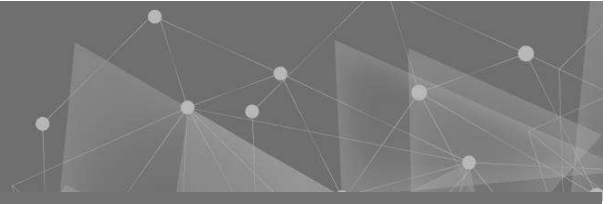




CHALMERS
UNIVERSITY OF TECHNOLOGY



From Products to Services

A framework for Developing a Servitization Business Model in
the Textile Industry

Master's thesis in Supply chain management

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CHALMERS UNIVERSITY OF TECHNOLOGY
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SUMMARY

Companies can become more sustainable by adopting a servitization based business model which is circular rather than linear. When ownership of the product remains with the producer, incentives to create a high-quality product with a long lifetime is generated, hence the product can be rented out several times and therefore become a part of the circular economy. The purpose of this thesis is to evaluate different business models of rental based companies which are and are not operating to date. This will be done through the business model canvas framework in order to identify specific inputs which have positive and negative impacts. One conclusion drawn from the research is that the combination of narrow customer segments and monthly subscription-based revenue streams are not a successful practice when it comes to the B2C segment. Another interesting finding is that even though the unsuccessful companies are no longer in operation, their social media platforms have been constantly growing, thus showing an increased demand for different types of rental services within the textile industry. To come to these findings and conclusions this thesis has used a research methodology mainly based on qualitative research in order to collect data and information to evaluate and assess different approaches used by companies in the servitization business. The qualitative research conducted was based on semi-structured interviews in order to understand the current state of the market, demand and feasibility of a servitization/rental business model according to the business model canvas.

Key words: Circularity, Servitization, Textile, Sourcing, Business Model Canvas.

Contents

1. Introduction.....	1
1.1 Background.....	1
1.2 Scope	2
1.3 Limitations.....	3
1.4 Purpose & Research question	3
1.4.1 Research questions.....	3
2. Theoretical framework.....	4
2.1 Circular Economy	4
2.2 Circular material flows.....	4
2.3 Servitization	6
2.4 Product as a service	7
2.5 Rental models of garments	8
2.6 Sourcing Process.....	8
2.7 The Blue member model	9
2.8 The business model canvas.....	10
3. Methodology	15
3.1 Research design.....	15
3.1.1 Qualitative research	15
3.2 Literature study	16
3.2.1 Literature review	16
3.3 Empirical study	16
3.3.1 Interview selection process	16
3.3.2 Semi-structured interviews.....	16
3.3.3 Grounded theory.....	17
3.3.4 Case company	17
3.4 Ethical Considerations.....	18
4. Result	19
4.1 Company A.....	19
4.2 Company B.....	21
4.3 Company D.....	22
4.4 Company F	24
4.5 Company H.....	25
4.6 Company C.....	26

4.7 Company E	28
4.8 Company G.....	30
5. Analysis.....	32
5.1 Key Partners.....	32
5.2 Key Activities	34
5.3 Key Resources.....	35
5.4 Value proposition	36
5.5 Customer Segments.....	37
5.6 Customer Relationships	38
5.7 Channels.....	39
5.8 Cost Structure.....	40
5.9 Revenue Streams	41
6. Discussion.....	42
6.1 What are the challenges of implementing a rental-based servitization business model in the textile industry?	43
6.2 What distinguishes a thriving company's business model from those that are not as successful?	45
7. Conclusion	46
7.1 General business model	46
7.2 Case Proposed Business model	49
8. Future recommendations	51

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1.Introduction

This chapter presents the background of the textile industry which will be used as the foundation for this masters thesis. The scope of the thesis will also be presented with the help of the purpose and research questions along with the limitations in order to further introduce the thesis.

1.1 Background

The textile industry is known as one of the most polluting industries in the world (Nørup, 2018), standing for approximately 10% of the world's GHG emissions (UNFCCC, 2018). Due to the rising population and overproduction in the fashion industry it has caused this percentage to rapidly increase during the past years to the point where it has caused social problems and major environmental impacts. A combination of changing customer demands in the fashion industry with overproduction has led to huge amounts of unsold clothing and textiles ending up as waste. Nørup et al. (2018) advocates that the current amount of waste can be significantly reduced through extending the life cycle of different clothing and textiles in combination with an improved management of discarded textiles.

Sustainability and circularity within the textile industry is gaining momentum in the fashion world with its focus on reducing waste and optimizing the use of resources. The fundamental principle is to establish a sustainable and renewable production cycle for textiles, which involves designing materials that are reusable, recyclable, and repurposable. To achieve this, energy, water, and waste are reduced, and renewable and recycled materials are used. Innovative technologies such as digital printing and dyeing are leveraged, and efficient production systems are implemented (Romero & Rossi, 2017). In addition, circularity in the textile industry entails designing products that last longer and can be easily repaired and reused, as well as designing products that are easy to disassemble and recycle. According to Jia et al. (2020), circular textile companies must maximize resource utilization and minimize waste production. Recycling and upcycling are used to create products with minimal adverse effects on the environment. Sustainable production strategies are used with a focus on renewable solutions to reduce waste (Jia et al., 2020). Making corporations strive to use new technology such as 3D printing, digital printing and other ways to reduce and limit their environmental impact. Governments are also taking measures to promote the circular textile industry, for example by restricting the usage of chemicals that can be hazardous, limiting the amount of plastic packaging being used and incentivizing the usage of environmentally friendly products. Additionally, funding research and development for more environmentally friendly fibers, natural dyes, and recycled materials supports the industry's sustainable growth. The circular textile industry offers an opportunity to develop a more sustainable textile industry by reducing the environmental impact of production and consumption (Jia et al., 2020). Which is an essential component of the future of sustainable production and new technology.

Much like circular economy, servitization strives to maximize the life cycle of a product. Contrary to product focused companies, service focused companies benefit from longevity of their product. This is due to the fact that a long lasting product will have the means necessary

to go through the closed loop of the product offering several times before it moves on to end of life treatment (Ellen McArthur, 2014).

There are different ways in which servitization is implemented in different business models in today's market, one of the most popular approaches is for companies to offer maintenance and repair for garments and thus extending their lifespan and reducing the amount of waste. This can either be done by the customer sending in their textiles to the company or when the customer is provided with instructions together with the repair tools/kits that are required. Another way to work with servitization over the past years is to work with rental or leasing of textile products instead of having the customer own them. This provides the customer with a larger variety to choose from and often a higher quality garment for a significantly lower price and in turn helping companies build long term relationships with their customers. Parida & Öqvist (2015) highlights the importance of having a clear and decisive plan and strategy when working within servitization, due to the large number of important factors that need to be aligned in order to enable a feasible servitization business model.

Overall, the new wave of servitization that has risen during the past years has a large potential to create new and different types of value for both companies and customers while also contributing to a more sustainable way.

1.2 Scope

The aim of this report is to gain knowledge about servitization and circular economy within the textile industry. Knowledge gained from interviews as well as a literature study will be applied to a case company in the form of a business model. This is done in order to increase the robustness of the case company which is in its startup phase and has begun their journey to enter the market. Key aspects of potential challenges will be identified through the interviews and preventive strategies identified from literature. These strategies will be incorporated into the business model. The major deliverable from the case companies point of view will be the shared knowledge of best practices and challenges from successful as well as unsuccessful businesses in the textile industry.

By the second to the third quarter of the project, a theoretical business model (TBM) will be delivered to the case company. The TBM will be based as earlier mentioned on empirical and theoretical data. Efforts will be made to deploy this model on a proof of concept case during the later stage of the project. From the result of the case, a practical business model (PBM) will be created, which is the final deliverable to the case company.

From a master thesis perspective, the deliverable will be to further the research on servitization and circular economic business models. To identify entry barriers for startups within this sector which either wants to make the switch from a product based business model to service based. Or to highlight which of the nine factors of the business model canvas are the most problematic.

1.3 Limitations

This study will be conducted at a case company where the focus will be on understanding their vision and goals. The business models will be tailored towards the company. Another limitation is the amount of interviews, since there is a limited amount of time available all companies with servitization models and circular economy within the textile industry can not be interviewed hence this will limit the sample size. The amount of research papers that pinpoint this topic are scarce which entails that research papers that are partially related to either of the two topics need to be read and reviewed. This might bring a fragmented view that needs to be condensed into the coming research.

1.4 Purpose & Research question

This thesis seeks to compare and evaluate different servitization models in the textile industry in order to establish a business model based on servitization and circular economy for a case company within the textile industry.

It will draw on existing literature to identify key factors affecting the viability of a servitization business model. In addition, the thesis will analyze the relative advantages and disadvantages of each model, as well as potential opportunities.

Finally, the results of this research will be used to provide recommendations for establishing a successful servitization based business model within the textile industry.

1.4.1 Research questions

1. What are the challenges of implementing a rental-based servitization business model in the textile industry?
2. Regarding servitization-based companies within the textile industry, what distinguishes a thriving company's business model from those that are not as successful?

2. Theoretical framework

This chapter outlines the approach and methodology employed in conducting the research and collecting data for the project. Special emphasis has been placed on the reliability and validity of the methods used to gather data, which will be used to generate the results.

2.1 Circular Economy

According to Romeo & Rossi (2017), the circular economy is an economic system based on the principles of sustainable development that promotes resource efficiency on a larger scale. Romeo & Rossi (2017) expresses that the circular economy focuses on waste reduction aspects and averting pollution by the use and production of goods and services. The aim is to extend resources life cycles for as long as possible in order to extract maximum value. This entails the design of products and services to allow for reuse, repair and recycle whilst being able to re-integrate the waste back into the production cycle. Thus helping to minimize the energy and resources used and in order reducing the environmental impact.

There are a lot of ways in which circular economy has been defined over time, but one of the most commonly used is the Ellen MacArthur Foundation where they state “In contrast to the “take-make-waste linear model, a circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources” (Ellen MacArthur Foundation, 2021). The foundation has gathered up the circular economy into three main principles, driven by design:

A. Elimination of pollution and waste

The first principle seeks to break the take-make-waste system by eliminating waste and pollution. Instead of simply taking raw materials and throwing them away as waste after use, resources are kept in circulation as much as possible, reducing waste and pollution whilst allowing for the creation of the needed products. This system is more sustainable and can help ensure the preservation of our resources in the long term.

B. Circulate products and materials in order to keep them in use

The second principle strives to keep products and materials in use at their highest value, avoiding waste and maintaining the intrinsic value of products and materials. This way allows for minimum to no waste.

C. Invigorate nature

The third principle of the circular economy is to regenerate nature. By transitioning from a linear take-make-waste system to a circular economy that supports natural processes and provides more space for nature to flourish.

2.2 Circular material flows

The butterfly diagram, also known as the circular economy system diagram. Displays the circular flow of materials in a circular economy, an economic model that focuses on regenerating resources, reducing waste and pollution, and maintaining the use of materials. The Ellen MacArthur Foundation, a UK-based non-profit organization promoting the circular

economy for a sustainable future, created the diagram. The biological and technical cycles form the fundamental elements of this economic model, represented by the butterfly diagram's two wings. While the biological cycle stresses the use of regenerative resources to produce goods and services, the technical cycle emphasizes creating renewable resources.

The central part of the butterfly diagram is a representation of the economy, where resources are transformed into commodities and services. The outer wings represent the two cycles and illustrate how resources can be used in a circular rather than a linear way, as in traditional economics. The biological cycle's closed loop system is shown in which goods and materials naturally break down or are composted and returned to the earth. Similarly, the technological cycle follows a closed-loop system where things and materials are designed for recycling, refurbishment, and reuse. The butterfly diagram provides a visual representation of the circular economy's potential to foster a sustainable future. Developing products and services that consider the concept of circularity can help restore natural systems by minimizing resource use, pollution, and waste.

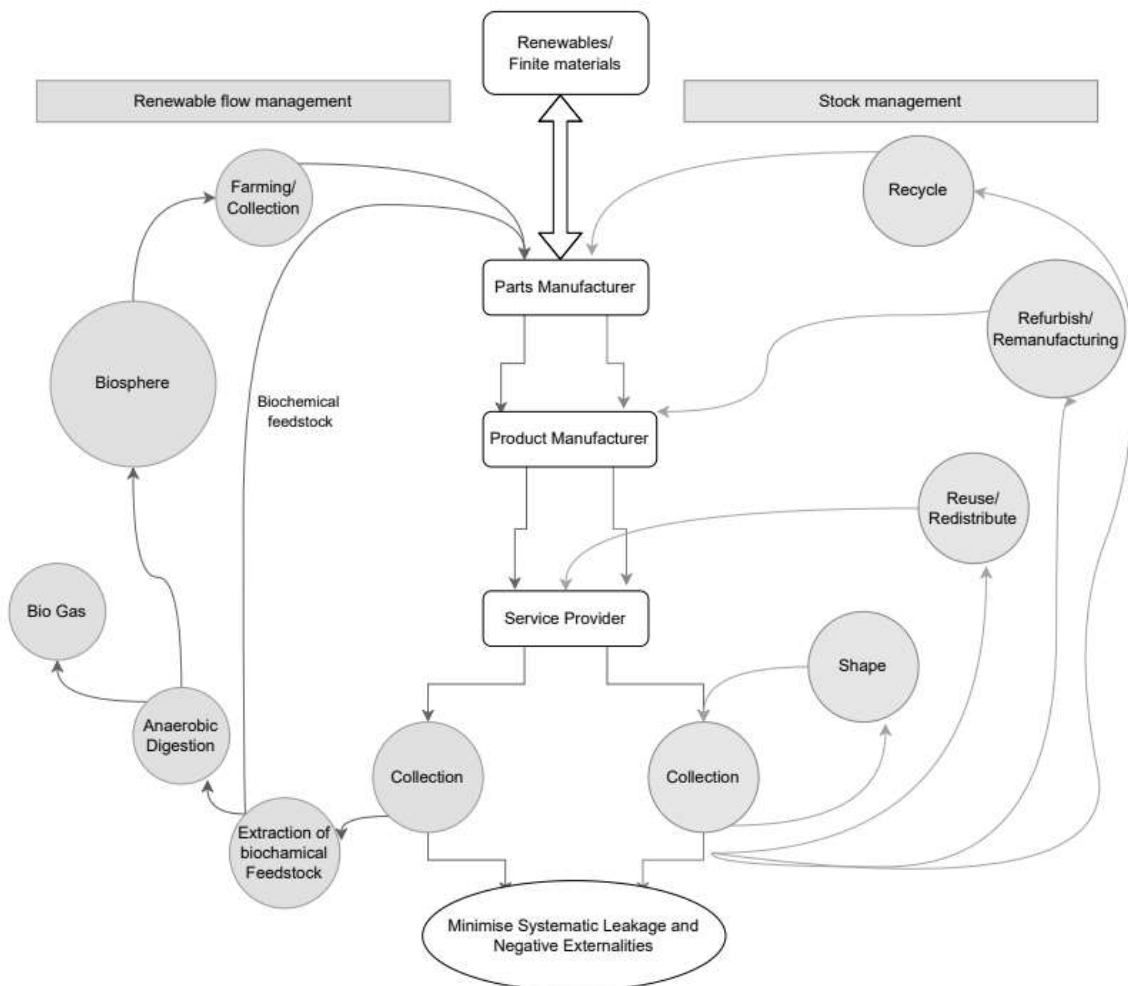


Figure 1. Illustration of butterfly diagram inspired by the Ellen McArthur foundation.

