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# **Collaborative Business Models In Fashion**

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Dissertation written under the supervision of professor Celine  
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## Abstract

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**Title: Collaborative Business Models In Fashion**

The 2008 economic crisis brought about the need for more sustainable ways to do business. This led to the emergence of Collaborative Business Models that capitalize on making an overall better use of resources. These have been aided by the current digital landscape with most businesses being conducted primarily online. This trend has received special attention in some industries, with cases such as Uber and Airbnb becoming a worldwide phenomenon. However those have been adopted in other industries as well, such as Fashion. As a recent trend, there still lacks overall literature on the shapes that Collaborative Business Models have taken in Fashion. Therefore the aim of the present research is to identify the types of Collaborative Business Models and their unique features in the fashion industry. A detailed literature review concerning this trend is followed by an analysis of 43 companies operating under it. This revealed that these models mostly appear under the form of renting services or second-hand stores. Therefore, companies capitalize on either *use rather than own schemes* or on the redistribution of already sold products. What's more they differed on either being C2C or B2C platforms. Although four Collaborative Business Models were identified in fashion, the discrepancy in number of companies operating in each one, gave rise to the discussion on the likelihood of all of them surviving in the long run. Last, this research ends with an analysis of the potential future implications and industry impact that these models may bring about.

A crise económica de 2008 inspirou a criação de formas mais sustentáveis de negócio, o que conduziu ao aparecimento de Modelos de Negócio Colaborativos focados na rentabilização de recursos. Estes novos modelos beneficiaram do grande desenvolvimento tecnológico do mundo digital, suporte essencial para a realização da maior parte destes negócios. Surgiu, assim, uma nova tendência que tem suscitado especial atenção com o aparecimento de empresas como a Uber e Airbnb que se tornaram fenómenos mundiais. No entanto, estes modelos têm sido adoptados também por outras indústrias, tal como a moda. Uma vez que é uma tendência recente, ainda não existe literatura académica suficiente sobre os diferentes tipos de Modelos de Negócio Colaborativos existentes na indústria da moda. Face ao exposto, o objectivo deste estudo é identificar os diferentes tipos de Modelos Colaborativos, e

respectivas especificidades, na indústria da moda. Após uma detalhada pesquisa bibliográfica sobre esta nova tendência procedeu-se ao estudo de 43 empresas que operam de acordo com este modelo de negócio. Esta análise revelou que estes modelos se desenvolvem na forma de aluguer ou venda em segunda mão. Estes modelos diferem também no tipo de plataforma que utilizam, podendo ser B2C ou C2C. Embora quatro modelos tenham sido identificados há discrepância no número de empresas a operar em cada um, o que leva à discussão sobre a probabilidade de todos sobreviverem a longo prazo. Finalmente, este estudo termina com uma análise sobre o potencial futuro impacto que estes modelos irão produzir na indústria.

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## Introduction

The digital era has exposed firms to opportunities to experiment with new value creation mechanisms (Zott, Amit & Massa, 2011). The rapid expansion of the Internet brought about a decrease in communication costs as well as a change to the traditional transactional landscape, e.g. e-commerce (Zott et. al, 2011). This led to a growing academic discussion about the definition of business model and how to capitalize on innovation. Amit and Zott define *business model as the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities* (Amit & Zott, 2001 p. 511). The business model is the strategy's enabler, it takes it from an abstract level and gives it meaning by outlining specific tasks that allow managers to achieve the desired bottom line (Sorescu, Frambach, Singh, Rangaswamy & Bridges, 2011). Furthermore, it is able to take advantage of technological innovations in such a way as to turn them into value creation sources (Zott et. al, 2011). In order to be successful a provisional business model must always be designed against the current state of the business ecosystem, in order to unveil its true potential (Teece, 2010). Integration is a central part of any business model as it *is not a value proposition, a revenue model, or a network of relationships by itself; it is all of these elements together* (Zott et. al, 2011, p. 1028).

The advent of the Internet, for example, has fostered revolutionary changes in the retail landscape (Sorescu et. al, 2011). Consumers' growing familiarity with newer communication devices has made being online a part of the *status quo* (Pawar & Sarmah, 2015). This led more firms to explore the perks of doing business electronically and conducting key activities with both partners and customers online (Zott et. al, 2011).

One-fifth of women's clothing is currently purchased through online channels (Ashworth, Schmidt, Pioch & Hallsworth, 2006). In this context the business model is used to connect innovation to customers' needs (Zott et. al, 2011). Furthermore, virtual markets have opened up opportunities for wealth creation (Amit & Zott, 2001). This has not only fostered retailers to take e-commerce at heart when developing a corporate strategy, but also the emergence of new retail business models (Salmeron & Hurtado, 2006). In fact, recent business model innovations in the fashion industry sector are making the most of the Internet's social power (Batista, Ng & Maull, 2013). A retail business model innovation is *new to the state of the art*.

It involves a radical alteration of current practices of one or more elements of the previous retail business model and its interdependencies. Thus altering the retailer's value creation and appropriation (Sorescu et. al, 2011). This can be a way of targeting new customer segments, reaching new markets as well as gaining a better competitive positioning through innovation and differentiation (Salmeron & Hurtado, 2006).

Nowadays there has been a democratization of fashion it stopped being something to the happy few to include the happy many (Kapferer, 2014; Yeoman, 2011). In fact, the emergence of new business models that offer couture for rent or second-hand designer items for less of the retail price has allowed luxury to become available to a wider segment that in order to participate in the luxury lifestyle does not require the same salary level (Yeoman, 2011).

The news platform Business of Fashion identified the current post-economic crisis as an enabler of the decreased social barriers for buying, selling and renting items (Mincer, 2015). This is especially true for the millennial generation. As discussed in the Independent half of 25-34 year old consumers are interested in accessing luxury through renting services (Green, 2016; Yeoman, 2011). The reason is that people care about fashion but sometimes do not have the means to purchase it frequently, making rental models a perfect solution (Green, 2016). ***Rent the Runway*** secured a total of \$54.4 million in funding with a new business model that allows consumers to rent high-end designer fashion for brief periods of time (Sherman, 2013).

Furthermore, new online resell businesses are also emerging offering consumers the opportunity to sell their clothes (Pedersen, Gwozdz & Hvass, 2016). Wired magazine found out that a woman has 18,9 items that no longer uses, which provides an opportunity for consignment businesses (Chandra, 2014). Millions of dollars worth of investment are posted everyday on ***Poshmark***, with the company having sold more than 1,5 million items in 2013 (Chandra, 2014).

Post-recession, shoppers are smarter about the way they spend their money and these models are bringing consumers the brands they want and know at either a cheaper alternative to retail price (second-hand) or without the commitment of having to buy (rental models) (Chandra, 2014; Green, 2016).

Given the recent emergence of Collaborative Business Models' strategies, there is a gap in the

academic literature concerning this trend. Although there is some literature addressing specific companies like AirBnb or Uber, this has not been done in the fashion industry. Therefore, the aim of the present research is to understand the different Collaborative business Models in fashion and their characteristics.

This research will first start by exploiting the current literature on business model innovation and on the emergence of collaborative models. Then, Collaborative Business Models will be discussed in the context of fashion. Osterwalder and Pigneur's (2009) Business Model Canvas and Kortmann and Piller's (2015) business model framework will be used to analyse the shapes that those models are taking in the fashion industry.

