific context of the place,

this key business value for the consumer would not fully exist" [7] (p. 4). This notion is iterated by Hauge "place does play a distinct role in processes of fashion branding and more generally in the creation of immaterial value." [66] (p. 530)

Fourth in the hierarchy is social value: at the heart of creating social change lies the community-by ensuring people feel part of a community they are more likely to engage in the space and ultimately the cause. At the epicenter of this collective identity shift lies the concept of prosociality, taking action to benefit others as Ferraro et al. espouse: " . . . . the socialization that occurs within these environments creates a sense of community between buyers and sellers" [42]. The theory of social bonds indicates that "individuals and organizations are linked to a location through networks" [7] (p. 7). If we apply this lens to KLEER, a network was created not only through engaging the local community with the space and thereby service, but also through Instagram. Customers engaged with posts of outfits through the site and some customers came in for specific items they had seen on the page. This form of networking along with engaging those passing by facilitated customer engagement and ultimately culminated in KLEER as a physical space becoming a vehicle for creating a local, sustainable fashion network. Once the space has facilitated these networks "consumers likely engage in second-hand consumption as part of their identity investments, building social and cultural capital and in sustaining a continued commitment to their social and cultural networks" [42] (p. 266). This form of engagement is key in creating long term effective behavioral change as "the level of interaction and community involvement shows that consumers actively seek alternative consumption with a social and community mindset [67] (p. 10)". In other words: social value comes first in the hierarchy before educational value and finally ecological value. We argue that educational value can only be achieved when the first four types of value are present, and customers are really drawn into the new business model. Lastly, when all the other types of value are in place, ecological value can be ascribed leading to significant positive impact on the SDGs.

5.3. Limitations and Future Research

Naturally, there are limitations to this study as it is based on a single in-depth case in a specific geographical area that holds constrained scalability of the model. A limitation of this study-as is the case in most fashion research-is that it is predominantly based on (white) women and their purchase behavior. KLEER is no exception as the testlab was set up by a group of female researchers and the target group consisted of women. Future research should also be done on the sustainability of the model in the closing of material streams or ensuring that rejected items are not simply ending up in waste disposal further down the supply chain. In addition, future research could evolve around the impact of the rebound effect. The rebound effect describes the phenomenon of making "innovations fail to deliver on their environmental promise due to (behavioral) economic mechanisms" [68] (p. 1). Unfortunately, this phenomenon began to rear during the testlab experiment as customers were overwhelmed by the swap offer of all these 'free' clothes leading them to take items home they would never wear. Moreover, the fashionista may also be more motivated by consumption rather than wanting to live sustainably which mitigates any effect on the reduced waste generation goal that F-a-a-S hopes to have.

6. Conclusions

This article presents a business model innovation resulting from experimentation with a 'pop-up' second-hand store. We explored the question which 'model' would work best as a business case crafting multiple value creation in second-hand fashion retail. Specifically, we wanted to disclose which CBM building blocks would account for multiple value creation and the role of social context in small fashion retail. Through experimentation with practices of 'buying, swapping and borrowing', three key strategies for business model innovation emerged: Fashion-as-a-Service (A), Place-based value proposition (B) and Community as co-creator (C). The paper draws on an extreme, in-depth case in a local socio-cultural context and the elements that have been added to the BMT are very

specific for small fashion retailers. On this base, it makes some methodological, theoretical, and practical contributions. First, we could argue that our approach supports theorizing around circular business model innovation for SME fashion retail, especially highlighting the value of local networks and curation practices. In addition, it proposes F-a-a-S as an alternative to P-a-a-S for small fashion retailers to craft a viable business case [35]. In addition, the paper brings much-needed depth to advancing practice-based knowledge to SDG 12: 'Responsible Consumption and Production'.

Second, we propose the value of ethnography as a methodological approach to business model experimentation. Our multi-sensorial ethnographic approach disclosed the more aesthetic and emotional factors of value creation in sustainable business model innovation, which are often overlooked in other approaches. The combination of ethnographic research and the pop-up store as 'testlab' space for research develops a rich scope towards circular economies interested in the sustainability of second-hand fashion businesses. Moreover, it allows for real-life experimentation and iteration of different value creation practices. Third, the practical objective is to help fashion retail innovators to create real impact by proposing a tailor-made business modelling tool (Figure 6) for entrepreneuring in this emerging landscape. It is our hope that with the proposed BMT that goes beyond P-a-a-S in fashion we can support retail innovators to develop viable business models around swapping and rental of clothes.

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