2.3 Servitization

Servitization is, according to Langley, D (2022), when the ownership of the product remains with the selling company. The opposite is productization, this is when a product is sold to a customer and with it its ownership. Langley, D (2022) visualizes this with a model shown in figure 1 below. Interesting is the fact that with increasing servitization, incentives from the companies start moving towards maximizing the lifespan of the product. This is also an essential part of the circular economy, since the products need to be able to follow the closed loops of the butterfly diagram. Kanath, M & Karer, Ö (2021) mention that servitization needs built in durability in the product in order for it to be used as many times as possible in order to yield as much revenue as possible.

Langley, D (2022) mentions that there is a spectrum of servitization spanning from zero to 100 percent. Meaning that companies basically can be hybrids between product and service dominated. This is illustrated in the figure below.

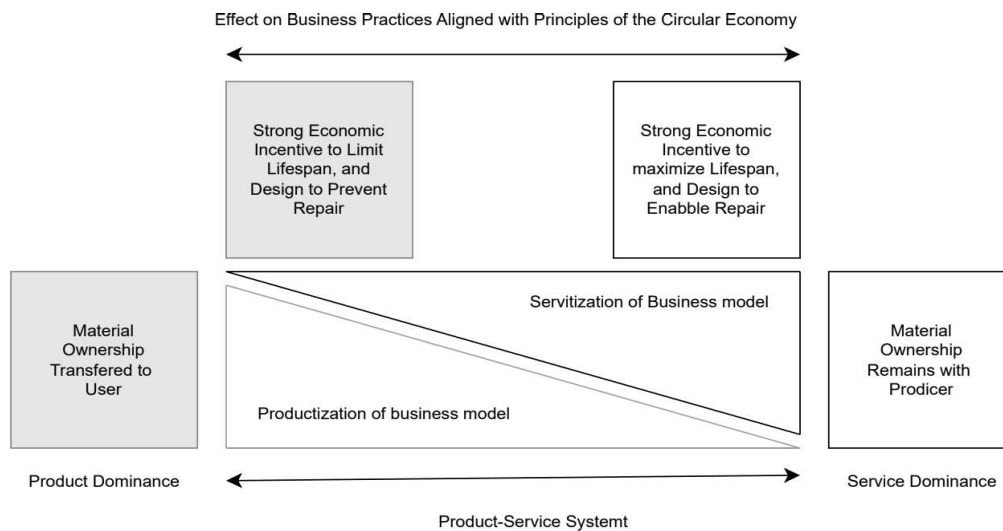


Figure 2, Product service systems, inspired by Langley, D

Reim, W, et al. (2015) mentions the product-service system (PSS) in their paper. PSS is the merger of products and services delivered by a company, this could be a company selling sewage pumps (product) with a service agreement (service). It also works the other way around, e.g. a cleaning firm starts adding sales of cleaning products to their operations.

Shown in figure 3 below is what Reim, W et al. (2015) argues are three different business models that have different purposes: product, usage and result. The first business model which is product related is when a company which is selling a product adds a service to it, e.g. maintenance. The second, called usage, is when a company rents its products, e.g. a car rental service. The third business model called result oriented, is when you sell a result to a company, e.g. barber cutting hair. With each chosen business model a different set of tactics is needed for realizing it (Reim, W, et al. 2015).

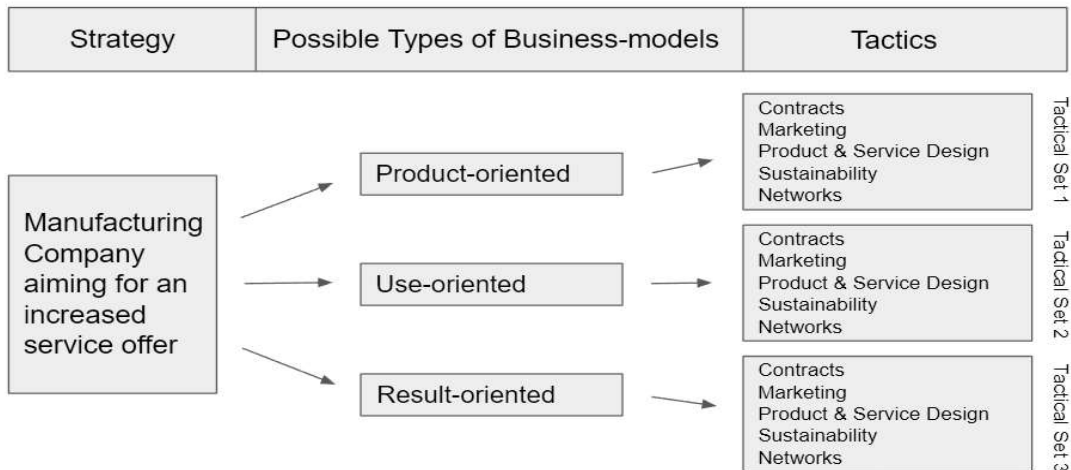


Figure 3, different business models depending on orientation. Inspired by Reim, W et al. (2015)

When it comes to different important factors in terms of what enables a successful servitization model there are several mentioned in different articles. Parida & Öqvist (2015) mentions the importance of strategy and tactics. Tactics for an instance has sub groups such as e.g. marketing, contract and network. Depending on what type of business model chosen, different aspects are important. Ferreira et al. (2013) on the other hand, argues that when it comes to PSS, that consumer, provider, environment and society are interesting aspects to monitor in order to gain a good level of servitization. Moro et al. (2022) discusses the different value streams in regards to creating a servitization model. In their value stream model, they use different value aspects as proposition, configuration, delivery and capture. This entails that a company using this strategy will have to identify the customers needs and potential benefits of the offered service, e.g. what type of garments does this customer group need? Then the company will configure an offer with garments or textiles, deliver them in a customer specific way and gain value capture this way.

2.4 Product as a service

The product as a service business model is showcasing the way that people interact with an offering. By allowing customers to pay for a service through different types of deals like leasing or pay-to-use models encourages manufacturers to procure more high quality goods that have longer life cycles (Ellen McArthur, 2014). A stronger type of business to customer relationship often also increases the possibility of the customer returning the product at the end of use, which then enables the business to recover and reuse their resources (Ellen McArthur, 2014). The product as a service business model is yet to be widely adapted into the market, customers are still valuing ownership of their garments over having to rent and return them after a set period of time. This is often because of accessibility and comfortability that the ownership provides in terms of sourcing and handling of the garments (Armstrong, 2015).

Product as a service model is also defined by Tiwari & Roy (2009) as a way for different businesses to enhance their offerings to customers in order to maximize revenue whilst exceeding customer expectations. In order to enable a shift towards servitization, the

implementation of Product as a service requires the combination of new technologies, advanced management, and a better understanding of social systems Tiwari & Roy (2009). This type of a business model allows firms to create new sources of added value to their products and competitiveness to their brand, leading to unique customer relationships, customer loyalty, and the ability to innovate and react quickly to customer demands Tukker, Hines & Marin (2004). Additionally, alternative business models such as renting, redesigning, or upgrading of products can reduce the dependency on natural resources and improve product longevity (Tukker, 2006).

2.5 Rental models of garments

A rental business model is one example of a product as a service model, which gives the customer an alternative to a traditional ownership where the garment is sold and in turn transfers the ownership to the new customer (Ellen MacArthur Foundation, 2021). This type of rental model allows customers access to clothing and garments for usually a short time which often ends up being much more accessible from an economical standpoint and decreases the amount of new clothing being produced (Tukker, 2006). On the other hand, rental services of clothing often have higher requirements when it comes to quality, material and durability. This is because a garment which is worn by different people often ends up being used in different ways and requires more washes than a customer owned garment. In addition to this the design and fitment of the clothing also has to be chosen more considerably in order to be more appealing to a larger customer base (Tukker, 2006). Entailing the importance of providing value that captures the customer interest to rent or share instead of purchasing.

2.6 Sourcing Process

Sourcing processes are quite impactful and have gone through a variety of changes during the past years due to the increasing complexity of the different supply chains and global production networks. In addition to all this uncertainty there has also been both political factors and shifts in the economy which makes it a complex aspect.

J, Åkesson & P, Jonsson (2007) argue that sourcing strategies are essential for the success for textile companies in the global market. They suggest that all businesses and companies have to constantly adapt and be flexible with their sourcing strategies in order to remain competitive in the current market. In order to do this, it requires a vast and deep knowledge when it comes to the complexity of the supply chain, manufacturers, networks and all different channels involved in the production process J, Åkesson & P, Jonsson (2007). One of the biggest challenges which companies face today is being able to manage their sourcing strategies when it comes to balancing cost and quality considerations, after that is done the ethical and sustainability concerns also have to be considered in order to be portrayed as a formidable actor in the industry. In order to achieve the mentioned aspects, the companies need to carefully evaluate their suppliers and relationships they've established to continually ensure that their products are kept up to par and meet both internal and external standards and requirements.

Jin, Su (2013) states that it is clear that in the cases where the garments and textiles were directly sourced from the manufacturing supplier is the most beneficial and feasible way to go about according to a research they've done. Åkesson, J & Jonsson, P (2007) also argues a

similar point where they express that by sourcing garments directly from the manufacturing supplier provides control for the buyer due to the flexibility in the manufacturing capacity.

2.7 The Blue member model

The blue member model (BM-model) by Hyundai motors will be used to highlight certain and important factors related to circular economy. According to Han et al. (2020), the circular economy is based on four factors: Social, Economy, Environmental and Technology. Hence the business models must contain these four factors in order to fulfill the criteria to become a circular economy business model (CEBM). How the indicators will be chosen is discussed further on in the chapter.

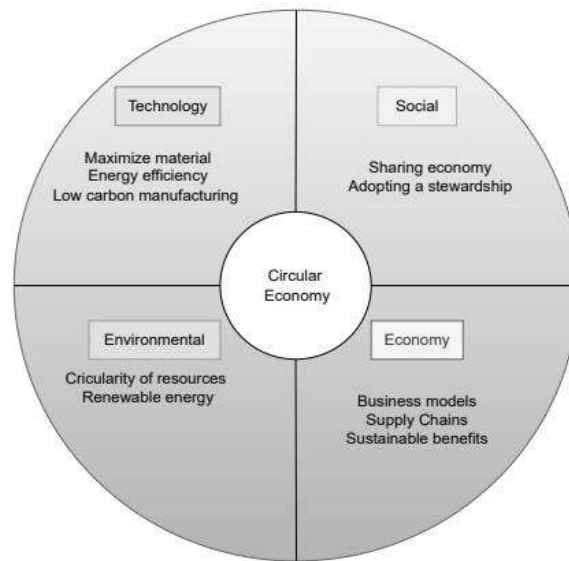


Figure 4. Example of the Blue Member model. Han et al. (2020)

2.7.1 Social

Kaya et al. (2022) mentions in their article that social factors are the activities of the company that contribute to the society, business and the environment, identical to the triple bottom line (Savitz 2013). From the case company point of view this would be to align their activities with the society's interests however the interest may differ depending on what customer group they choose to target.

2.7.2 Economy

In order to encapsulate the economic factors, the company needs to be working with sustainable benefits, business models and supply chains. Kaya et al. (2022) mentions that there are challenges that need to be addressed such as reducing logistics cost for the reverse material flow. There also is a large knowledge gap regarding circular economy according to a study by GreenBiz (2020). The case company can market themselves as a circular business but what difference does it make if the consumers do not value it due to lack of knowledge of the topic?

2.7.3 Environmental

The BM model specifies that the environmental factors are related to resources which according to Kaya et al. (2022) are: renewable energy and circularity of resource. The case company's take on this is that garments may be reprinted i.e. the clothes may be reused putting them into circulation once more. The company can remove the print when the fabric of the garments has reached its end of life, creating the possibility for recycling which is not possible for garments with print.

2.7.4 Technology

The final factor of the BM model is technology, which is related to the production and operations of the company (Kaya et al. 2022). For the case company this will relate to the printing process, resources for the prints as well as the removal process.

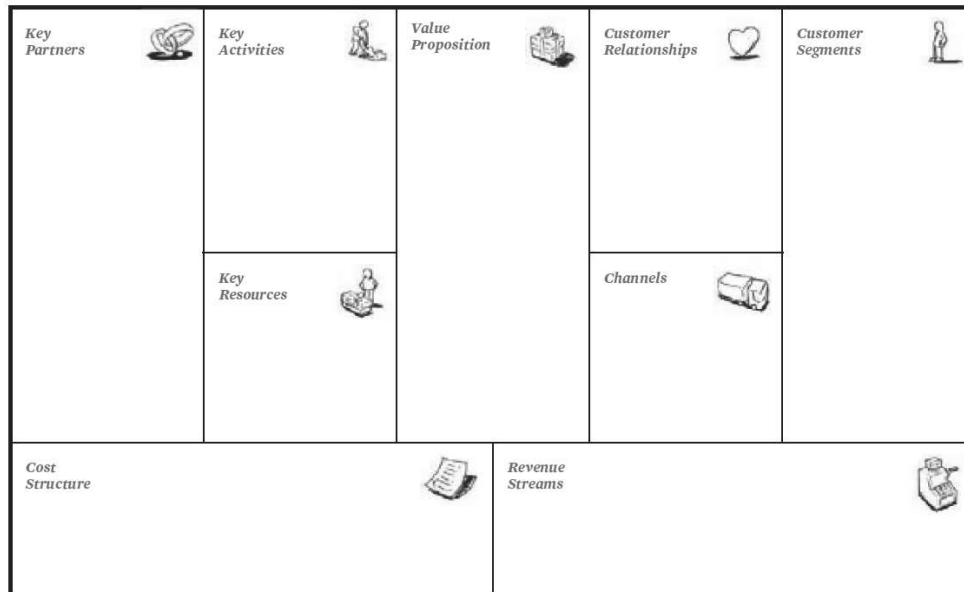
2.8 The business model canvas

When typing in the three keywords: Business model canvas, into the searchfield of the database Scopus it generates 1099 hits. Limiting the results to the language English and articles and it generates 144 hits. This is an indication that the framework business model canvas is widely adopted hence strengthening the claim to its validity. The Business Model Canvas is a strategic management tool that helps businesses to visualize and analyze the key components of their business model. It was developed by Alexander Osterwalder and Yves Pigneur and is widely used by startups and established businesses alike. The Business Model Canvas consists of nine building blocks which when put together create the business model canvas, as shown in figure 5.