In order to properly describe the companies under this business model, data will be collected through mainly secondary sources such as companies' websites, press releases and interviews. Companies operating in this business model will be described using the two frameworks mentioned.

Finally, an analysis of the results uncovered through the methodology will follow as well as a summary of the main findings, implications and avenues for further research.

## Literature Review

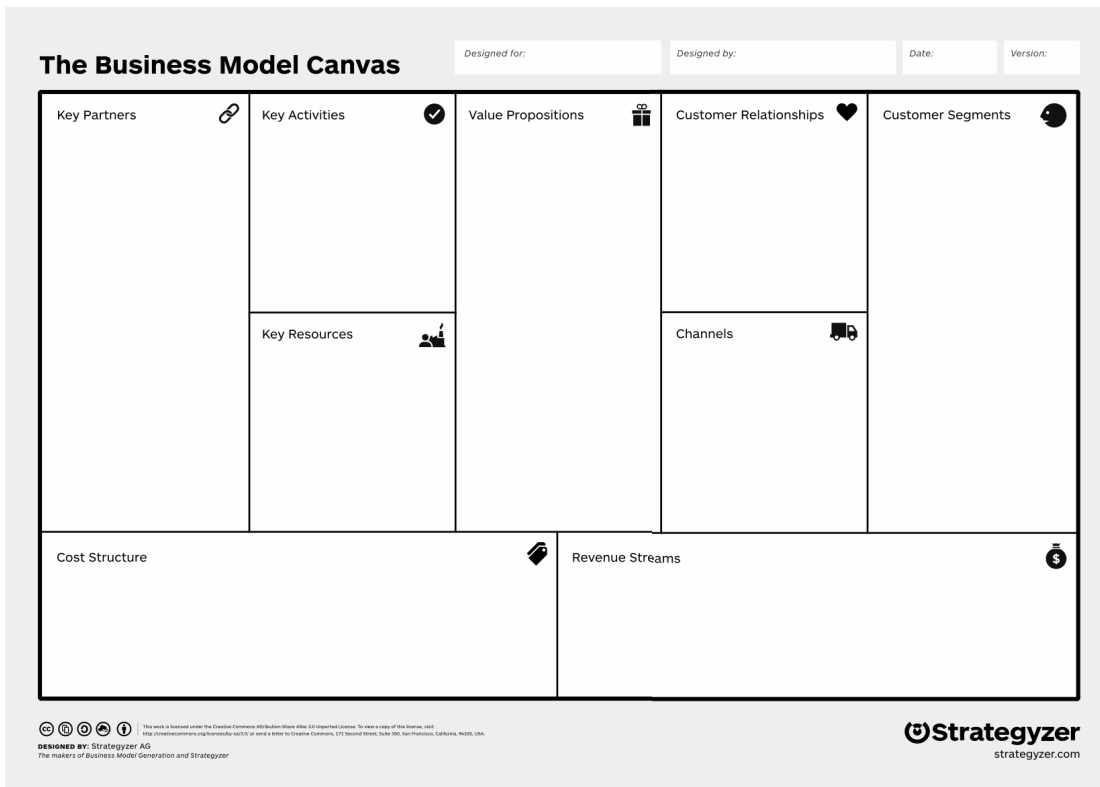
### I. Business Model Innovation

#### *Defining The Business Model*

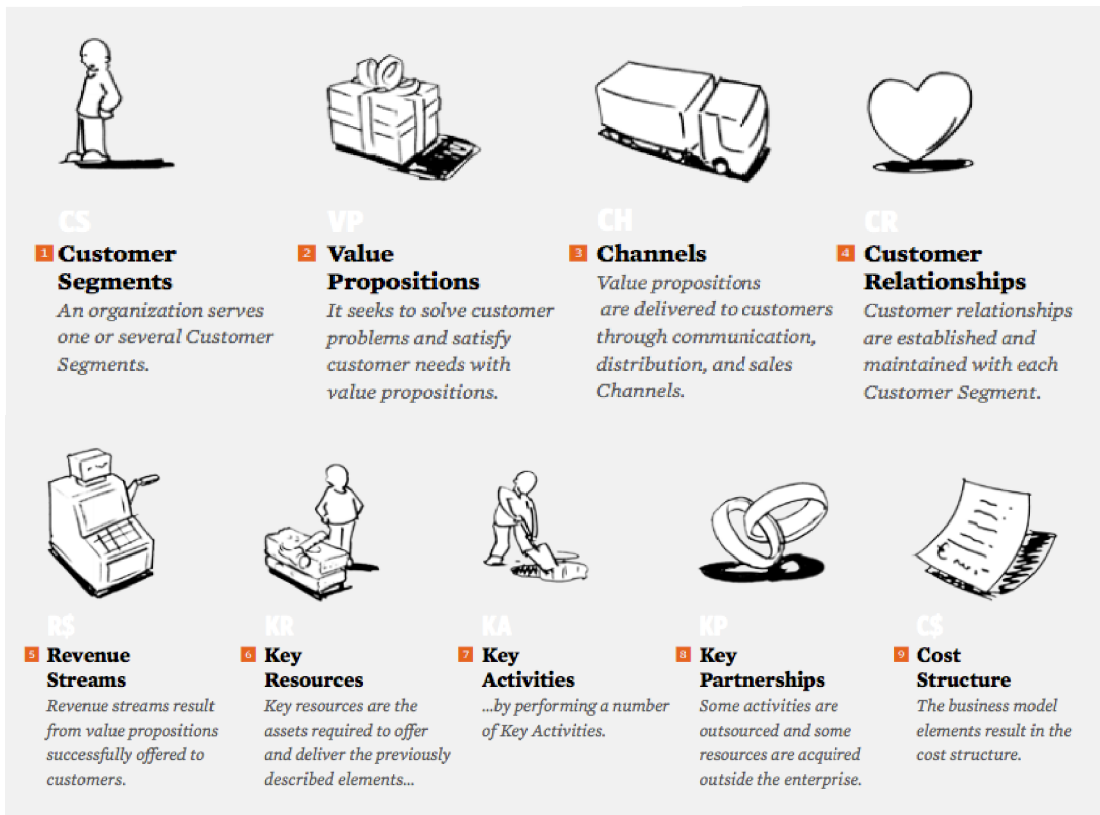
With the intent of making the most of the innovative power of the Internet, many scholars and business gurus have turned their attention to what the Business Model really is (Zott et. al, 2011). The business model can be seen as *new unit of analysis, offering a systemic perspective on how to “do business”, encompassing boundary-spanning activities and focusing on value creation as well as on value capture* (Zott et. al, 2011, p. 1038). This holistic approach on how to do business emphasizes that all functions are interdependent and mutually reinforcing (Amit & Zott, 2010; Zott et. al, 2011).

The business model is an abstract concept, differing from firm to firm. Aiming to design a better way to describe it Pigneur and Osterwalder created the Business Model Canvas (Jackson, Scott & Schwagler, 2015; Osterwalder & Pigneur, 2009), Fig.1. Osterwalder wanted to design *the best conceptual tools out there online and make them so useful, practical and attractive that no business person could resist* (Osterwalder, 2012).

The model is built upon nine main elements - Customer segments, Value proposition, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships and Cost Structure – with the top elements being more abstract and qualitative and the bottom ones more specific and quantitative (Jackson et. al, 2015; Pedersen et. al, 2016), Fig. 2. This graphic visualization sums up how a company creates, delivers and captures value (Pedersen & Netter, 2015).