The nine building blocks entail the following:

1. Customer Segments: Identifying the specific groups of customers that the business is targeting.
2. Value Proposition: Defining the unique value that the business provides to its customers.
3. Channels: Describing the ways in which the business interacts with and reaches its customers.
4. Customer Relationships: Outlining the types of relationships that the business has with its customers.
5. Revenue Streams: Identifying the sources of revenue for the business.
6. Key Resources: Identifying the resources that are required to create and deliver the value proposition.
7. Key Activities: Describing the most important activities that the business requires in order to create and deliver the value proposition.
8. Key Partnerships: Identifying the key partners and suppliers that the business relies on to create and deliver the value.

9. Cost Structure: Outlining the costs that are associated with creating and delivering the value proposition.



*Figure 5, The business model canvas.
Osterwalder & Pigneur (2010)*

Osterwalder & Pigneur (2010) mention that this framework can be used in order to establish a new business model. Depending on the type of company in question, the point of departure or as Osterwalder & Pigneur (2010) describes it, the epicenter can start in any of the different blocks. E.g. the key partners section, due to the company already having good connections with other companies. Other companies might have good insights into channels as well as customer segments, then they will have multiple epicenters, which also is a way to commence the work with the framework. Once the nine building blocks are established, the company can outweigh the pros and cons in the different business models in order to narrow it down to the most effective one (Osterwalder & Pigneur, 2010). The canvas can also be used in order to validate and analyze the different business models through customer interviews and different research methods.

Generally, the way to start working with the framework is to brainstorm together. Osterwalder & Pigneur (2010) mentions a few key concepts when it comes to this process such as, staying focused, having rules such as one topic at a time, using a whiteboard for visualization purposes, and finally preparation.

2.8.1 Definition of the nine areas of the BMC

Key Activities

The Key Activities build block refers to the most important steps a business or company takes in order to operate successfully in order to create value and make its business model work Osterwalder & Pigneur (2010). The key activities are often divided into three different categories: problem solving, production and different network & platform activities. These key activities are based on the type of business model which the company has, for example a

hardware company would need to constantly develop and create new and better hardware in order to stay relevant in the market. Other examples of key activities would entail designing, developing new products, managing the products & storage, helping and assisting customers. Being able to identify the important Key Activities within your business is essential in order to ensure that your resources are utilized to their fullest potential in order to achieve the company's goals.

Key partners

Key partners is a network gathering the external entities like suppliers and partners which assist your company in order to make the business model work. These key partners help with creating, delivering and capturing value for your company, they can either be strategic or physical partners where they supply with a variety of things. The Key partners are summarized by Osterwalder & Pigneur (2010) into four categories: Suppliers, Buyers, Strategic alliances and joint ventures. Examples of these may be strategic partnerships that help with data and planning or partners who supply with physical goods. The key partners are often a large contributor to a company's success as it ensures that the company has the resources and knowledge in order to create and deliver the best value to its customers.

Key resources

According to Osterwalder & Pigneur (2010) the "Key Resources" is a gathering of a company's resources to help provide the final value proposition to its customers, reach the markets and in order to create healthy and long lasting relationships with their customers. These Key resources are different depending on the business model and value which the company wants to provide. These resources can be from a physical, financial or intellectual point, additionally human resources can differ depending on the business model chosen. Examples of these can be specialized equipment, proprietary technology, designs or different types of patents Osterwalder & Pigneur (2010). A key resource can also be human staff which is highly skilled within a certain area. These key resources are then aligned in order to ensure that the company has the tools and capabilities in order to create and deliver the desired value to its customers.

Value Propositions

For a company to be able to generate revenue and create a reason for a customer to turn to one company over another is the value proposition that they offer. The value proposition usually supplies a customer's needs or helps solve their problem by providing a service or product. Osterwalder & Pigneur (2010) explains that the value proposition consists of a bundle of services and/or services which caters to a customer's requirement. These Value Propositions can be either beneficial for the customers from a financial standpoint or a new and improved service/product compared to its competitors. Examples of a Value Proposition can include the offering of a high quality product at a lower cost compared to the market or providing innovative solutions for its customers. Being able to identify and provide appealing Value Propositions is incredibly important since it ensures that the company communicates products or services to current and new customers. In addition it also enables the company to meet the customers needs.

Customer segments

In order for a company to define their value and general offer to the customers, the customers needs to be defined. When the customer group is defined and their needs are defined, the company knows what type of demand that is needed to be fulfilled. Different customer segments have different needs related to relationships, price sensitiveness, and logistics preferences. Osterwalder & Pigneur (2010) mentions that a company may have different segments and therefore needs to tailor the offers differently towards the different groups. E.g. small and narrow customer segments might require a niche offer, whilst wide customer segments need a larger product portfolio to choose from. If the company on the other hand has both small and large and wide segments their strategy needs to be diversified according to Osterwalder & Pigneur (2010), the offer therefore needs to be multisided.

Customer relationships

Not all customers have the same needs when it comes to purchasing a product or service, therefore how the company strategizes to serve the customer is important. Osterwalder & Pigneur (2010) there are different ways for a company to develop relationships with their customers. As mentioned earlier different segments expect different services or in some cases no services at all when performing transactions with a company. Relationships can be formed on a personal level e.g. in store services where personnel helps the customers with choosing products and answering questions. The company can have online communities where they interact with many customers in the same segment at a time. Self-service is according to Osterwalder & Pigneur (2010) when all tools are available for the customer to help themselves e.g. self checkouts in stores. Osterwalder & Pigneur (2010) argues that customer relationships are important since it can help boost sales, customer acquisitions and also help to keep customers loyal to them.

Channels

According to Osterwalder & Pigneur (2010) there are several different channels that a company may use in order to reach its customers, some mentioned are sales force, web sales, stores, partner stores and wholesaler. Channels are used to interact with the customers in different ways, Osterwalder & Pigneur (2010) argues that there are five different phases and these are called: Awareness, evaluation, purchase, delivery and after sales. If we would take a store for an example, this channel would have the phases evaluation, purchase and delivery. In some cases stores even have after sales help and commercials which entails that it would in fact have all five phases. A logistical firm on the other hand would only have the phases awareness but most importantly delivery. Osterwalder & Pigneur (2010) therefore argues that any given company should choose channels that encompasses those phases that are needed to satisfy the customers needs and also enables the company to fully reach the customers with their value proposition. Additionally Osterwalder & Pigneur (2010) mentions that there are different characteristics of the channels, direct and indirect, this entails that a salesforce or web sales owned by the company itself are direct. On the contrary indirect channels are outsourced, such as partner stores or a 3PL.

Cost structure

The cost structure is all the major costs that appear as a result of the company operating. They are according to Osterwalder & Pigneur (2010) attached to the different building blocks of the business model canvas. I.e. different companies within the same industry with the same customer segments might have entirely different cost structures depending on their business

model as a whole. Osterwalder & Pigneur (2010) makes the example of a value-driven company with a cost-driven one. Value-driven companies strive to project as much value as possible to the consumer, on the contrary a cost-driven company wants to reduce its own cost as much as possible in order to gain as much profit as possible (Osterwalder & Pigneur (2010)).

Revenue streams

The revenue streams of a company is an umbrella concept which encompasses all ways that a company receives income. Osterwalder & Pigneur (2010) mentions several different ways such as subscriptions, renting, sales of physical products, usage fees etcetera. Furthermore, pricing of the revenue ways may be either fixed or dynamic e.g. volume discounts on bulk orders would be dynamic pricing whilst if the pricing does not change regardless of volume would be fixed. Another revenue stream that has become more popular is a revenue share model.

Revenue share model is an arrangement with the company and a supplier where they agree to share the generated revenue and risk for a product or service (Chauhan & Proth, 2005). This entails that all parties involved gain different types of benefits. For the company it would entail a reduced upfront cost, access to expertise and mitigated risk by sharing it with the supplier. On the other hand, the supplier gains a larger market reach and shared revenue from the product or service that is being sold.

In order to actually establish a well-developed revenue share model between two parties requires a clear agreement where the terms are fair for both parties involved, this should include tracking and reporting systems to simplify the collaboration. (Chauhan & Proth, 2005). By working accordingly with the revenue share model both companies are able to establish a strong relationship that promotes growth and becomes beneficial for both parties.

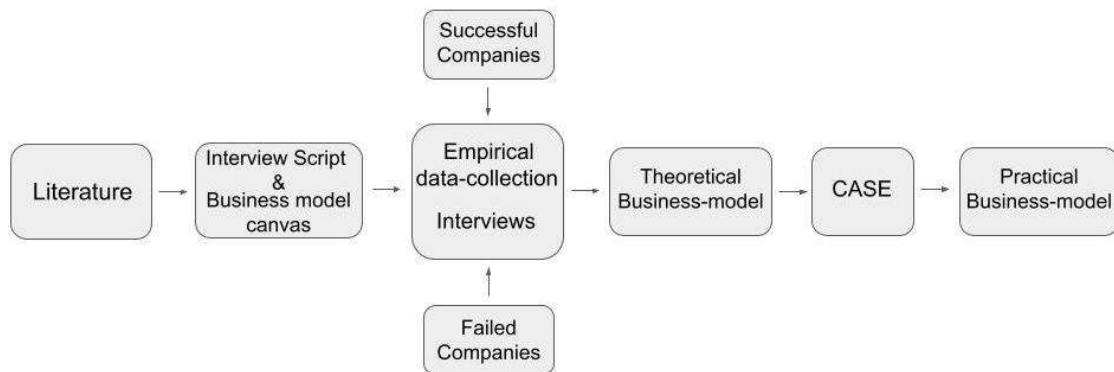
3. Methodology

In this chapter, the different research methods chosen will be described. The three main topics are research design, how the different processes of the thesis are linked together. Literature study and finally the empirical methods.

3.1 Research design

Literature, interviews and observations from the case company will be the main sources of data and information gathering. The results from the interviews will be strengthened by research papers in order to gain validity. The research design used is a combination of a case study of the current operations within the industry with a focus on qualitative research. The qualitative research will consist of semi-structured interviews with different businesses and case studies of different business models that have both failed and succeeded. Below is a visualization of the research study and sources used in this paper.

Furthermore, this thesis will be based on three different models. These models are: The blue member model (BM), The butterfly diagram and the third model/framework. They will be applied when creating the two different business models for the case company, since they all bring aspects necessary for being able to classify the proposed business models as circular. These models will be presented below in this chapter.



*Figure 6,
Roadmap over the research study to be used*

3.1.1 Qualitative research

Qualitative research is based on information gathered through unrestricted and conversational communication, such as interviews, on-the-spot questions, and different ways of observation. This method of gathering data was used for this thesis because it provides a deeper understanding of a business and management aspect (Bryman & Bell, 2018). Open-ended and flexible conversations with workers can yield unexpected information that could be crucial. Qualitative research also allows for the understanding of opinions and reasonings, giving a better insight in current issues or ideas that the interviewee has.

3.2 Literature study

This chapter will consist of the research design used to capture the essence and importance of the different topics related to the research done for this thesis. Since this thesis focuses on evaluating the financial and technical feasibility of establishing a circular economy within the textile industry, the literature presented will lie as a foundation to support the conclusion.

3.2.1 Literature review

The purpose of a literature review is to gain knowledge and add on to the already existing data regarding the challenges on establishing a feasible textile servitization model whilst being circular. It is important to be critical of the information retrieved due to potential sources of bias. Bryman and Bell (2015) suggest that using a variety of databases can help to uncover different perspectives and results. In order to obtain the relevant literature for this thesis, Chalmers library, Google Scholar and Scopus are used as sources. Defined search terms as in different keywords are essential in order to limit the searches for articles within the databases (Blomkvist & Hallin, 2015). The main key words that are going to be used in the research of articles for this thesis will be circular textile industry, servitization business model and circular supply chain (will be changed during the process).

3.3 Empirical study

In this chapter the selection process of the interviews as well as the structure of them will be presented. Moreover, the chosen method for analyzing the results will be disclosed. The chapter ends with a brief presentation of the case company.

3.3.1 Interview selection process

The selection process for the interviews involved assessing topics with the supervisor to identify the companies that are successful and less successful within the servitization business for our thesis that would assist us with understanding the different business models.

3.3.2 Semi-structured interviews

Semi-structured interviews are a type of interview process that allows for a more flexible and open-ended conversation between the interviewer and the interviewee. The interviewer is able to ask questions and follow-up with additional questions based on the interviewee's responses. The interviewee has the freedom to provide their own answers and further elaborate on the topics discussed. This type of interview allows for a more in-depth exploration of the interviewee's thoughts and opinions. The format will be one-to-one interviews to limit the ideas to one respondent, Denscombe, M (2017) mentions in his book that it makes the process of transcribing easier due to the fact that the interviewer does not need to navigate between different respondents' answers. Furthermore, the interviews will be held online through applications such as Zoom or Teams since there is a large geographical distance between the different companies. Denscombe, M (2017) puts weight on the need to contact the respondents in advance in order to prepare them, hence the script will be sent in advance in

order for them to prepare and develop answers. The Interviews will be recorded either just the audio or both video and audio depending on the permissions of the respondents, this will ensure that the information is not lost due to forgetfulness.

Denscombe, M (2017) mentions the need to validate the information provided by the respondents hence triangulation can be used in order for this validation process. I.e. The data provided during the interviews will be checked with third party sources. However Denscombe, M (2017) mentions that the data will be based on what the respondents respond rather than what they've actually done, meaning that nuance their answers away from the truth.

Efforts will be made to identify a theme for the different business models. The aim will be to partly identify and gain knowledge regarding the different business models and partly if there are any common issues that the different companies have experienced and what strategies they've chosen to tackle these.

3.3.3 Grounded theory

The grounded theory will be used in order to fully process the data provided through the interviews. Denscombe, M (2017) mentions that the theory is composed of eight different steps. The approach allows for coding, categorization, and overall good structure of data processing. It may assist in order to reach conclusions regarding advantages as well as disadvantages related to the investigated business models.

3.3.4 Case company

The company chosen is a three year old startup from Gothenburg with roots from Chalmers university of technology. The company uses an innovative printing technology founded by the case company's founders through the entrepreneurship program. This innovation brings a sustainability aspect and circularity to the industry. They are offering an alternative to fast fashion through elongating the lifecycle of the garments by making it possible to remove and add prints on and off textiles without destroying the base material.