**Fig. 1: Business Model Canvas**  
Source: Osterwalder & Pigneur, 2009



**Fig. 2: Business Model Canvas' Elements**  
Source: Osterwalder & Pigneur, 2009

### *Drivers of Business Model Innovation*

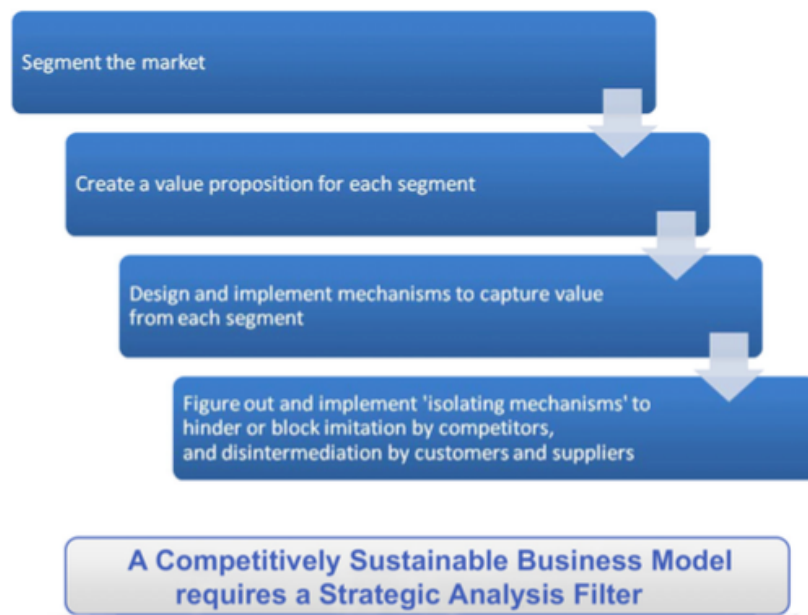
Innovation is crucial for businesses' survival; it is the way entrepreneurs *exploit change as an opportunity for a different business or services* in order to sustain competitive advantages (Ünaya & Zehir, 2012, p. 316).

Progresses in the digital landscape have allowed different ways of interactions (Amit & Zott, 2010). The development of new communication technologies have enabled the number of consumer touch points to grow, thus increasing their choices in terms of business supplier (Pawar & Sarmah, 2015; Teece, 2010). This has put some pressure on businesses to become more customer-centric, which ultimately influenced the shape of the business model (Teece, 2010; Zott et. al, 2011). As a result, one can identify improving the customer experience as an internal driver of business model innovation (Sorescu et. al, 2011).

Furthermore, technological developments are external drivers of business model innovation (Sorescu et. al, 2011). They have allowed firms to fundamentally change the way they conduct transactions and activities between customers, suppliers and other stakeholders (Amit & Zott, 2010). This opens up opportunities for firms to develop new ways of creating and appropriating value (Sorescu et. al, 2011).

### *Business Model Innovation and sustainable Competitive Advantage*

It is important to notice that technology *should be seen as an enabler of the business model rather than as a part of the concept per se* (Zott et. al, 2011, p. 1034). Nonetheless, managers must design a competitive business model that fulfils the firm's commercial potential (Amit & Zott, 2010). Teece (2010) developed a four-step approach to creating a sustainable business model Fig. 3. First, managers must segment the market and create relevant value propositions for each segment. Then, they must conceive ways to capture that value (Teece, 2010). Finally they must consider all competitors' effort to respond to their innovation; they must be able to spot competitive threats even those that may be outside their traditional industry landscape (Amit & Zott, 2001; Amit & Zott, 2010).



**Fig. 3: Steps to achieve sustainable business models**

Source: Teece, 2010

The value of the business model will be greater *as the bundle of resources and capabilities it encompasses becomes more difficult to imitate, less transferable, less substitutable, more complementary, and more productive with use* (Amit & Zott, 2001, p. 513). Companies must ultimately figure out the capabilities that they own that are valuable, unique and non-substitutable (Ünaya & Zehir, 2012).

## II. Collaborative Models, a Business Model Innovation

Collaborative Models' first definition dates from 1978, Felson and Spaeth defined it as *those events in which one or more persons consume economic goods or services in the process of engaging in joint activities with one or more others* (Felson & Spaeth, 1978, p. 1). The rising attention that this concept has been receiving lately is due to the growing number of new businesses that are capitalizing on *use rather than own* schemes, such as Airbnb, Zipcar and Uber (Belk, 2014; Leismann, Schmitt, Rohn & Baedeker, 2013). Collaborative Models are

not a niche anymore since they have achieved large scale, involving millions of players (Botsman & Rogers, 2010).

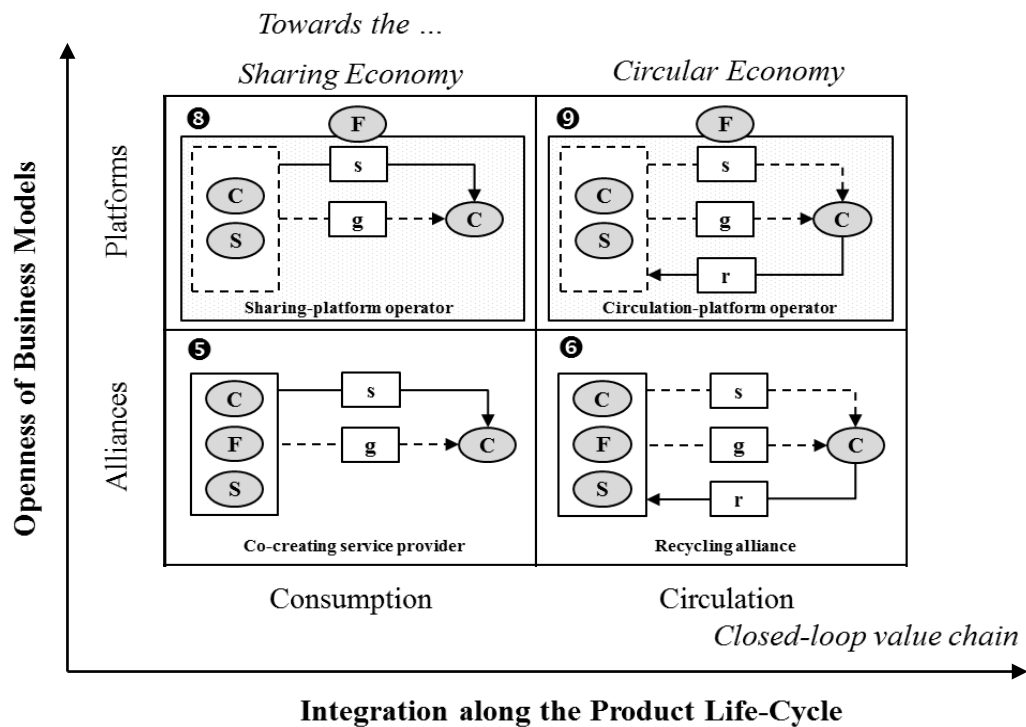
These revolve around the acquisition and distribution of different resources in exchange for monetary or non-monetary compensation forms - bartering, trading, and swapping (Belk, 2014). This definition excludes gift giving, as there is no compensation associated with it and thus it lies between the traditional form of sharing and the traditional capitalist marketplace (Belk, 2014; Mohlmann, 2015). In this new business model, individuals act as both producers and consumers, and they typically incur in these activities through the Internet (Barnes & Mattsson, 2016). Furthermore it may assume two forms, B2C services, such as commercial car sharing, and C2C services (peer-to-peer models), such as accommodation sharing platforms; usually C2C models are aided through online-based communities, such as Airbnb (Mohlmann, 2015).

Collaborative Business Models capitalize on the sharing and circular economy. Whereas the sharing economy follows a *use-rather than own* scheme, the circular economy focuses on the recovery of already distributed products (Kortmann & Piller, 2015). Furthermore, these models are focused on developing a closed-loop value chain, as the products' lifecycle is extended beyond that of traditional business models. This is done either through rental models in which items are shared for short or long-term periods; or through activities promoting the reutilization of such goods, such as second-hand shops (Barnes & Mattsson, 2016; Kortmann & Piller, 2015).

Kortmann and Piller designed a matrix describing several business models' archetypes detailing the ways businesses may differ (Kortmann & Piller, 2015). Out of all archetypes there are four models that are relevant for this research's context, Fig. 4. From a sharing economy perspective there are two business models that are interesting to further explore. First, the Co-creating Service Provider allows firms to partner with external players (suppliers) and it creates value by offering product-related services, such as renting products (Kortmann & Piller, 2015). Second, there is the Sharing-Platform Operator in which buyers and sellers are linked through a peer-to-peer platform in which they offer consumption-related services to each other, e.g. online renting community (Kortmann & Piller, 2015).

In regards to circular economy there are two models that are relevant for this study (Kortmann & Piller, 2015). The Recycling Alliance is described as an open business model in which

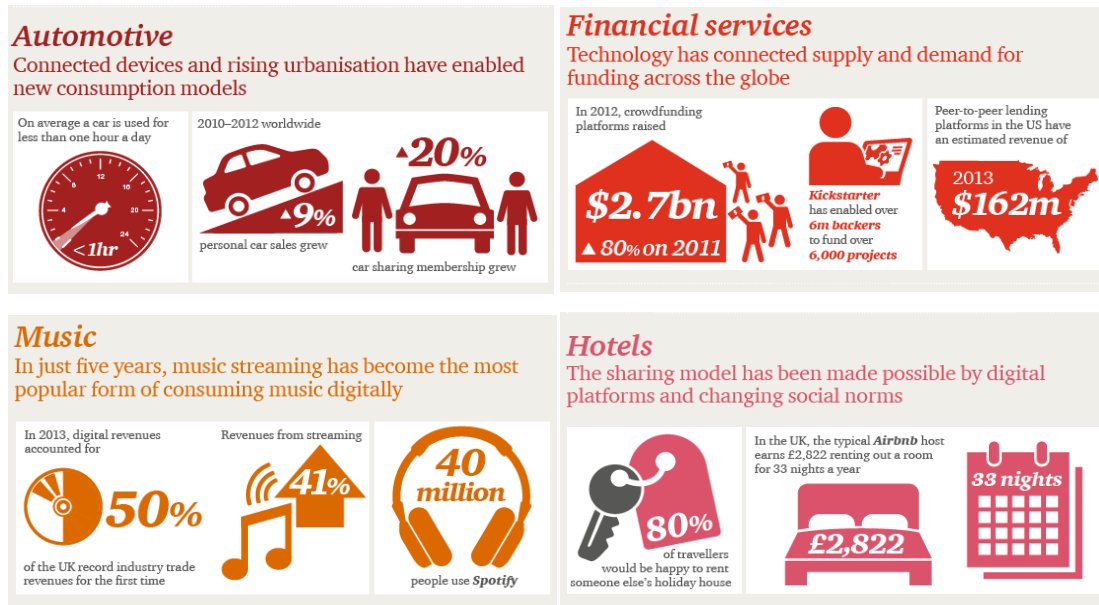
companies buy second-hand items upfront from consumers and then resell them (Kortmann & Piller, 2015). Next, the Circulation-Platform operator works in similar fashion as the Sharing-Platform with the main difference being that it connects resellers with buyers. Thus, consumers maintain ownership of the products (Kortmann & Piller, 2015).



**Fig. 4: Kortmann & Piller’s business model framework (adapted)**

Source: Kortmann & Piller, 2015

Collaborative Models rely on the Internet for their business to grow. The emergence of Web 2.0 platforms allowed new ways of sharing to appear (Belk, 2014). These platforms match individuals that have underutilized resources with others who might be interested in either renting those resources short-term or buying them (Cusamano, 2015). Ultimately, by allowing consumer to capture value through peer-to-peer platforms Web 2.0 platforms have empowered companies to open up their businesses (Kortmann & Piller, 2015). Companies capitalizing on this business model innovation have ultimately changed traditional market places, Fig. 5, (Vaughan & Hawksorth, 2014).



**Fig. 5: Sharing Economy's Impact on different industries**

Source: Vaughan & Hawkworth, 2014

### *Market drivers*

The predisposition towards collaboration has been fostered, to some extent, by the 2008 economic downturn that led most people to become more price sensitive (Belk, 2014). Owyang, Tran & Silva (2013) identified society, economy and technology as the main drivers for collaborative behaviours. According to a study by Leismann et al. (2013) Collaborative Models are driven by resource efficiency and conservation. These models appear as a sustainable form to the overconsumption of natural resources, as they prolong the use phase of products (Leismann et. al, 2013). This notion was also supported by other studies that identified political, economic, environmental, social and technological forces as the main motors of this trend (Barnes & Mattsson, 2016). This resource-efficiency strategy has led several businesses to create closed-loop value chains, in which they derive value from partnering with consumers to resell their previously owned items (Kortmann & Piller, 2015).

Nonetheless, Barnes and Mattson's Delphi Study identified economic factors as the largest drivers of collaboration and environmental forces as the weakest ones (Barnes & Mattsson, 2016). This appears to be in line with another study's results that found that the environmental benefit had no significant effect in driving consumers towards choosing a

sharing option service (Mohlmann, 2015). Furthermore, the study also showed that consumers were mostly motivated to adopt these new models by feelings of self-interest, e.g. resource scarcity (Mohlmann, 2015; Vaughan & Hawksworth, 2014).

Finally, trust plays a pivotal role in driving collaboration (Mohlmann, 2015). However, consumers have become more comfortable with peer-review systems and have been able to source trust from these sharing platforms (Vaughan & Hawksworth, 2014).

### *Challenges*

Given the novelty of Collaborative Business Models, there are challenges that they still need to overcome in order to reach their full potential (Vaughan & Hawksworth, 2014). Lack of consumers' awareness about this trend appears to be one of the biggest inhibitors. Also lack of IT technology and resources for their implementation may hinder the scalability of these models. *The technological enablers and digital relationships/social networking are critical! None of this would be happening without them, or people's ability to use them* (Barnes & Mattsson, 2016, p. 5). Indeed in peer-to-peer platforms, companies must provide technological solutions that allow consumers to work with the companies' employees in value creation and capture (Kortmann & Piller, 2015).

What's more, some new businesses have encountered legal and regulatory disputes with government and labour unions (Cusamano, 2015). This is due to the unfair competition nature of these new businesses. Although they are providing the same service they do not necessarily abide by the same rules (Frenken, Meelen, Arets & van de Glind, 2015). This has also lead several governments to raise tax burdens on transactions or even make them illegal (Vaughan & Hawksworth, 2014). Another thing is the potential rise of monopolies as all platforms that allow interactions benefit from network effects. This means that the more people join, the higher incentive for others to participate as well (Frenken et. al, 2015).