They have expressed their interest in investigating the feasibility of two different business models. First is the business model based on renting garments with customer specific prints. The second is based on providing prints and removal as a service. To date the company has not entered the market, they are currently in the proof of case state. This entails that the next step could be a pilot program where they would test their business case with either renting out garments with prints. Another way could be to simply sell their print as a service, which would place them as a middleman between a producer and the customer.

3.4 Ethical Considerations

This chapter will provide insight on ethical considerations researchers should take related to a research study that primarily consists of semi-structured interviews. Research that mainly is based on qualitative research, such as semi-structured interviews often provide a personal and unique insight to the different participants perceptions and experiences and thus should be considered when writing the paper (Sanjari, 2014).

Informed consent

Informed consent is a critical ethical consideration in all types of research, including qualitative studies. Participants must be provided with comprehensive information regarding the research's objectives, methodologies, potential risks and benefits, and their right to withdraw from the study at any time without facing any consequences. They should also be informed of how their data will be collected, utilized, and shared. Obtaining informed consent requires continuous efforts to ensure that participants comprehend the research, voluntarily agree to participate, and are aware of their rights during the research process. (Sanjari, 2014).

Anonymity

Being able to maintain confidentiality and anonymity for the people contributing and partaking in your research is a crucial aspect of qualitative research. This is in order to protect the privacy of the people involved. In order to protect their privacy, the research should hide identifiable characteristics, personal information and other factors that can expose the participants (Sanjari, 2014). This is mostly due to the focus of qualitative research being based on personal perceptions and experiences.

Data Collection

When it comes to collecting data for a research paper, the same principles should be taken into consideration. This entails using appropriate, unbiased and reliable methods to collect data. The different means used for the research should also be appropriate for the purpose of the research paper in order to avoid interfering and risking a company's integrity (Säfsten & Gustavsson, 2020).

4. Result

In this chapter the results from the interviews performed with different companies within the textile industry working with either a rental model of garments or that provides a service for textiles are presented. Section 4.1 to 4.5 consists of the companies that are operational today and therefore seen as successful companies, these are marked green in table 1. Chapter 4.6 to 4.8 consists of the companies that no longer are operational hence seen as unsuccessful, these are marked red in the table 1.

*Table 1,
Overview chart of the companies that were interviewed and the interviewee*

Company	Type of company	Active today?	Interviewee Role	Size	Employees	Customer Segment
A	Workwear Rental	Yes	Plant Manager	Larger Global Company, operational in 29 countries	54000	B2B
B	Workwear Rental	Yes	Head Of Sustainability	Larger National Company, operational solely in Sweden	900	B2B
C	Subscription Rental	No	CEO	Smaller start-up in Sweden	6	B2C
D	Rental model	Yes	CEO	Mid-Size Company, operational solely in Sweden	14	B2B & B2C
E	Subscription Rental	No	CEO	Smaller start-up in Sweden	5	B2C
F	Service	Yes	Key Account Manager	Mid-Size Company, operational solely in Sweden	10	B2B & B2C
G	Subscription Rental	No	CEO	Smaller start-up in Sweden	3	B2C
H	Service/Upcycling	Yes	Head Of Circular Business	Smaller start-up in Belgium	9	B2B & B2C

4.1 Company A

Company A offers textile and hygiene solutions to hospitals, automotive industry, hotels and restaurants through mainly 3 year contracts where the garments are rented for longer time frames. Their concept is based on a circular business model where they rent, collect, wash and repair textiles for companies with a focus on sustainability in the B2B Segment. This has led them to becoming the first company in Sweden to be certified within United Nations global goals within sustainability.

Their main goal within their operations is to assure that the customer has a garment which is suitable for its purpose depending on the field of work. By owning the textiles and renting them out on a weekly/monthly basis gives them control and allows them to track and maintain the garments through different ways.

4.1.1 Key Partners:

Their key partners consisted of larger textile suppliers and companies that assisted with their upcycling process by helping with reconstructing and reusing the garments.

4.1.2 Key Activities:

As their main and key activities, they work with rental of garments, washing, repairs and to assure the customer of a suitable product for its purpose. Also, their sourcing process is quite time and resource consuming due to its importance.

4.1.3 Key Resources:

Partnerships with supplies, laundry establishments, tailors and repair personnel combined with their manpower. Their sales personnel and RFID technology are additional key resources to track & maintain their products.

4.1.4 Value Proposition:

Their value proposition is the fact that they guarantee their supply and service (washing & tailoring) for workwear and textiles for all businesses in Sweden no matter the volume.

4.1.5 Customer Segments:

They mainly work with larger B2B customers but also allow for smaller companies as well. The only customer segment which they found hard to fulfill was the construction industry due to their high turnover of staff and their constant movement.

4.1.6 Customer Relationships:

They promise a high level of service to all customers and ensure a painless process which helps them establish good customer relationships. Additionally they work with Key account managers and employees who constantly work with feedback and assessing issues.

4.1.7 Channels:

The company barely works with marketing, they get most of their marketing done from word of mouth and recommendations. They also participate in events such as conferences and trade fairs from time to time. And when it comes to their logistical solutions, they own their own distribution lines connecting their customers, laundry establishments and tailors/repair shops. Additionally they are also working in collaboration with the Textiles University in Borås in order to further improve their sustainability work.

4.1.8 Cost Structure:

Their laundry and transportation costs combined with customer acquisition costs are costly processes which are also difficult to prevent/reduce. They have an additional cost structure where the customer is given a penalty fee when their garment is not returned within the agreed time.

4.1.9 Revenue Streams:

Revenue streams used are mainly B2B contracts and agreements with municipalities and counties. They also provide washing and repair services to a large range of customers which also provides them with an additional source of revenue.

4.1.10 Eco Social:

They are contributing to a more circular economy and a better environmental impact by using different ways to reuse all types of textiles and clothing through their systems in place. Some examples of upcycling are the repurposing to textile bags. Additionally they cooperate with a nearby college which uses old garments to design new garments.

4.2 Company B

Company is active within the textile industry, their main focus is providing working clothes to the public sector of Sweden (mainly hospitals and municipalities). This is done through public procurement and once the contract has been won the customer is bound to them for three to four years. Throughout this cycle the company B owns the textiles, meaning they provide the customer with the service of accessibility to clean and functional garments. Same as Company A, they primarily work with B2B.

4.2.1 Key Partners:

Their key partners consist of major textile companies, end of life & upcycling partners. They also work together with logistics providers for transportation solutions and detergent suppliers.

4.2.2 Key Activities:

The main activities are their renting of textiles, washing and tracking. Additionally all maintenance work required is also done on a daily basis.

4.2.3 Key Resources

Key resources mentioned by the respondent are several, such as traceability through the IT-system, personnel, narrow product portfolio, transport and raw material such as water and energy.

4.2.4 Value Proposition:

Easy and flexible services that saves time for the customer together with a high service for all volumes concerned.

4.2.5 Customer Segments:

Mainly companies that are active in the public sector like hospitals, municipalities, law enforcement. The customers are acquired through the public procurement processes.

4.2.6 Customer Relationship:

The company works by establishing close communication channels with the customers where they're able to specify their needs so they're able to supply what the customer actually requires. Apart from this they're working with different types of sales force and customer service through KAM and repeated meetings where they assess the customers' needs and feedback in order to improve and take actions accordingly.

4.2.7 Channels:

The channels used to mark their presence in the market are conferences within the health sector where their main focus is related to sustainability. There are trade fairs where they participate and gain exposure to potential customers. The respondent also mentioned there is a catalog containing technical specifications related to the public procurement process which is described as an information channel.

4.2.8 Cost structure

Their maintenance cost and deviations that occur during their washing process are said to be most costly, usually due to ink cartridges exploding and damaging the entire lot inside the

washing machine. Another cost related area is the upcycling process, since it contains design stages, handling of the clothes in different countries and many transport legs.

4.2.9 Revenue Streams:

A split price model where a base fee is paid by the customer with additional costs for extra services is their main revenue stream. Otherwise they also offer the possibility of a full rental model where the customer can rent a garment where the company provides all related services.

Finally their last revenue stream is based on their philosophy of: 'it should be expensive to do wrong, but cheap to do right'' the respondent explained this with if the customer does something wrong with the textiles, such as leaving a ballpoint pen in the clothes when returning the garments for washing, they are billed a hefty fee.

4.2.10 Eco Social

When asked about the eco social cost and benefits related to the company the answer was that they from an eco perspective work with a platform called amfori Business social compliance initiative (BSCI) which is used in order to gain transparency and information regarding the supply chain. Each company that is working with amfori BSCI needs to abide by the code of conduct. Amfori BSCI also performs social audits, this entails that if the company does business with other actors that also are working with amfori BSCI and are approved by amfori BSCI they can waterproof as far as possible that their business partners are eco and socially sustainable. Also the respondent mentioned from an internal perspective that they work with social sustainability through providing a first employment for people new to the working life.

4.3 Company D

Company D works with providing outdoor equipment to both private customers as well as to companies. They rent out their products on a weekly timeframe which are decided together with their customer. They also have a washing operation where they wash their own clothes as well as companies paying for the service. Outdoor equipment encompasses everything from tools needed when venturing out in the nature to clothes needed to withstand the weather. The questions and responses are limited to textiles. Company D works with both B2B and B2C, but their main focus is on B2B since that's where their larger revenue streams are from.

4.3.1 Key partners:

The respondent explains that they share information with their textile suppliers regarding the product's quality and how it withstands different types of use. They are also partnered up with a tailor as well as skiing and mountain resorts. Traveling agencies that organize group trips to the outdoors are also partners that they collaborate with in order to help supply the event organizers with the tools and equipment needed. Lastly the respondent mentioned the suppliers of detergents by a supplier which they work quite closely with.

4.3.2 Key activities:

According to the respondent their key activities are: service, rental and sales of clothes. Regarding the service the washing and mending of clothes is mentioned, they have their own

machine park which consists of the washing machines... Another one of their key activities is to work together with different travel companies to enable them to provide a better service for their high paying customers.

4.3.3 Key resources:

The warehouse, machine park, store and the width of the assortment are the key resources mentioned. Company D has a store as well as a webshop, meaning that the customers have several options e.g. purchase at the physical location or order online.

4.3.4 Value propositions:

The three main values that the company provides to their customers are economical, sustainable and time management. This entails that they can provide the customers with high quality clothes to a cheaper price through renting. They have a sustainable aspect woven into the business model since the customers can shop without consuming. They argue that they save customers time since the customers do not need to store or seek for the equipment compared to if they would've bought it. They believe that their large assortment of goods is also a contributing factor to their success, this is because the customers save time from searching through different companies in order to find what they need.

4.3.5 Customer relationship:

When asked if they market themselves through social media or in any way, the respondent answered no. To create engagement with the customers they encourage them to call them. They are currently discussing internally if they want to gather feedback through surveys, as of now they do not have any current efforts being made to gather feedback. However the respondent mentioned that feedback can be gained through sites such as Trustpilot, where customers leave reviews.

4.3.6 Customer segments:

The respondent mentioned that they have tried to gain data on customer segments regarding demographics, but their segment is wide and encompasses everyone. The respondent then added that they are actually not interested in that type of data, since they want to provide people with outdoor clothes regardless of gender, age etc. What they can see however is that the customers are usually novice to skiing, hiking and such, which puts an importance to the quality aspect of the products provided.

4.3.7 Channels:

The channels used by the company are the physical store, website and organic growth. The customers may have heard about this company through family, friends and colleagues. When the customer then decides to order a product it may either be shipped to a pickup point, or the products may be ordered online and picked up at the physical store. They can order online and pick the product up at one of the partnered resorts. The same goes for the reverse logistics, products might be sent back through conventional third party logistics, dropped off at the store or one of the resorts. According to the respondent, there has not been any need to market themselves yet, since the business seems to grow organic.

4.3.8 Cost structure:

As of now, the main costs are the sourcing of high quality equipment, but this cost is deemed necessary since the purpose is to rent the products out several times. Other costs mentioned

are electrics, water and detergent for the washing operation. Other costs that are unavoidable were the maintenance and rent for their hub which they operate from.

4.3.9 Revenue streams:

The rental model is the main source of income. Customers may rent products anywhere from one day up to two and a half years. If the customers desire they may purchase the product after or during the rental period, however the company reserves the right to decline the request since the product might be needed in the product portfolio still due to pending rental requests. The respondent also mentioned that they have tried subscription plans where prices are set through an estimate on the price for sourcing as well as how many times the product is expected to be rented. The company also gains revenue from the washing operation since they have customers who want the service of washing work clothes.

4.4 Company F

Company F provides different types of services and maintenance for clothing within the textile industry, they do not provide the service of rental garments. The concept behind the company is to provide an alternative to today's quick by extending the life of garments through repair and services that help maintain the garments. Customers get the possibility to choose different packages and send in clothes that are in need of different types of service. In addition to this, Company F also provides advice and maintenance tips on how a consumer themselves can maintain their garments and take care of them in order to maximize its lifecycle. Company F's business model is open for all customers, meaning both businesses and your everyday Joe that needs a repair for a garment.

4.4.1 Key Partners:

They are currently working in collaboration with multiple partners that help them. They are currently working together with a washing/laundry company that also helps with tailors and repair of garments. They have also outsourced their customer support which helps them with knowledge, problem solving and to relieve some workload in order to attain a better service level.

4.4.2 Key Activities:

Mending, measurements, modification, washing and sewing of garments and shoes are the key activities mentioned by the respondent.

4.4.3 Key Resources:

The respondee expresses that their tailors are the main part of the operations, since the majority of the workload they receive from customers is repair and tailor related.

4.4.4 Value Proposition:

Their main value that they provide is that all types of services for different types of textiles are offered and gathered by the same company, this simplifies the customers life for searching for specific services and knowing that Company F is able to solve any textile related issues they might have.

4.4.5 Customer Segments:

The company does not particularly aim for a specific customer segment as they believe that the larger customer base they reach the more efficient they become and are able to push their prices lower and take larger market shares. But if you were to specify their customer segments it is mostly for people between the ages of 18 and 65.

4.4.6 Customer Relationships:

A high level of service with a high quality of work and a broad range of services offered. That in combination with constant communication with their customers through social media and other channels.

4.4.7 Channels:

The company is currently operating from a workshop inside a retail shop, they are selling their services both through their website and their shop. Their social media and website is used to advertise and to connect with existing and new customers, they also attend and arrange events from time to time in order to expand their network and broaden their customer base.

4.4.8 Cost Structure:

The biggest cost according to the respondee is their salary and logistical costs, this is because that is something that they are not really able to limit or lower even if they wanted to

4.4.9 Revenue Streams:

The only revenue stream they use is selling their different types of services, meaning that they are not selling any products or anything else by subscription.