Although new social norms are making consumers trust more easily peer reviews there is still the issue of trust as this takes time to build (Mohlmann, 2015). Therefore, the implementation of good customer rating systems is necessary (Leismann et. al, 2013). In addition, as online platforms scale there is a need for independent regulation and control in order to prevent them from losing authenticity and credibility (Hartl, Hofmann & Kirchler, 2015; Leismann et. al,

2013).

Furthermore, despite invoking a sustainable alternative to overconsumption, these businesses may have the reverse effect as they can lead to significant increases in consumption, as consumers can be reached in both lower-end and luxury markets (Kortmann & Piller, 2015). Also, as these businesses scale they may lose authenticity and their competitive advantage, since there are less differentiation points from competitors (Vaughan & Hawksorth, 2014).

### *Advantages*

The main advantage of these models is that they make matching demand and supply easier by connecting digital devices (Vaughan & Hawksorth, 2014). Collaborative Businesses provide companies with an opportunity to expand their markets by granting access to products that buyers used to own (Cusamano, 2015).

Speaking in economic terms this favours the consumer, the environment and the community, as *use rather than own* strategies can lead to a more efficient use of resources (Belk, 2014; Leismann et. al, 2013). Companies following a sharing economy approach get to rent their items multiple times, sometimes being able to make more than traditional retailers (Reddinger, 2014). Also, businesses operating in the circular economy increase resources' consumption cycles leading to a reduction of in-house production costs (Kortmann & Piller, 2015). Thus they provide a financial benefit for firms, as these are able to have less resource intensive productions (Kortmann & Piller, 2015).

Last, companies operating under C2C platforms also burry lower risks since they hold no inventory. As a result, there is a reduction in the amount of initial investment needed (Reddinger, 2014). Ultimately this leads to *positive feedback loops, increasing returns to scale, and winner-take-all shakeouts that favour the bigger platform* (Cusamano, 2015, p.3).

### *Collaborative Models in the Fashion Industry*

Innovation is inherent to fashion; it is a forward-thinking business in which brands seek to change in a meaningful and appealing way (Ünaya & Zehir, 2012). Fashion was amongst the first industries to take sustainability initiatives into practice and nowadays this is also seen with several fashion brands engaging in take-back, resell, reuse and recycle initiatives (Pedersen et. al, 2016). Indeed, fashion swapping is a resource-saving initiative as it prolongs the items' lifetime since it is passed on to another consumer (Leismann et. al, 2013). The growing interest in renting is in light with a higher intolerance for wasteful consumerism in the fashion industry (Yeoman, 2011). Thus, it comes as no surprise that collaborative ideas are gaining momentum among fashion players (Pedersen & Netter, 2015).

In this sense, sellers can dispose of items that are no longer of use to them and buyers can make use of those items' at a value significantly cheaper than the item's retail price (Knopf, 2012). For instance, women can wear the latest trends by purchasing second-hand items or by renting clothing and accessories through companies such as *The RealReal* and *Rent the Runway* (Owyang et. al, 2013). Furthermore, they can also consign their closets and use the money to purchase new items. This economic shift introduced the concept of the *Closet Sharing Economy*, showing how the relationship that women have with their fashion items has ultimately changed (Chandra, 2014).

## Methodology

### I. Research Design

As suggested in the literature review, collaboration in the fashion industry is growing in today's resource-scarce society. However, there still lacks literature on the different business models following this trend. Therefore the exploratory study conducted here aimed to:

- Identify the different Collaborative Business Models
- Understand how Collaborative Business Models co-exist in the market
- Identify the companies operating in each one
- Understand the main similarities and differences of each Collaborative Business Model as well as their characteristics

The research design followed a four-step approach. First of all, the literature review allowed the identification of the type of services the businesses following this trend were more likely to offer – either renting or second-hand items. Bearing this in mind, there was an a priori two-category distinction. Thus, a Google search was conducted using a variety of keywords such as *collaborative models*, *renting fashion* and *second-hand fashion businesses*. These searches also led to countless press articles on websites such as Business of Fashion, The Collaborative Consumption directory, The Circular Economy.

What's more, most of these press articles contained examples that enabled the creation of a list of companies belonging to those two categories. As a result, 45 companies in the fashion industry operating either through renting (26) or second-hand item services (19) were identified. Second, after trying to be as exhaustive as possible, in order to start filling the elements in the business model canvas all the companies' websites were thoroughly assessed. Websites' Terms & Conditions, Privacy Terms and FAQ(s) were some of the sections visited. The websites' analysis allowed for an understanding of the more tangible parts of the businesses. Therefore an excel spread sheet, outlining the main characteristics of each company, was designed.

For renting companies the features identified through this first analysis were:

- Company's name
- Type of Brands carried
- Items' Category
- Location – Shipping location
- Length of renting period
- Payment Source: Rental or Membership Fee
- Showroom
- Blog
- Try before renting service
- Buy after renting service
- Segment Addressed
- Focus on a special event strategy

For second-hand items' companies the features identified during the website analysis were:

- Company's name
- Company buys the item upfront?
- Type of Brands carried
- Items' Category
- Location – Shipping location
- How the price was set: by the company or by the seller
- Showroom
- Blog
- Trust Mechanisms: Sellers' profile or Sellers' Reviews
- Commission type: fixed or variable
- Percentage fee for consignment
- Buy after renting service
- Segment Addressed

Although they differed in terms of being a C2C platform or B2C business, the companies operating in this industry either offered renting services or second-hand items for sale.

Next, Kortmann & Piller's (2015) distinction between sharing and circular economy as well as openness of the business model, allowed for another variable to be considered when categorizing the businesses – either being a B2C or C2C type of company. As a result, the companies were regrouped into four categories:

1. Co-Creating Service Provider: B2C Renting Models – 20 companies
2. Sharing-Platform Operator: C2C Renting Models – 3 companies
3. Circulation-Platform Operator: C2C Second-hand Models – 17 companies
4. Recycling Alliance: B2C Second-hand Models – 2 companies

However, there were three companies that did not fit into Kortmann & Piller's (2015) framework. Considering their low expression in the overall sample it was decided to reduce the analysis to 43 companies. Therefore, only including those that were in line with the framework.

The fourth-stage involved adding more information to the one collected through the website analysis. In order to describe each type of business model, the business model canvas was used. The websites' analysis proved insufficient to get all the answers to the nine elements of the canvas. In fact, more information was needed regarding each firm's communication strategy, partnership alliances, resource assembly and main value propositions. This led to the collection of secondary data – press articles about the companies, interviews with co-founders as well as customer reviews were gathered around the Web. On average two to three articles were collected per company, yet there were a few ones that did not have any sort of useful articles. Out of the 43 companies, data was gathered on 36.

In terms of primary data Chic By Choice – a Portuguese company offering B2C renting services - was interviewed (Appendix 1). The interview lasted 40 minutes and although answers were open the interview was semi-structured. The full interview can be found in the Appendixes section.

Last, aided with the business model canvas' framework this allowed the description of the

businesses operating in the four different categories. A table outlining each company's main characteristics can be found in the appendixes.