Their revenue stream is generated through the service that they provide, they do not have any product such as garment or other textiles that they offer.

4.5 Company H

Company H is active in Europe and are working with a similar technology as the case company, however they are focused on disassembly of garments rather than prints. The current phase of the company was the go market phase. They are focusing on B2B but also have B2C customers in their portfolio. The service that they sell is based on two key components, the removable thread and the process of removing the removable thread. They do not provide the service of renting garments.

4.5.1 Key partners:

Their key partners are the producers of their product. Furthermore large customers are mentioned as key partners, since they stand for large volumes of the sold product. Lastly, different local recycling companies were mentioned due to the disassembly process.

4.5.2 Key activities:

They provide the service of selling their product as well as disassembly of the textiles. Other activities mentioned are research and development, life cycle analysis and pilot projects. The three last activities mentioned are the enablers for selling their product and service.

4.5.3 Key resources:

There are two key resources that the respondent mentioned, the investors as well as their advisory board. The company has reached their go-market phase mainly through their investors and advice from their advisory board.

4.5.4 Value propositions:

The respondent mentioned that there is currently a war on material, and they provide their customers with an alternative. The alternative to re-use their own material. The respondent argues that a few years ago, there was only one actor in Europe that could recycle garments. But with their solution, the customers retain ownership of the textile throughout the process.

4.5.5 Customer segments:

The customer segments were described as early adopters and innovators according to the respondent.

4.5.6 Customer relationships:

According to the respondent they focus on meeting customer demands in order to retain their customers.

4.5.7 Channels:

The main channel used by the company is their website, they rely on the fact that their potential customers have done their homework. This entails that customers that are leaving requests through their website are already knowledgeable about circularity which makes the process of gaining new customers smoother, the respondent explained.

4.5.8 Cost structure:

Since the company is working as any other producer within the textile industry, the respondent argued that they are cost driven. This entails that they strive to eliminate as much cost as possible in their processes and find economies of scale as volumes grow.

4.5.9 Revenue stream:

The respondent mentioned that they have a split price model. It consists of the product as well as the disassembly process. The respondent compared this with a company selling a conventional product and manual disassembly. When they compare their operation, their disassembly process is five times faster compared to manual disassembly, which is an economic incentive to choose company H. Furthermore, the respondent mentioned that it is important to gain revenue through several streams. Company H receives revenue through additional services such as, research and development, pilot projects and life cycle analysis.

4.6 Company C

Company C is a clothing rental company that allows customers to rent designer clothes for a fraction of the cost instead of purchasing them outright. The company's mission is to promote sustainable fashion by encouraging people to reduce their consumption of fast fashion and instead opt for renting clothes for special occasions or everyday wear. They worked with B2C exclusively. Customers can choose from a wide selection of clothing items, including dresses, skirts, tops, and accessories, and can rent them normally on a monthly subscription basis.

They work with a variety of high-end designers to offer customers access to stylish, high-quality clothing that they may not be able to afford to purchase outright.

4.6.1 Key partners:

Company C found a few Nordic brands which became their partners where they established a good relationship in order to both collaborate and source their clothing from.

4.6.2 Key Activities:

The company's operations were based on the sourcing of garments twice per year and renting them out one season at a time, after a season ended, they sold their clothing to either old customers or second hand stores in order to enable them to purchase new demanded garments. The showroom operation in the city center where customers could come view and try the products before renting was their second key activity. In 2016 they launched a website which became their third key activity.

4.6.3 Key resources:

Their most valuable resource was their showroom which made them able to connect with their customers. Otherwise, since they were quite an independent company they expressed that their most essential and key resources were their two main founders which ran most of their operations. They also owned their own washing machines and took care of all tailoring means.

4.6.4 Value Propositions:

Accessibility to the latest fashion whilst providing good service was their main value proposition.

4.6.5 Customer Segments:

Company C focused on having more professional and business appropriate clothing. They focused on having women in the age range of 25-40 that worked in the more professional field. Also, their customers were mainly local women, since their main point of contact was through the physical store. The respondent also mentioned one problem related to the customer segment. When they sourced clothes, they always sourced one small, medium and large size, which led to high demand and low supply of the more popular clothes.

4.6.6 Customer Relationships:

Company C focused on having well developed relationships with their customers which helped promote long-term relationships with them, this is combined with a high level of service through help in store and monthly checkups with their customers. Due to a good relationship, the company became more flexible with the renting rules to some customers since they had become acquaintances.

4.6.7 Channels:

They were able to broaden their customer base through free promotion that they received through different outlets and newspapers. Their showroom also helped them gain customers where they invited people that they met through different events. Other channels mentioned were their secondhand partners, the website, social media and a delivery firm which delivered by bike.

4.6.8 Cost Structure:

The most costly part of their operations were the sourcing of garments that were a bit “odd” and more difficult to rent out, this led to them sitting in their warehouse taking space and being a lost investment in some cases. Additionally the showroom had a very high rent, this was due to the location of the facility which was on an expensive street in the middle of the city. The cost of the dry cleaner as well as the sourcing of clothes.

4.6.9 Revenue streams:

They mainly used a monthly subscription basis where their customers would get 2-4 garments a month of their choosing. The first option was the two garment subscription which was 800 kroner a month, the second option was the four garment subscription which was 1250 kroner a month. The pricing for these monthly subscriptions were based on their sourcing and operational costs. In some cases customers could rent only one garment, but this was not a frequent thing.

At the end of a products rental cycle they either sold the garments directly to customers or used second hand stores in order to sell out their seasonal assortment. Around 80% of the garments were sold directly after the season.

4.6.10 Eco Social:

When asked about the eco-social perspective that their company contributed to, they mentioned that they were planning on some voluntary work in order to help local people in need but were never able to get it started. Regarding the quality of the clothes, the respondee mentioned that garments almost never broke, they recorded circa ten pieces throughout the entire time in operation.

4.7 Company E

Company E was a clothing rental company which was started in 2016 by two women looking to change the way people purchase and use clothing in today's market. They offered a service based on monthly subscriptions where customers were offered clothing packages with a few garments. There was a choice between three different subscription levels which differ in price due to the amount and brand of the clothing. These garments included in their packages were usually chosen by the customer itself, but they also offered different types of styling and surprise packages. They exclusively worked with B2C. The vision by the two owners was to create a more sustainable fashion industry by letting their customers rent clothing instead of buying new ones.

4.7.1 Key Partners:

They began their operations by establishing partnerships with smaller, unknown and more sustainable brands which quickly proved to be very costly and difficult to keep up, this is due to the higher costs. Also customers did not know about the brands and it became clear for the company that they needed to source from known brands, the respondee explained. This caused them to change to nordic brands and companies that had a wider assortment of clothes. The larger companies provided spread, which the respondee explained as spotlight. The smaller quality brands provided a customer pull effect. Life cycle analysis data was shared with some of the partners in return of lowered sourcing prices.

They started to work together with larger and established fashion retailers in order to source and sell their end of cycle products through second hand sales. One company had a secondhand page on their website which linked to company Es' clothes.

4.7.2 Key Activities:

Their main activities were split up between the six employees in order to take care of the operational processes to both source, sort, pack and manage the orders for their customers. Alongside this some of the employees worked on a daytoday basis with marketing and searching for investors in order to sustain their operations until they became financially feasible. One of the owners and employees role was to also keep track of the current fashion trends in the market. Searching for investors was also mentioned as a key activity.

4.7.3 Key Resources:

The employees working at the company were vital resources for them in order to properly execute the daily operations to keep the business running, besides that the company expressed that their website was a resource and tool which allowed them to easily display and showcase their different garments and packages to their customers. One of their partners was also seen as a key resource. Firstly from an information sharing point of view since they got tips from the partners sourcing and controlling team. Secondly they were provided with an area in the store of the partner which consisted of secondhand clothing. This entailed that they in a sense got a physical shop, rent free from the partner.

4.7.4 Value Propositions:

Enabling the customer to own fewer clothes without reducing the freedom, was their main value proposition. The second value proposition was business intelligence to their partners.

4.7.5 Customer Segments:

They were mostly trying to focus on women that worked in the professional field like different types of offices and thus offered most of their clothing that would be fitting for those environments.

4.7.6 Customer Relationships:

They maintained their customer relationships due to the great assortment of clothes that they were able to offer to their customers. This is in addition with having a close knit community together with their customers through social media and different types of events which were held on a monthly basis. The frequent communication with their customer base helped them establish long-term relationships and also to get constant feedback in order to keep them satisfied. Another way of getting feedback was through mini surveys that were sent out in their packages which helped customers express what type of garments they wanted to see more of and what was good/bad with their current experience.

4.7.7 Channels:

They collaborated with different laundry companies that both collected and delivered the dirty and clean clothes. They also had close contact with their suppliers in order to assure a clear communication channel with faster responses/lead times. 3PLs was used as the logistical solution. Second hand section of their partner store. Social media was used in order to promote new collections as well as growing their customer base, the respondent mentioned that their social media platform kept on growing even after they stopped operating .

4.7.8 Cost Structure:

The termination of subscriptions as a result of customers not finding anything that they wanted. There was an ongoing shortage of clothes, the respondent explained. Mainly due to the narrow customer base and a generally low level of stock, they did not source enough of clothes. The warehouse was the single largest cost of the company. The logistical solution was cheap for them since they struck a really good deal with the 3PLs that they worked with.

4.7.9 Revenue streams:

There were three different subscription packages varying in size, amount and type of clothing for different price points. The main subscription was 600 kroner a month. Towards the end, they tested a 299 kroner subscription which was very popular. When possible they also rented out singular pieces of clothing. At the end of the product cycle within the company, garments were sent to a partner of theirs in order to sell their clothing through different second hand stores/channels where they in turn split the revenue generated with the partner.

4.8 Company G

Company G was active within the textile fashion market. Their vision was to renew the fashion industry and to change customer behavior at its core, focusing on B2C. They had a servitization business model where the customer subscribed for 750 kr per month, which gave them three garments per period or was able to rent single pieces of clothing. These efforts were made in order to create a sustainable business which would help make access more desirable than ownership according to the owners.

4.8.1 Key partners:

They worked with a logistics company, a laundering company as well as some clothing brands. Regarding the clothing brands, they got textiles in exchange for data on the quality of the clothes e.g. where the clothes usually malfunctioned due to wear and tear. The laundering company was their main source for washing the clothes and deliveries were sent to them on a daily basis.

4.8.2 Key activities:

The key activities mentioned were storage, maintenance and sourcing. Furthermore the daily operations such as receiving, packing and sending were mentioned. Also the respondent mentioned searching for venture capitalists for investments.

4.8.3 Key resources:

The employees were mentioned first, since they worked with the daily operations i.e. receiving, packing and sending, but also with customer support. Two other employees were seen as other key resources, the first one worked with sourcing and e-commerce and the other worked with social media and their community. Regarding the employee tasked with sourcing, the quality data on clothes was a tool for sourcing high quality clothes and earlier sourced textiles with inferior quality were therefore hindered from being purchased again. The website which was their main platform for reaching out to the consumers.

4.8.4 Value propositions:

Value proposed to the customers was accessibility to new and sustainable fashion. Customers could therefore try and even afford higher quality garments which they otherwise never might have bought, hence decreasing fast fashion.

4.8.5 Customer segments:

The company only worked with business to customers. The focus group was explained as the career woman, which puts them in a segment of younger to middle aged women with higher income. The respondent mentioned since the customer segment was narrow, many customers wanted the same garments which was not possible since they did not have a large stock of the same type of garment.

4.8.6 Customer relationships:

In order to create engagement with the customers, the company had functionalities on their platform such as previously mentioned a wishlist where the customer could put desired garments on a list which would be considered for their coming delivery. They also had a function which was a styleboard where the customer could personalize their style with different garments and match them together. They wanted to feel close and familiar to their customers hence they had polls and competitions on their instagram account. Finally, emails were sent out to the customer to inform them that they had one week left to put together their order.

4.8.7 Channels:

As mentioned earlier, channels such as their website and instagram were tools in order to reach out to their customers. Customers have actually reached out to them even after they stopped operating, wondering if they are coming back, the respondent mentioned They marketed themselves as a provider of high quality Scandinavian brands. Sourced garments as a conventional retailer i.e. new garments which were ordered up to six months in advance.

4.8.8 Cost structure:

30 percent of all garments that were rented out were returned. This was due to the free returns policy which they had. The second problem area was the laundering of clothes which was high, five times higher than the storage of clothes. A third thing mentioned was the fact that a garment needed to be rented three times before it had paid for itself and started to become profitable.

4.8.9 Revenue stream:

The subscription was a monthly plan where the customer paid 750 SEK and received three garments in return. The respondent mentioned that if they were to try this venture once more, they would opt for a revenue share model. This entails that the company would rent garments from the suppliers where the supplier receives a 70/30 split of the profit. This way of thought was sprung out of the fact that covid made it hard to receive capital from investors, since according to the books, they had a lot in bound capital which was not a tempting thing for the investors. In addition to their subscription model, the company also offered their customers to rent a single piece garment if it was available for a certain time period, the prices were then decided depending on the garments demand and time period.

5. Analysis

In this chapter the result from the interview will be analyzed in consideration with the nine building blocks with the help of the grounded theory. The grounded theory was used in order to gain a structure through categorization according to the nine building blocks as well as coding the results from the interviews. Below are the different inputs to the business model canvas mentioned by the respondents. Each aspect will be analyzed based on the answers from the interviews as well as the theoretical framework.

Table 2, Overview chart of BMC results from interviews

Aspects	Results
Key Partners	Textile Suppliers, Logistical providers, Laundry & drycleaning services, Outsources customer support, Tailors & Repair services, Travel/Event agencies, Detergent supplier, Upcycling partners.
Key Activities	Sourcing process, Handling Orders, Maintenance of garments, Washing, repair, Tracking, Renting out, Showcasing of products, Storing, Seeking investors/partners, Keeping track of market fashion trends, Upcycling, Reconstructing, Recycling
Key Resources	Strategic relationships, Employees, Laundry establishments, Tailors, Repair, IT-Systems, Tracking System, Warehouse, Showroom, Store, Broad assortment, Customer Service, Websites, Social Media, Trucks
Value Propositions	Time Saving, Sustainability aspect, Exclusive and High Quality Garments, High level of service, Reasonable Prices, Ensuring hassle-free supply, Latest and Trending Garments, Broad Assortments, Business Intelligence Collaborations, Availability.
Customer Segments	No specific segmentation, Healthy mix of customers, Public sector, Wide segment, Novice users, Specific occasional clothing, People between 18-65 years old, Knowledgeable customers, Middle aged women, Construction sites.
Customer Relationships	KAM for B2B, Connecting through Social Media & Events, Ensuring quality from feedback, Close-knit communities, Personalized Services,
Channels	Word of mouth, Own logistics, 3PL, Conferences, Trade fairs, Informationflow through catalogs, Passive promotion, Showroom, Events, Second hand partners, Website, Delivery by Bike, Physical store, Partner store, Multi Channel, Laundry companies, Social media.
Cost Structure	Dry cleaning, Sourcing, Utility bills, 3PL, Free returns, Employee related costs, Ink from ballpoint pens, High rent, Logistical costs, Cost driven, Low logistical costs, New acquired customers, Slow movers.
Revenue Streams	Rental Model, Split cost model, additional services, Monthly subscription, End of life sales.