<b>Type of Model</b>	<b>Companies</b>	<b>Type of Data</b>
<b><i>I. B2C Renting Model</i></b> (20 companies)	Adorn	Secondary Data: 3 articles
	Borrowed Bling	Secondary Data: 1 article
	Chic By Choice	Secondary Data: 3 articles Primary Data: 1 Depth-interview
	Cinderella Me	Secondary Data: 1 article
	Dream Wardrobe	-
	Eleven James	Secondary Data: 4 articles
	Generation Tux	Secondary Data: 1 article
	Girl Meets Dress	Secondary Data: 3 articles
	Glam Corner	Secondary Data: 1 article
	Gwynnie Bee	Secondary Data: 3 articles
	Haute Vault	Secondary Data: 2 articles
	Hire the Catwalk	Secondary Data: 3 articles
	Le Tote	Secondary Data: 2 articles
	Lending Luxury	-
	My Couture Corner	-
	Rent Frock Repeat	Secondary Data: 2 articles
	Rent the Runway	Secondary Data: 4 articles
	RocksBox	Secondary Data: 2 articles
	The Black Tux	Secondary Data: 2 articles
	The Frock Project	-

<b>II. C2C Renting Model</b> (3 companies)	Closet Collective	Secondary Data: 2 articles
	Date My Wardrobe	Secondary Data: 3 articles
<b>III. B2C Second-hand Model</b> (2 companies)	Material Wrld	Secondary Data: 3 articles
	What goes Around Comes Around	Secondary Data: 3 articles
<b>IV. C2C Second-hand Model</b> (17 companies)	BuyMyWardrobe	Secondary Data: 1 article
	Collectors Square	Secondary Data: 1 article
	Crown & Caliber	Secondary Data: 2 articles
	eBay	-
	eDrop-Off	Secondary Data: 2 articles
	Fashionpile	Secondary Data: 2 articles
	Luxry Garage Sale	Secondary Data: 3 articles
	Portero	Secondary Data: 2 articles
	PoshMark	Secondary Data: 2 articles
	Snobswap	Secondary Data: 2 articles
	The Next Closet	Secondary Data: 1 article
	The RealReal	Secondary Data: 2 articles
	ThredUp	Secondary Data: 1 article
	Tradesy	Secondary Data: 2 articles
	Vaunte	Secondary Data: 2 articles
Vestiare Collective	Secondary Data: 3 articles	
Videdressing	Secondary Data: 3 articles	

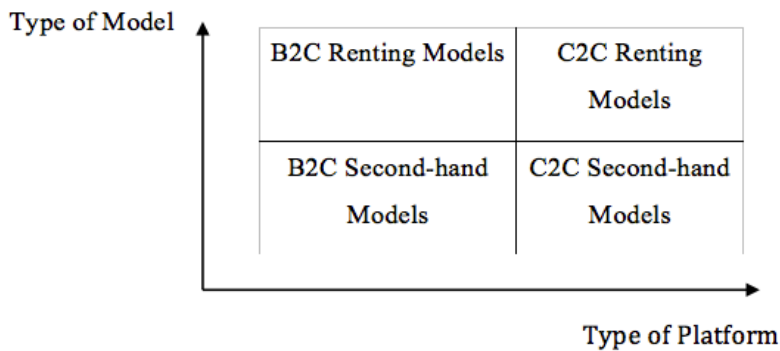
**Table 1: Collaborative Business Models, Companies and Type of Data Collected**

Furthermore, four industry experts were also interviewed in order to get a better sense of business model innovation as well as potential implications of this new emerging trend. These experts came from different backgrounds with two of them having more than twenty years experience in the luxury market and the last two being university researchers with specializations in business model innovation and government regulations. Their insights were used to validate the structure of the models and the way the research was conducted.

## Results

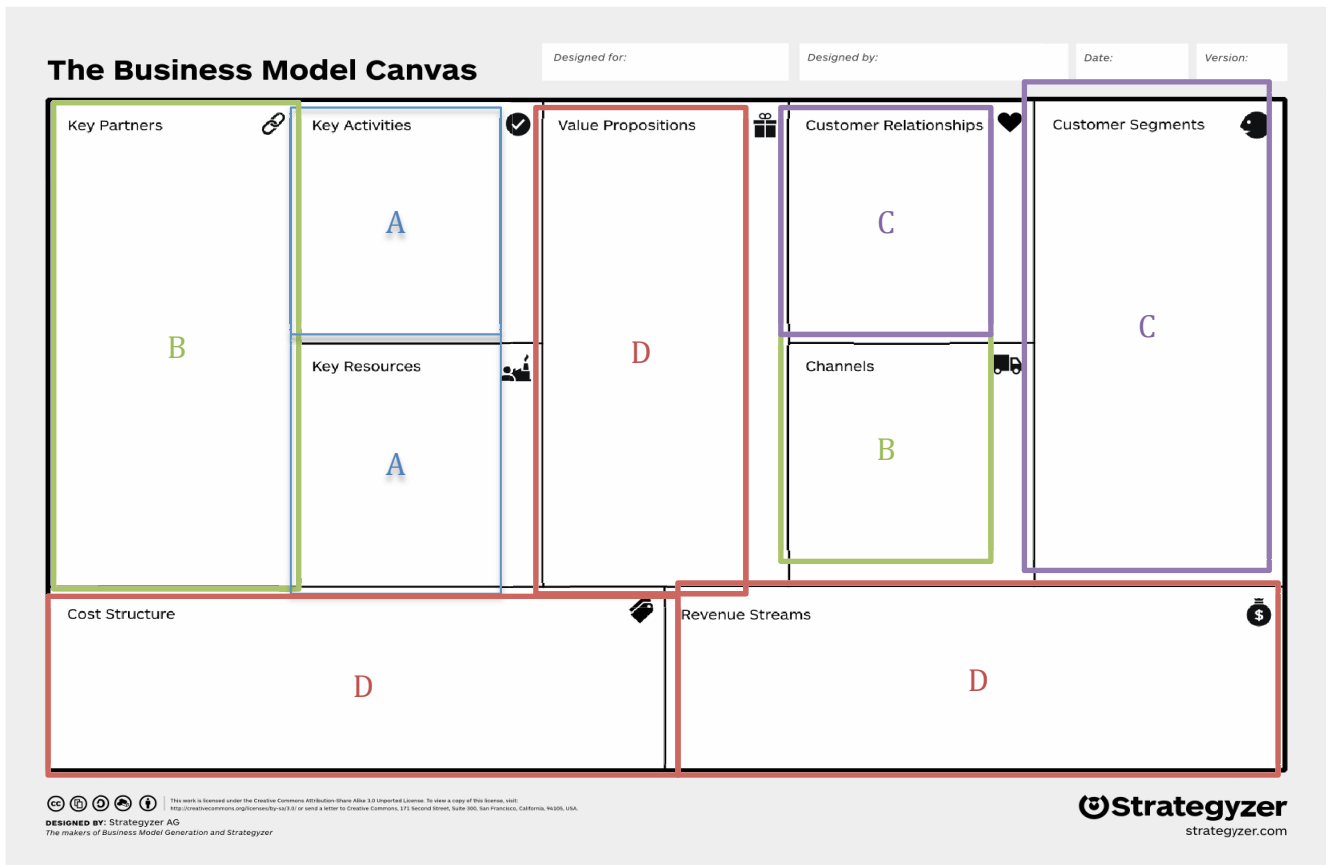
### Overview

The research led to the identification of four business models congruent with Kortmann & Piller's (2015): Co-Creating Service Provider in the form of B2C Renting Models (20 companies); Circulation-Platform Operator as C2C Second-hand Models offering second-hand items (17 companies); Recycling Alliance B2C Second-hand Models (2 companies) and last Sharing-Platform Operator as C2C Renting Models (3 companies). The main distinction between the four Collaborative Business Models can be illustrated in the 2x2 matrix below:



**Figure 6: 2x2 Matrix: Organization of Collaborative Business Models**

Using the business model canvas as a starting point to describe each model, its elements were grouped into four points as illustrated in fig. 7. The cost structure element was not entirely described, as it was fairly similar across companies and not much information was found. However, it is grouped with revenue streams and main value proposition. Despite not being described in the sections below information about this element can be found at the end of the analysis in the general Collaborative Business Model Canvas' summary.