5.1 Key Partners

The majority of the companies had textile suppliers as their main key partners. They put emphasis on collaborating with their suppliers to design and source high-quality textiles for their garments, which were suitable for their intended purposes and could withstand frequent use and washes. Thus focusing on waste reduction aspects and averting pollution whilst being more resource efficient in general. The sourcing process also allowed for the companies to correctly source the demanded garments based on forecasts that were developed from the partnership. Additionally all the companies that were working with a rental model of garments ended up working with Nordic brands that were known for their high quality and innovative design. They all saw the same benefits in sourcing high quality garments for a

higher price instead of buying cheap clothing that would not withstand the wear and tear and thus ending up as waste. They all also expressed that they most likely would not be able to attract customers the same way if they ended up sourcing and renting out cheaper clothing.

From analyzing the different companies that had a rental based business model, it became quite evident that offering more expensive luxury brands was something that would not be profitable in the long run. This was both due to the risk involved from the companies side and the risk that was put on the customers to not damage the garments in any sort of way. This in turn scared the customers off from renting these expensive luxury garments in fear of damaging them and then having to pay a large penalty. Due to the large risk involved from both sides, the concept of renting out garments from luxury brands was quickly terminated.

Company C, D & G work collaboratively with their suppliers by providing them with data on the quality, demand and different aspects of customer behavior when it comes to their garments. In exchange for this they receive better prices and in some cases free garments or other perks.

Additionally, every company except one mentioned that they had partnerships with companies that assisted with upcycling and finding new purposes for garments that were no longer able to be used in their primary processes. This both helped the different companies work more efficiently with sustainability and work more with a circular material flow according to Ellen Macarthur Foundation (2021). Some companies also had partnerships with logistics and transportation companies, machine deliverers, dry cleaners, and suppliers of detergents. Overall, the companies placed significant importance on selecting the right partners to ensure high-quality and sustainable products.

Company D also works quite closely with different types of events and traveling agencies, they supply them with the necessary equipment for the agencies trips which their customers in turn are able to use. This causes a win-win situation for all parties involved where Company D is able to rent out their products frequently to companies at a fair price whilst the agencies don't have to worry about sourcing all the supplies. In the end the customer has to pay a premium price to rent the equipment but at the same time they are ensured that they will receive high quality products without having to purchase anything or spend time sourcing the equipment themselves.

5.2 Key Activities

Rental of garments is a key activity which all companies except F & H had in common, entailing different types of rental models either by subscription, time-based rentals or longer B2B agreements with other companies. The rental of garments often entails a few different activities which are required by all the companies, examples of this can be handling, washing, repair, maintenance, tailoring, packing and working with different types of administration. This is then to guarantee that the customer receives a fully functional and suitable product for its purpose. These key activities can be especially time consuming since a servitization business where clothing is rented out often has higher requirements when it comes to maintenance (Tukker, 2006). Also making sure that the value proposition offered to their customers stands out in order to capture and keep the customers' interest.

Another key activity which was of high importance for all the companies was their sourcing process and strategy which was used. In most cases their textiles were sourced directly from their manufacturing suppliers which is the dominant supply channel in the majority of supply markets. The advantages of this is the flexibility in manufacturing capacity and the amount of control which it provides to the buyer Åkesson, J & Jonsson, P (2007). The companies expressed that the difficult part of the sourcing processes was being able to forecast the market demand and keeping up with fashion trends that would be at focus. This was especially important for the majority of them due having to source their garments approximately six months prior to production as a requirement from the suppliers. Due to the importance and high risks in costs related to the sourcing process, all the companies had to put quite a lot of focus and resources in making sure they did their sourcing correctly.

Another aspect which all companies except F & H had in common was being able to track and do maintenance work on all their garments on a weekly or monthly basis. This was done in order to make sure their garments were well kept and maintained in the best way to extend their lifecycle and keep their promises of high quality garments to their customers. This would then make sure that they also strive towards circularity by applying (Ellen MacArthur Foundations, 2021) second principle which entails the circulation of products and materials in order to keep them in use and to reduce waste.

Companies C, E & G that managed a subscription-based business model all had key activities in trying to constantly search for partners and investments in order to keep afloat. This is because of the high costs involved in having these types of subscription based rental models where there exists a lot of uncertainty when it comes to their revenue streams. Furthermore company G & E mentioned that looking for investors was a fundamental part of their operation, since a vast amount of capital was required to both start up as well as sourcing the garments. This was problematic during the COVID-19 pandemic, since their product offer was aimed towards women in the office. To further elaborate, their customer base did not have the same demand since they were working from home, hence the demand went down. Also the venture capitalist saw the garments in stock as bound capital rather than an asset, which was a major discrepancy, since the companies E & G saw them as their main source of income.

Upcycling and clearing out their assortment were an activity which also required a decent amount of manual labor and time. This was due to the sustainability aspects in which the companies focused on as a part of Ellen MacArthur Foundation (2021) butterfly diagram towards fostering a sustainable future. Entailing being able to either reuse, reconstruct or recycle their garments which were reaching the end of their life cycles for its purpose, or in scenarios possible selling those garments through second-hand channels.

Finally marketing as a key activity was something that was not at focus as much as expected, less than half of the companies mentioned anything with marketing which they put focus on. Most of the companies were able to attract new customers through word of mouth or marketing which was done for them by different outlets like newspapers and collaborations.

5.3 Key Resources

When looking at the key resources mentioned by the different companies, the most vital key resources often vary depending on the nature of their operations and business model. Supported by Reim, W, et al (2015) that argues that different business models require different types of tactics and prioritization depending on the purpose. Furthermore there are a few aspects in which almost all the companies agreed upon, an example from this is the resource of educated and skilled employees that are responsible for the daily operations like handling, customer support and sourcing. Employees of a company are often seen as the most vital and important resource due to the amount of value which they can bring. Especially in a servitization business that requires more manual labor from the employees in order to offer the highest value proposition, entailing the importance of providing value that captures a customers interest to rent instead of purchasing a product. (Tukker, 2006). Employees that were seen as a key resource were highlighted as sales personnel, tailors, repair personnel, sourcing and e-commerce specialists. Additionally employees who managed social media and their customer relationships were also seen as essential for the company in order to maintain a high customer satisfaction and closer relationships with their customers.

Four out of the eight companies used their online presence in their social media and website for marketing purposes and in order to expand their customer range. This is a trend we've been seeing over the past years that online presence and being able to use your social media is one of the most valuable resources when it comes to reaching out and marketing to current and future customers. Thus creating closer and stronger relationships often leading to returning customers (Ellen McArthur, 2014). The companies not using their resources to market themselves had often already established quite strong customer bases and had their focus on being able to fulfill the existing demand.

However, there were clear differences between the companies. Some of them relied heavily on their physical location like Company C which had a both positive and negative impact, this was beneficial due to the availability and customer relationships which was able to be established through the showroom. And the negative aspects were the large costs involved with renting such a showroom. Others focused on their online presence, such as Company E. Other companies had more key resources that were more narrowly focused, an example being Company F which had a high level of reliance on their tailors for repair and tailoring work.

A clear distinction that was able to be made was that companies that work with B2B with larger volumes put emphasis on being able to track and maintain their goods through different IT-systems in order to ensure their products kept a high quality at all times. This is something that tends to be an issue when working with a rental/servitization model where the products often require a higher level of quality (Tukker, 2006). Compared to the remaining smaller scale companies which tried keeping a high level of service and customer satisfaction through different means like customer relationships and larger assortments.

Overall, the key resources for the companies included their employees, IT Systems, facilities, logistic capabilities and relationships they have with their partners and suppliers. A few of the companies also emphasize the importance of physical locations where the customer is able to come in, allowing for the business to establish a more genuine relationship with their customers, where they also were able to handle their business in person which gives a sense of trust and certainty (Tukker, Hines & Marin (2004).

5.4 Value proposition

The different company's value proposition offered to the customers differed quite a bit due to their business models. As company A and B worked more heavily with larger B2B agreements where the sought after value differs quite a lot from smaller businesses and B2C. Companies C, G and E which worked with smaller scale operations focusing on B2C put more emphasis in offering value through a high level of service, broad assortments and having the latest trending garments. While the value proposition that company A and B offered was a large assortment and seamless service and supply of different types of workwear to companies. Here they ensure to provide a sustainable solution for all customers by offering a high quality and hassle-free service at a reasonable price where they're also able to fulfill all demands no matter the volume or requirements. Thus providing a reliable and comfortable solution to their customers when working with servitization for larger customers (Armstrong, 2015). Company D had a mix of the two mentioned value propositions, they both worked with smaller and larger B2B and B2C, they believed that in order to succeed and ensure high revenue streams they should not limit their customer base in any way. Therefore they put focus on being able to offer a combination of a broad assortment, high service level whilst connecting closely with their customers through different means and channels.

One similarity among all the companies is their emphasis on sustainability, they all mention sustainability as part of their value proposition. Mostly due to the fashion industry being one of the most polluting industries in the world according to (Nørup, 2018). Causing the entire fashion industry to put a lot of emphasis on becoming more sustainable where rules and regulations also are coming in place in order to reduce the environmental impact that the industry causes. This change has caused a shift in the market where a majority of the customers see quite a high value in companies that contribute to a sustainable future (Nørup, 2018). This has also become a selling point or value proposition that seems to keep becoming more important for each day that passes.

An aspect that was quite different between larger and smaller companies working with different types of rental models was the aspect of saving time for their customers. Larger

customers put quite a high value in receiving a smooth solution where they did not have to think or spend any time on their garments needed. But on the other hand the smaller customers found the process of finding garments and renting them as a quite intriguing and fun activity. Therefore the companies had to adjust their value proposition quite a lot depending on their customer segment, relationships and had to first find the demand from their customer segments.

The smaller and subscription based companies put quite a lot of focus in creating close relationships with their customers, this was something they believed was an important value proposition in order to foster long term relationships with their customers. Another aspect which they believed was an important value proposition was them having a wide variety of trending and exclusive garments. Entailing the importance of providing value that captures the customer interest to rent or share instead of purchasing (Tukker, 2006).

5.5 Customer Segments

When asking the different respondents to identify their customer segments, the companies that are in operation to date, responded with that they have a wide group of customers. Company A mentions that they have no specific customer group, but rather a healthy mix of customers. Company B responded with the public sector being their customer segment, which also is quite wide from demographical point of view. Company D also mentioned a wide segment which encompassed everyone, however they saw that their customers had one thing in common, being new to the products.

Company H distinguished themselves from the rest of the companies with their response, that their customers already are knowledgeable about the concept of circularity. This entails that their customer segment consists of companies who are actively trying to be more sustainable. Contradicting the knowledge gap stated by GreenBiz (2020), the number of companies who are knowledgeable regarding circular economy are growing, meaning in the future, customer segments might be circular economic as per default. Which entails that there will not be a customer segment of the kind that company H has, since it will be the base line.

One customer segment that usually was followed up by a problem statement was the narrow customer segments, in this study this segment consisted of: middle aged, higher salary, office working, women. What company C, E and G mentioned was that the narrow group had the same demand. This created long queues and waiting time for the customer to receive the clothes that they actually wanted. Osterwalder & Pigneur (2010) argue that it is important for businesses with narrower customer segments, to tailor their offers towards said groups. However since the garments were sourced six months prior, there was no way for the companies to know what garments would be in high demand, therefore stocking up on these was impossible. If e.g. one certain shirt will be the fastest moving garment in the store or warehouse it is hard to near impossible to source more of said garment. If the company on the other hand manages to forecast the right garment and source enough of it, it might be out of fashion soon anyway due to the trend sensitiveness of the customer segment.

Customers such as construction companies with high staff turnover and constantly on the move between the different construction sites was also seen as a challenge. Since there is no

continuity of the garments being rented out. From a supply chain perspective, it is hard to find an agile and sustainable solution for the constant movement of construction sites as well as the variety of volumes needed. In order to satisfy the economical factor of the BM-Model, Kaya et al. (2022) mentions that the company should strive for reducing logistical costs, which will be hard when the customer is on the constant move. E.g. If the customer wants work wear, and is located four kilometers away from the company's distribution center, then delivery by bike or electric vehicles might be suitable. However, if the customer then starts working on a project twenty kilometers away, the situation becomes a new one and the old solution might not be sufficient from a cost or sustainability perspective.

5.6 Customer Relationships

The various companies use a wide variety of approaches in order to establish and maintain long-term relationships with their customers. In general they all prioritize providing a high quality service and meeting their customers' expectations as a foundation. With the use of feedback through different means like surveys, phone calls, Key account managers in order to ensure customer satisfaction. And in most cases the companies also use social media to connect and engage with their customer base. One key theme that is clear between all the companies is to meet the customers needs and expectations, this is done in most cases through maintaining and providing a high quality service and ensuring that their customers receive the promised service/goods. This is done accordingly to enhance their offerings to customers in order to maximize revenue while exceeding the customer expectation. (Tiwari & Roy, 2009)

Company A and B work with Key account managers which take care of all the customer interactions with their customers, they function as some sort of direct contact for larger customers in order to ensure a great customer service. The remaining companies use different channels like their website, social media, physical locations and phone contact as their means to assist their customers.

In order to attain customer feedback, the companies work with different methods to gather this information. Companies E and F make use of surveys that are sent out to their customers either in weekly/monthly intervals or in combination with orders that they send out. These surveys are then filled in and returned to the companies where they review and strive to improve on the feedback received. As Kaya et al. (2022) states that all the social factors of the activities from the company in turn affects the customers value perception of the company. Company G on the other hand doesn't work that frequently with collecting feedback, their way of receiving feedback is by reading reviews that are written about them on sites like Trustpilot.

By gathering and assessing the feedback received from their customers, it allows for a better understanding of the social systems and enables them to create new sources of added value to their products and services (Tukker, Hines & Marin, 2004).

Finally some companies put in effort in order to establish a more genuine relationship with their customers, for example company E and G from time to time invite their customers to events which they arrange in order to be able to connect with them in person. The use of personalized services and suggestions is another approach used by some companies to establish strong customer relationships. For example, Company E offers a wishlist and styleboard feature to personalize the customer experience.

5.7 Channels

There was a wide variety of channels used by the companies, however there was one difference between the different responses, Ostwalder and Pigneur (2020) mentions direct and indirect channels where the channels are either directly between customer and company, or indirect where the channel is between partners and customers. In the responses there was another dimension, active and passive channels. Where two respondents mention that they draw customers in through word of mouth and through their website, without reaching out to the customers themselves.

Own and direct channels such as websites and sales forces are used by five of eight companies. The rest of the channels used were indirect such as, partner stores, showrooms, rented section of partner stores, social media, events and trade fairs. The social media channel seemed to contribute with informational value according to company C, E, F and G. As mentioned in section 2.6.2, there seems to be a lack of knowledge regarding circularity in the general population, hence a channel such as social media seems to cover a large audience and may therefore be used with the purpose to inform. Both companies E and G have mentioned that their follower base has kept on growing even after they stopped operating, this could entail that consumers are getting suggestions in their social media feed about these types of companies. Otherwise it shows that social media contains platforms such as Instagram where companies both actively and passively may grow and spread information regarding their products and services. Interestingly enough these companies have succeeded with this passively.

There was a clear difference between the companies working B2B and those working B2C, B2B generally did not put a lot of effort into social media, since the connection with customers primarily came through their website or through the public procurement processes. Whilst those working with B2C put more effort into developing their digital presence through social media.

One company D distinguished themselves from the other companies, since their logistical solution, according to them being solved ad hoc, could be described as a multichannel. Since there are several different ways to purchase the garments, several different delivery options as well as returning the garments to the company. Supply chain is an important part of the economic aspect of the BM-model where companies should put efforts into creating a reverse logistical flow. Reverse flow is essential for the different companies renting out clothes and textiles, and all companies have established this flow in different ways. Company D has done successfully in multiple reverse channels, which creates supply chain resilience in those cases if one channel does not work, customers may choose any of the other ones.

5.8 Cost Structure

Sourcing of garments and textiles as well as logistical cost was frequent answers when talking about cost structure. Many companies mentioned that sourcing which could be described as the production of their products was a high cost. Since all companies focus on high quality garments, naturally this becomes a high cost. Furthermore companies which are working with larger customers see a startup cost since new garments are delivered to these customers. This strengthens the claims of Langley, D (2022), where companies working towards servitization, simultaneously are increasingly becoming more circular. Since high quality garments and textiles will have a longer life cycle, which also was mentioned by all the different companies during the interviews.

Regarding logistics it was seen as especially high for company G which had a free return policy, resulting in a cost which was five times higher than their second largest. Interestingly company E on the contrary had struck a deal with the 3PLs which resulted in them not seeing the same high costs related to logistics as company G.

Company B mentioned the cost related to upcycling of garments, which is the process of disassembling clothes in order to reuse the textile for new clothes. Related to the butterfly diagram, this process could be seen as a mix of refurbishing and recycling material. However, since this process was spread between three different countries, the textile needs to travel long distances, including a lot of manual labor, the respondent was concerned about this. Also according to the BM-model, one of the main four categories is the social aspect, which is taking stewardship, which in turn one could argue that company B has done regarding the upcycling process. Company A had a similar process where they send textiles from sheets to a company that sew textile bags, repurposing the textile. This process was not mentioned as costly however, mainly due to the geographical nearness of the sewing company and the simplicity of the bags. Regarding company B's process of upcycling, there is a value to be captured, but not necessarily financial, but rather environmental. The Moro et al. (2022) PSS business model on the value architecture which is quite time and labor intensive could have been used when creating the upcycling process. However, rather than taking the needs and problems of the consumers in consideration, they have taken the environment's needs and problems in consideration when generating the value architecture.

For those three companies: A, B and D, which had their own laundering operation, the response was the utility bills which was hard to restrict. These companies' respondents also mentioned how they work with laundering of full machines, limiting the use of detergents, which are eco-friendly, as well as lowering their energy use. This is in line with the technology aspect of the BM-model.

5.9 Revenue Streams

Three out of eight companies mentioned that they used a monthly based subscription model for their garments. Company D mentioned that they have tried the subscription model but they deemed it inferior compared to just renting the garment that the customer wanted. Also company D mentioned that it was too labor heavy with the subscription model. The monthly based subscription is similar to the use oriented business model by Reim, W et al. (2015), since they charge for the use of the product. Company G and E both used the subscription model or usage model, however due to their narrow customer segment, lack of inventory for high demand clothing created long waiting times for customers to receive the specific garments. Company D also used the usage oriented model, but without the subscription alternative. This reduces the possibility of letting customers down in a sense, since customers may rent specific wanted garments instead. Compared to Company G and E, company C had the subscription variant, however the difference with their set up was the showroom compared to the online stores. Company C mentioned that there were some high demand garments, but through the direct contact with the customers, they seemed more understanding if their specific desired garment was not in stock. Meaning that the relationship factor had a positive effect.

The second most mentioned revenue model was the split price model, which company A, B and H used. This entails that they take a fee for the actual product i.e. the garment, then there is an additional cost related to washing, maintenance or disassembly. Company D had the option where the customer could purchase the garment after or during the renting period with a reduced price depending on where the garment was in its life cycle. The split price model could arguably be compared to the product oriented business model by Reim, W et al. (2015). This mainly to have one base product or service provided with an added service down the line.

Another interesting revenue stream was the added streams of additional services. Company A and D washed clothes for other companies e.g. workwear for carpenters and such. Company H sold their R&D, pilot projects as well as life cycle analysis. In the case of company A and H these were actual strategic decisions in order to create resilience, compared to company D which organically had grown into it. For the companies that have the added revenue streams on top of their base revenue stream, these could be described as the result orientation of Reim, W et al. (2015). This entails that companies as Reim, W et al. (2015) mentions in their model, may in fact have different strategies in order to reach different goals. In this case this is done, according to the respondents, to gain resilience and assure steady revenue streams for the companies.

Revenue share models were mentioned by company G as a possible revenue model in the future. However the respondent mentioned that textile retailers are not ready for this yet. The respondent elaborated that textile retailers rather have end of season sales of slow movers or simply just sell their garments directly to their customers. A Revenue share model would lower the bound capital of the company since the ownership of the garment remains with either the producer or retailer. Hence the cost of sourcing i.e. purchasing each garment would be removed. Revenue share models are in line with the social aspect of the BM-model, sharing economy.

6. Discussion

In this chapter the different inputs for each aspect of the business model canvas will be discussed from the point of view of the two research questions for the report. In the table below are the different inputs gathered from the results and analysis. These have been sorted in accordance with what is deemed positive, neutral and negative.

Table 3, positive, neutral and negative inputs.

Aspects	Positive	Neutral	Negative
Key Partners	Textile Suppliers, Logistical providers, Tailors & Repair services, Travel/Event agencies, Upcycling partners.	Laundry & drycleaning services, Detergent supplier, Outsourced customer support	
Key Activities	Sourcing process, Maintenance of garments, Washing, repair, Tracking, Renting out, Showcasing of products, Storing, Seeking partners, Keeping track of market fashion trends, Upcycling, Reconstructing, Recycling	Handling Orders, Sourcing process.	Manual Labor, Seeking investors
Key Resources	Strategic relationships, Employees, Laundry establishments, Tailors, Repair, IT-Systems, Tracking System, Warehouse, Showroom, Store, Broad assortment, Customer Service, Websites, Social Media,	Trucks & Transportation Vehicles	Large and expensive facilities, showrooms
Value Propositions	Time Saving, Sustainability aspect, Exclusive and High Quality Garments, High level of service, Reasonable Prices, Ensuring hassle-free supply, Broad Assortments, Business Intelligence Collaborations, Availability.	Specific occasional clothing	Latest and Trending Garments, Expensive luxury garments. Unique and different pieces
Customer Segments	No specific segmentation, Healthy mix of customers, Public sector, Wide segment, Novice users, Knowledgeable customers.		Narrow customer segments, specific age groups, specific work profession. Mobile delivery sites e.g. Construction sites
Customer Relationships	KAM for B2B, Connecting through Social Media & Events, Ensuring quality from feedback, Close-knit communities, Personalized Services,		
Channels	Word of mouth, Own logistics, 3PL, Conferences, Trade fairs, Informationflow through catalogs, Showroom, Events, Second hand partners, Website, Delivery by Bike, Physical store, Partner store, Multi Channel, Social media. Passive promotion		3PL
Cost Structure	Skilled employees, Cost driven, Low/Limited logistical costs	Sourcing, Utility bills, Employee related costs, Logistical costs, Slow movers, Customer Acquisition	Slow movers, High rent, free returns, Dry cleaning,
Revenue Streams	Split cost model, additional services, End of life sales. Penalty fee	Rental Model	Monthly subscription, Seasonal/period based offer

6.1 What are the challenges of implementing a rental-based servitization business model in the textile industry?

Creating partnerships is challenging since the companies need to find actors that have interests that are in line with the company's own interests. The data suggests that partnering up with suppliers could be of benefit for companies working within the circular textile industry. This is mainly due to the information sharing aspect, since the companies renting out garments gathers data on the built quality of the garment. Critical areas such as specific seams that fail or colors that washes out can be noted and sent to the suppliers. This provides the partnership with means necessary to become a strategic partnership, where information can be used to robustify the textiles and garments. The strategic partnership with suppliers also brings tools that facilitate a smoother sourcing process, since both actors know what is required for the garments to be able to go through the rental loop several times. Companies within this industry strive for high quality in order to increase the lifespan of each garment which will generate more revenue due to additional rental times. However, as of today when sourcing the garments the companies buy the garments from the suppliers. But according to Langley, D (2022), in order for a company to become more circular economically, the ownership of the garment should remain with the procedure. It has been said multiple times that the sourcing process has a very large impact on the business, a significant and educated sourcing process can contribute to the success of a business quite heavily, entailing how and where you procure the garments from. According to Jin, Su (2013) and the data gathered, it is clear that in the cases where the garments and textiles were directly sourced from the manufacturing supplier is the most beneficial and feasible way to go about. Reason behind this is mainly due to the control which it provides for the buyer and the flexibility in manufacturing capacity Åkesson, J & Jonsson, P (2007).

This brings us to the next challenge which is monetization, where the data indicates that companies are eager to try the revenue share model, whilst the suppliers do not see the financial profitability when comparing renting and selling garments. From the interviews an insight has been gained which is the entry barrier to the market. Companies need to acquire a large amount of capital in order to enter the market, since they need to source all the garment and textiles on their own. This in turn makes the companies dependent on investors since this is mainly the channel where the B2C startups have gained their capital from. The investors in their turn are willing to invest when the market seems promising, which it did not during the pandemic, which figurative speaking put sticks in the wheels of the startups. If the companies on the other hand were to come to an agreement with their suppliers of a revenue share model, they would not need the investors capital as much, since there would not be nearly as high costs for sourcing due to the fact that the material ownership remains with the supplier.

From our analysis we were able to establish that having an assortment which offers expensive luxury brands and very unique pieces showed to not be profitable and feasible in the long run. This was mostly due to the high costs and high risk involved from the companies' side in combination with the risk that the customers would take when renting the garments. Having the possibility of damaging a garment that was so expensive and having to pay a penalty scared the customers off. So due to the large risks and uncertainty involved in the demand and risks the concept is not recommended.

Furthermore, the challenges of narrow customer segments as mentioned by a few of the companies that were interviewed can not be ignored. A targeted customer segment can give a business a competitive edge, but it can also be limiting. According to the data, when companies in the B2C market have a narrow customer segment, the demand becomes too homogeneous i.e. customers want the same garments. The companies expressed that the biggest challenge of the sourcing process was the actual forecast part and being able to keep up with fashion trends. This was especially important since the textile suppliers mostly have a requirement for the order to be placed approximately six months prior. Due to the significant impact and risk involved from the sourcing process, companies must allocate significant resources and time to ensure that their sourcing process is as effective and efficient as it can be. Furthermore, these companies within the B2C market, tended to adopt a monthly subscription based model. The combination of having a narrow customer segment with a monthly based subscription model tended to be challenging or problematic. Mainly due to the stock level of each garment was one single piece per size. If a garment then was more fashionable than the others, the demand spiked and there was no way for the companies to satisfy this demand. The wish list was implemented in order for customers to inform the company regarding desired garments for the next rental period, the wish list could have up to between 200 and 300 marks. This means that a customer in the worst case could have to wait up to 25 years for the highest demanded garment. Hence there was a tradeoff that needed to be made, either take a risk of sourcing more pieces of certain garments that could be high runners. Or staying safe and ordering just one piece per size of every garment. By sourcing defensively, the company may limit the potential low runners of the product portfolio. By sourcing aggressively the company could potentially gain more revenue by procuring the highly sought after garments.

Another aspect that was seen as challenging and had a negative impact were large and expensive facilities, an example of this was the showroom that company C was using. The showroom caused significantly high costs for the business which was in an economically crucial state. On the other hand, it did allow for a better customer relationship to be developed where the company was able to meet their customers in person. It also allowed for the orders and returns to be made in store and thus reducing the logistical costs. Thus, a hub or a showroom can be feasible to have if you are working with larger volumes and not in the startup phase.

The aspect of using a 3PL is listed both as a positive and negative part of the business model, this is due to the fact that in most cases a 3PL would result in very high costs for your logistical needs. An exception for this was for company E which had established a very beneficial agreement with the 3PL provider where they were able to use their services for a very low cost. To conclude, 3PL can be quite expensive, especially when combined with free returns for customers. Hence a big effort should be directed towards developing a beneficial agreement with the 3PL providers.

It might seem as if B2B businesses are the easy choice from the results and analysis presented so far, but when it comes to B2B it is often quite difficult to keep your margins high as business customers are often quite knowledgeable and know how to both negotiate and often seek alternatives. This causes a large amount of competitiveness in the market which in most

cases drags the prices down quite a lot, thus leading to minimal or even sometimes no profit for the companies.

6.2 What distinguishes a thriving company's business model from those that are not as successful?

The homogeneous demand combined with the small chance of sourcing the right amount of the right garment and the monthly subscription based revenue stream were the main aspects that limited them from generating more revenue and becoming profitable. Company C and E mentioned that having a large percentage of their stock in storage becoming obsolete whilst not being able to fill the demand from your customers were some of the factors which caused the downfall of a few of the companies.

The most concrete difference between the successful and unsuccessful companies are their customer segments. Three of the four who focus on B2C are no longer operational and the four who focus on B2B are still operational. Even though no longer operational, some aspects of their business are successful and will be discussed in the coming sections.