**Fig. 7: Business Models Canvas' Organisation in Results**

Source: Osterwalder & Pigneur, 2009

## I. B2C Renting Models

### A. Key Activities & Key Resources

B2C rental businesses offer consumers the opportunity to hire items for brief periods of time. These are primarily located in North America – USA and Canada – Europe – UK, France and Portugal and one in Australia. Furthermore, rentals are done in every category with some companies only renting accessories, others only clothing and some both. In terms of brand-offer these vary and can go from high-end luxury, such as *My Couture Corner* – a Parisian company offering luxury dresses - to mainstream, *Gwynnie Beer* targeting plus size women through normal day wear.

Renting periods vary between companies. Most businesses offer a 4-8 day renting period, however others vary offering weekly, monthly or unlimited renting periods.

*Dresses rent for \$50 to \$300 for a period of four or eight days and come with a prepaid envelope. - **Rent Frock Repeat**, Kristy Wieber co-founder, (Bitti, 2012)*

*Some sample weekly rental prices on Haute Vault include a Rolex Daytona with a black dial for \$325 a week/\$1,170 for the month (...). - **Haute Vault**, Jonathan King's CEO, (Strandberg, 2015)*

What's more, most of these businesses address customers that are attending social events, such as weddings or parties.

*We provide millions of women the ability to rent designer dresses and accessories for a fraction of the retail price, allowing them to look and feel beautiful for every special occasion. – **Girl Meets the Dress**, Anna Bance co-founder, (Robinson, 2013)*

*An invitation to a wedding was the spark for Rent frock Repeat. Neither of us wanted to go out and buy another dress that would be worn once and then take up space in the closet (...). – **Rent Frock Repeat**, Kristy Wieber co-founder, (Bitti, 2012)*

However, there are also companies that do not follow a *special-occasion strategy*. This is the case of **Rent the Runway** and **Gwynnie Beer**, which have a day-to-day sustainable approach instead.

*We exist because we believe a beautiful product shouldn't only be experienced by owning it (...). And we're not stopping at special occasions. We're scaling this model for almost anything. – **Rent the Runways'** website, (Runway, 2009)*

*We started Gwynnie Bee with the mission of giving women an unlimited wardrobe with a limited budget—and make clothing synonymous with possibility and confidence. - **Gwynnie Bee**, Christine Hunsicker founder, (Chan, 2015)*

## B. Key Partnerships & Channels

Items are usually obtained through partnerships with designers, wholesale groups and retailers through traditional commercial contracts. Although at first one could think that designers would be against renting out their items, the results gathered show quite the opposite. In fact, rentals become a good way to try the items before committing to buy and therefore can be considered a buying push. For instance, *Haute Vault* sees their service not only as a high-end jewellery rental but a *try before process* for any customer considering making a large investment on a new piece (Magsaysay, 2013). In addition, partners can also benefit from the data that these businesses collect. Jenny Fleiss, *Rent the Runway*'s president, disclosed that they try to collect data for designers.

*We also try to gather data for them (Designers) (...) We have some interesting data around fit, around which designers are correlated (...) as well as the demographics of our users, their age, where they live, the types of events and occasions where they are wearing our dresses. - Rent the Runway, Jenny Fleiss co-founder, (Kansara, 2013)*

Delivery is done through partnerships with distribution companies such as DHL or UPS. This allows companies to offer several shipping locations.

Furthermore, these businesses constitute an innovation to traditional retail as the whole business is set primarily on an online environment. Although not all, some companies do have showrooms. This is the case of *Chic By Choice*, *Girl Meets Dress*, *Lending Luxury*, *My Couture Corner*, *Rent Frock Repeat*, *Rent the Runway*, *The Black Tux* and *Hire the Catwalk*.

Regarding media communications, all firms rely heavily on digital analytics to delineate the best strategy. Email marketing once customers sign up, as well as Google AdWords and social media are the most common. Most also have blogs within their website promoting new items or sharing fashion news. Therefore increasing brand awareness.

*'We are very data and research driven,' (...) (Dean Jones) arguing just how important it is that he and the company can see what women are searching for when they're looking around the site. – **GlamCorner**, Dean Jones co-founder, (Haslett, 2016)*

*(...) Analytics gets involved in all of our website metrics, thinking through where people click on the site, what email campaigns are working and which methods of traffic are working. - **Rent the Runway**, Jenny Fleiss co-founder, (Galbraith, 2013)*

### C. Customer Segments & Customer Relationships

Women are the primary segment addressed, however some businesses do cater to both genders - **Haute Vault** and **Borrowed Bling**. **Eleven James** is the only company targeting men in the accessories category, whereas **The Black Tux** and **Generation Tux** target men in clothing. What's more, insurance and late fees are common in all of these companies, as firms must ensure that consumers cover the costs associated with any damages. For instance **Adorn**, a company offering luxury jewellery has a 33% retail price fee in case the piece is not returned. It also has a temporary security deposit placed on the consumers credit card for an amount equal to 5% of retail value (Bucklan, 2012).

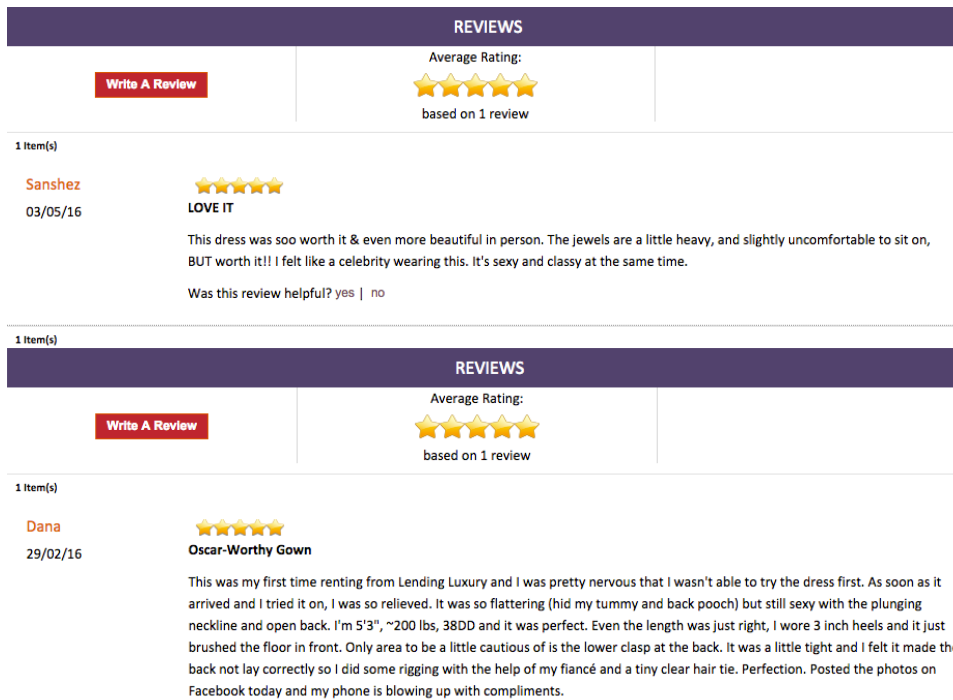
Last, having a strong customer support service is crucial for the survival of these new business models.