The main challenges for the servitization focused companies interviewed that are working within the B2C market, are related to the unsure nature of the customer demands. The unknown demand in combination with the sourcing process which starts six months prior to the rental of the clothes. Then additionally combined with the monthly subscription based revenue model, which enables customers to subscribe and unsubscribe depending on available stock, causing an incoherent revenue flow, which company E mentioned. Companies A, B, D, H which are the B2B focused companies, mentioned that by having a wider assortment and focus to a high extent on workwear which does not have the same demand issue as fashion garments. Also the revenue stream of the split price model as well as offering additional service provide them with resilience if the market becomes turbulent. Turbulence for the B2B focused companies is mainly related to the market as a whole, since if there is recession, and workforces are being laid off then this would impact the B2B companies. However their customers do not have the same fluctuating demand related to fashion since their garments are mainly functional rather than fashionable.

Those companies which were technically unsuccessful since they are no longer operational, were actually quite successful when it comes to marketing on social media. This generated a strong customer base as well the platforms served as a tool to create a good level of customer relationship. The follower base for some of the companies such as company E has actually kept on growing after the company has declared bankruptcy. And there are cases where customers are wondering when or if they are going to start up the company once more, which was the case for company G. Which could be seen as a diploma of successful marketing and customer relationship. The social media precedence is a discrepancy between the successful and the unsuccessful companies since, those who are operational to date, do not put a lot of effort into their social media platforms. The literature as well as the data gathered indicates that there is an information gap when it comes to the level of knowledge between companies and the customers. Which entails that the social media platforms are useful tools in regard to informing customers about circular economy and how servitization of garments and textiles is an option.

7. Conclusion

This section presents two different business models, one is a more general business model which is made according to our research done and a specific case company business model proposal which is constructed according to the case companies vision and goals. The case specific business model differs from the general one since the case company, in this specific model, is proposed to focus on providing the service of printing rather than a rental service. Additionally the general business model could suit the case company as well if they want to try a rental model.

7.1 General business model

The suggested business model for a rental based company will be built upon the positive aspects sprung out from the previous discussion. In the business model canvas below, the most significant inputs to each aspect have been noted down.

Key Partners Textile suppliers Logistical providers Maintenance partners Upcycling partners	Key Activities Sourcing Maintenance Storing Market/fashion trends	Value Propositions Providing availability, time saving and access to high quality garments to an affordable price	Customer Relationships Key account manager Social media	Customer Segments B2B Not too narrow segment
	Key Resources Employees IT-system IT-platform Strategic partnerships		Channels Key account manager Social media Logistics: inhouse solution or outsourced	
Cost Limitations to number of returns, penalty fees		Revenue streams Split cost model, additional services, revenue share model		

Figure 8, Business model canvas for a rental based company

For the general business model we see great value in using key partners such as textile suppliers, logistical providers, maintenance and upcycling partners. Textile suppliers will enable the company to streamline the sourcing process as well as exchanging valuable information regarding quality of the garments in order to stay competitive in the market as mentioned by J, Åkesson & P, Jonsson (2007). Also the partnership between the company and its textile suppliers should, in order to become circular economic, entail that the ownership of the garments remain with the supplier. This is important since it will create incentives for the suppliers to produce garments with quality and enable the garment to withstand several loops in the chain resulting in a longer lifespan. If the company does not have the skill of maintenance e.g. tailoring, then it is quite beneficial to outsource this process

to a third party, since it will prolong the lifetime of the garments. Partnership with companies that have a brick and mortar styled outlet such as ski resorts or in store areas for hire are also good options for the extended reach of the company. This may serve the company as an additional channel towards the customers as well as a way to collect garments for reverse logistics. Establishing a healthy relationship with your logistical providers would also help reduce your logistics costs for the reverse material flow Kaya et al. (2022). Finally we suggest that there should be a partnership with an upcycling company, either to repurpose the garments to new ones, or to create stuffing material for e.g. insulation. This would then also provide a beneficial aspect from a selling point due to the contribution that it does towards more sustainability.

The sourcing process, maintenance of garments, storing and keeping track of the market/fashion trends are the most important key activities. Sourcing garments that are being rented continuously is of high importance since this is where the main revenue stream lies for the company. As mentioned by Langley, D (2022), maintaining the proper quality through tailoring, washing and storing the garment will extend these garments life and hence indirectly contribute to additional revenue for the company. Market and fashion trends are important since through good knowledge regarding these, the company can reduce the low runners in the warehouse.

Key resources such as strategic relationships is also a vital part of the proposed business model in order to facilitate a smooth sourcing process. Additionally a strategic relationship with the textile suppliers would help to source the best quality material and products for its intended use, providing availability and saving time. A strategic partnership would also in most scenarios entail sharing data regarding the garments/textiles with the suppliers to cooperatively find the best suitable materials and textiles. Additionally it is recommended to also establish an IT-System/Platform to help maintain, track and increase productivity. The system would then also assist by streamlining the operations, enhancing communication and thus improving efficiency. By facilitating these key resources it would also help becoming a circular economy business model by following the Blue Member Model according to Han et al. (2020).

Regarding the customer segment, there are indications pointing towards B2B being a lower risk market. This is mainly due to the focus on functional garments e.g. workwear. However, businesses might provide companies with garments such as skiing jackets for events, which entails that B2B focused companies can move towards the fashion market as well. The main point is that the company does not limit itself to a narrow customer segment. Regarding the customer relationships, KAM has shown to be a good tool in order to facilitate a healthy information exchange between customer and company as well as nourishing a healthy customer relationship. Social media is the second tool that has been proven to create reach and information flow. Additionally, social media therefore also could be used advantageously as a channel. The KAM also serves as a channel due to the physical interaction with customers; the person may identify informal leads during the meeting, which might not have been identified through a survey or other indirect feedback. Furthermore, the logistics could either be outsourced through a 3PL company or provided through the company itself. It depends on the financial muscles of the company. As mentioned earlier it is a tradeoff between control and resources.

The cost structure should contain limitations and penalty fees towards the customer. These are costs that have been identified and shown, when uncontrolled they will grow fast. Limitations related to how many or rather if the customers have free returns. Penalty fees entail that it should be easy to do right and expensive to do wrong for the customers, when it comes to handling the garments.

Regarding revenue streams, split cost models as well as additional services have shown to provide the company with resilience. To not gather all the eggs in the same basket entails that the company has revenue coming in through different streams by spreading their resources instead of one thing Reum, W et al. (2015). If the rental of garments are slowing down, then they can gain revenue through e.g. maintenance of garments, washing of garments and other types of services.

7.2 Case Proposed Business model

The case companies' proposed business model canvas will differ from the previous mentioned generic model. This is mainly due to the fact that the case company works with print, i.e. they provide a service related to garments rather than renting out the garments. However since the textile retailers and suppliers core competence is related to the activities either producing, selling or both, the case company can be placed as a middleman between the suppliers and the customers. Below is the proposed business model canvas.

Key Partners Textile suppliers Logistical providers	Key Activities Daily operations, receive, print, pack send, Print removal Washing	Value Propositions Availability to high quality garments with customer specific prints. Lower costs for customers whilst increasing sustainability.	Customer Relationships Key account manager	Customer Segments B2B
	Key Resources Employees IT-system IT-platform Strategic partnerships		Channels Key account manager Social media Events	
Cost 3PL contract, Penalty fee, limit number of free returns, Internally cost driven		Revenue streams Revenue Share Model, Additional services		

Figure 9, Case proposed business model canvas

The proposed business model is based upon the revenue share model. Hence it is important for the case company to develop a strong partnership with its textile suppliers. One or two partnerships should be aimed towards becoming strategic partnerships in order to establish a revenue share model between the companies. The case company has expressed their goal to become a staple in sustainability through working actively with the circular economy according to three principles of Ellen MacArthur Foundation (2021). The literature suggests by both sharing economy and ownership remaining with the producer, the company works its way towards becoming more circular. The other key partnership suggested is the logistical providers. Since the case company is in the startup phase, sourcing and starting a logistical operation is not financially feasible. Hence there should be efforts made in order to firstly, reduce the costs related to logistics and secondly, choose options where last mile solutions are made with either electric vehicles, bikes or other sustainable fuels. This is related to the BM-model and is also a way for the case company to become more CE. Once partnerships have been established, the main focus of the company should be inwards towards their key activities which will be the daily operations. Creating a streamlined process in order to create capacity for larger volumes is important, especially when the proposed customer segment is

B2B. There should be an ongoing process with reducing waste and in the long run costs in the process which is why we propose that the case company should be internally cost driven. In order for cost to be reduced internally related to the operations, employees will be an key resource, in fact they will be the eyes of the process, by educating them

An IT-system that can handle orders both from customers and the producers is preferable rather than having to separate systems to handle one of the two. By developing a strategic partnership with the suppliers there might be an opportunity to gain access to their IT department which can help them integrate ERP modules that work as a sort of bridge between the two companies' IT-systems. Another resource that has been proven effective is the IT-platforms. Firstly the website where the customers can browse and make orders. Secondly the social media which works as both a channel towards the customers, informing about current offers and marketing. However social media is not proposed as a tool for customer relationship, mainly due to the chosen customer segment being B2B companies. The proposed strategy for customer relationship is key account managers, since it is the best practice for B2B relations according to the research made.

There are two value propositions that the case company will make, one towards their service offered and the other towards cost and sustainability. Availability of high quality garments with customer specific prints, since this is their base service offered. The other value proposed is beneficial since it shows that companies can save money and still become more sustainable.

Finally penalty fees and limiting the number of free returns are proposed options to limit costs for the case company. Penalty fees should be written down in the contract in order to penalize careless use of the garments, if garments are constantly being mishandled by some reason this should not impact the relationship between the case company and its suppliers. Also limiting the returns will contribute to the sustainability factor. The penalty fee could be seen as a revenue stream, however we see it as a means to limit unforeseen costs. Also additional services are related to the key activity of washing the clothes, it is a first step for the case company to add a revenue stream to become more resilient towards turbulence in the market.

8. Future recommendations

- Empirical testing of theoretical business model

In order to actually evaluate the feasibility of the proposed business model the case company should test the business model in order to validate the statements, find out the potential weaknesses and to further refine the business model.

We would recommend the case company to reach out to different event planners and organizers in order to establish partnerships where the case company supplies the desired printed garments used for different events. These garments would then be ordered according to the event organizers requirement and specifications in which the case company would secure and print on. These garments are then rented out to the organizers during the event's time-period and retrieved afterwards. The prints are then removed from the garment and washed to then be reused for another event creating a circular model.

By conducting these tests the company is able to validate and assess the KPIs, market demand and behavior, feasibility, performance and customer satisfaction. These aspects will help the case company identify what parts of the business model need refining or adjusting in order to become more effective and efficient.

- Revenue share models

A revenue share model together with the textile suppliers would be an astute way to go forward. This would entail that there is a strong strategic relationship established with the suppliers where a revenue share model is negotiated in a way that benefits all parties involved. This type of collaboration would lead to a decreased risk for the case company and at the same time be able to obtain both knowledge and expertise from the supplier. Firstly it would assist with reducing the costs related to material and sourcing since the supplier will have incentive to keep costs low and provide higher quality textiles. Since the success is determined by the revenue generated from the partnership, it would in most cases create a relationship where the parties involved collaborate to improve the quality and customer satisfaction. At the same time, a revenue shared model would align the goals of the parties involved, for example increasing their revenue, improving sustainability and becoming efficient. Therefore making a revenue share model a viable strategy to consider.

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Appendix:

Interview Questions based on the Business Canvas Model:

Topic 1 - Key activities:

Examples to give if unsure:

Production

Problem solving

Plattform/network

Topic 2 - Key partners:

Examples to give if unsure:

Strategic alliances

Cooperation

Joint ventures

Buyer-supplier

Topic 3 - Key resources:

Examples to give if unsure:

Physical Resources?

Intellectual Resources?

Human Resources?

Financial Resources?

Renewable resources?

- How do you source your inventory and what criterias do you use when choosing the different garments?
- How do you ensure quality and reliability of the products which you offer to customers, and in turn ensure the durability of the garments.
- What steps do you take to extend the lifespan of your products, and how do you ensure that they are properly maintained to maximize their longevity?

Topic 4 - Cost structure:

- Are you value or cost driven?
- Which key resources are most expensive?
- Which cost is hardest to limit?
- What cost can not be avoided?

Topic 5 - Customer relationships:

- Do you have any specific customer segment that you focus on? Why?
- How is customer acquisition done and how do you retain them?
- What is most important?
- What is most problematic? Is there any customer need that is generally hard to fulfill?
- How do you handle damage or loss of goods that are sent “back”, and what are your policies for charging customers for such?
- What strategies do you use to encourage customers to adopt circular behaviors, for example reusing, recycling or choosing products with lower environmental impact.
- How do you establish and foster long term relationships with your customers, what strategies do you use and how are they measured?

- When feedback was received, how do you respond to customer concern or feedback, what steps were taken in order to address the issues that arise?

Topic 6 - Customer segments:

- What type of customer segments have you chosen?
- Mass market?
- Niche market?
- Segment i.e. different Business models depending on segment?
- Diversified? i.e. completely different customer types with different needs?

Topic 7 - Value propositions:

- What is the value that you deliver?
- How is the value proposition presented to the customer?
- Newness?
- Performance?
- Customization?
- Design?
- Brand/status?
- Price?

Topic 8 - Channels (logistics): Exempel

- What type of channel do/did you use? e.g. Sales force, web sales, own store, partner store or wholesale?
- How do you market your business, and what channels have been most successful in attracting customers
- Awareness, how did you raise awareness regarding the company's products and services?
- What kind of purchases was/is the customer able to make?
- How do you work with delivery?
- Regarding aftermarket or reverse flow, how is this done?
- How do you work with your suppliers and partners to ensure their commitment related to circularity? How do you verify that their practices are in fact circular?
- How do you minimize waste and reduce the environmental impact of your rental business operations, such as packaging, transportation, and disposal of products.
- What steps did you take in order to ensure that all items were clean, maintained and in the right condition for the customers?
- How did you manage your logistics when it came to costs and complexity within the rental business, and what strategies did you use to optimize your logistical operations?
- What were your processes when clothing was returned? Did you have quality control measures in place to ensure the items were in a suitable condition for future use?

Topic 9 - Revenue streams:

- What type of revenue stream do you use? Renting, subscription, usage, asset or licensing?
- Have customers had any feedback on how they would prefer to pay?
- What's best, fixed or dynamic pricing?

- What strategies have you used to optimize revenue and maximize profitability in your business model?
- How do you price your services and products in order to stay relevant in the market?
- How do you handle changes in demand and seasonality, and how do they affect your revenue streams?
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Topic General if there is time - Brainstorm:

- How do you tailor your marketing strategies and messaging to effectively reach each customer segment?
- How do you differentiate between the needs and preferences of different customer segments in your rental business?
- How have you worked with building customer loyalty within different customer segments, and how can they be measured?
- What customer segments have you noticed as most prominent in using a service like yours? And why is that?

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