*It's my responsibility to be familiar with the designers we stock. It's important to live your brand and know what your customers are experiencing. – **Girl Meets the Dress**, Anna Bance co-founder, (Robinson, 2013)*

Most companies also offer styling tips as well as assistance in terms of sizing. Also, all companies offer dry cleaning services to ensure that all their items are treated with care. As a way to reduce customers' uncertainty about the items, most of the websites feature customer reviews on the products.

*Reviews have to be there on day one, so on our city tour, we took all the clothing with us and had the members try it on and then write reviews for us so that when pieces launched, they came with member feedback. - Gwynnie Bee, Christine Hunsicker founder, (Chan, 2015)*

Usually products are rated and customers who have previously worn them share their experience. Just like in *Lending Luxury's* website:



**Fig. 8: Customers' Reviews**

Source: Lending Luxury

#### *D. Revenue Streams, Cost Structure & Main Value Proposition*

Revenue streams also differ among companies, with some capturing most of the value from either, membership fees, rental prices alone or offering consumers the option to choose between paying for a single rental or subscribing to a membership scheme. For instance, *Eleven James* offers a three-tier membership scheme: Aficionado, Connoisseur and Virtuoso, and these change according to the type of watch as well as the frequency with which consumers want to change their watches.

In the case of **Chic by Choice** clients pay for the whole renting service. This includes the dress, the amount of days they have it in their possession, the dry cleaning and its return. All of this is included in the rental price.

Last, offering both payment schemes there is the case of **Rent the Runway** with its new *Unlimited* subscription service. Besides renting dresses for the typical price, the company's new service introduces a move to normal wear as it allows consumers to get three designer items of their choosing (everything but a dress) for \$75 a month (Griffith, 2014).

Several companies also offer try before renting services. In some cases consumers may go to the showroom beforehand or book an additional size and only pay for the item they actually wear. Try before renting is a value-adding service that only some companies have. This service can be paid, like in **Chic by Choice**, where for 9,90€ consumers can book up to four different dresses (two styles in two different sizes) and pay for the one they keep (Vidreiro, 2016). On the other hand, some companies offer this service for free, just like **Rent Frock Repeat** that allows customers to try the dress in their showroom. However if customers wish to order the same dress in two different sizes online they will pay an extra \$10.

Besides renting, some companies also capture value by expanding their value chain to include buy after rent options. **RocksBox's** subscription allows customers to constantly try and rotate what they wear, but if they find something they want to keep they just have to notify the company. This makes the company a *perfect trial model that is profitable on both subscription and purchase* (Tsotsis, 2014). However, some companies only offer the possibility to buy if consumers are members, such as **My Couture Corner**. Offering consumers the chance to buy the item also provides companies with a solution to excess inventory thus increasing the item's profitability. **Chic by Choice** has a smart strategy to reduce inventory uncertainty by buying only items that have triggered some sort of interest from customers. After establishing a partnership with designers the company puts their look book and only purchases the items once customers have expressed some desire in renting them (Vidreiro, 2016).

Last, renting's main value revolves around making smarter investments choices, while at the same time satisfying consumers variety-seeking behaviour.

*(...) Our business is all about the economic concept of the opportunity costs. What I mean is that this allows us to ultimately make better use of our resources and to spend them in something that we consider worthwhile. So the premise is that it really makes no sense to invest in a dress that we will probably wear once. - **Chic by Choice**, Lara Vidreiro co-founder, (Vidreiro, 2016)*

Thus, the key message follows an economic and sustainable approach as they focus on the good value for money that customers get.

## II. C2C Renting Models

### A. Key Activities & Key Resources

C2C Renting Models are online platforms that match lenders and borrowers. These represent the real wardrobe-sharing. However they are not that common as the analysis only identified three companies belonging to this category – **Closet Collective**, **Date My Wardrobe** and **Rewear**.

Two of the companies are located in the USA and the other in the Netherlands. The range of brands they carry is different with **Closet Collective** focusing on luxury to mainstream designer brands, **Date My Wardrobe** offering high-end designers and **Rewear** promoting local designers. Another thing that differs among companies is the type of platforms they use, with **Closet Collective** and **Rewear** being a desktop website and **Date My Wardrobe** a mobile app. Furthermore, rentals are done in clothing and accessories and companies offer different renting periods. In fact in the case of **Rewear** lenders and borrowers agree on the renting period, thus it can vary between clients.

*To rent an item a girl selects a piece on our site and rents it for five days, two weeks, or even a month. We have a monthly subscription for everyday pieces as well. – **Closet Collective**, Claire Allison co-founder, (Reddinger, 2014)*

*(...) Depending on the item, users can rent the items for about four days. - **Date My Wardrobe**, Amrita Aviyente founder, (Castellanos, 2014)*

These companies focus on the idea of making better use of resources by adding value to pieces that were probably not being worn anymore.

*Like most women, I probably wear about 10% of my closet and that's being generous, so it's not really the stuff that I'm rotating throughout my closet. (...) So it's pieces that you're not really wearing but you don't want to get rid of because you spent "x" amount of money on them or you had some sort of memory of this piece that you don't want to get rid of. – **Closet Collective**, Claire Allison co-founder, (Reddinger, 2014)*

### *B. Key Partnerships & Channels*

All companies get their items from lender's closets, however **Date My Wardrobe** also partners with local designers who are willing to source their pieces for renting.

*But what if you wanted to discover what designers were locally available in this place that was new to you? An app such as Date My Wardrobe (DMW), allows you to use your location to search for stylish and high-end outfits near you. – **Date My Wardrobe** (Date My Wardrobe, 2016)*

These companies can get any sort of item because they have the perks of holding no inventory, as a result they can have unlimited pieces for rent.

*We don't have inventory (...) We can cover everything from suits for work to shoes, jewellery, and even ski gear. - **Closet Collective**, Claire Allison co-founder, (Reddinger, 2014)*

Most companies have a blog featured on their platform as a way of providing customers with styling tips as well as increase their interest in renting. Blogs are the main form for building engagement around the renting community.

### C. Customer Segments & Customer Relationships

All three companies target women only and are focused on offering a service that meets their exact needs.

*My partner and I were both in finance before and had a lot of suits. Because we don't need them anymore, they are perfect to lend (...) We had a girl who was a lender already on the site and she just had a baby. (...) Its great for women going through different stages in life like pregnancy, breastfeeding, weight loss or travel. – **Closet Collective**, Claire Allison co-founder, (Reddinger, 2014)*

*The mobile app's target demographic is women between 18 and 45 years old. – **Date My Wardrobe**, Amrita Aviyente founder, (Castellanos, 2014)*

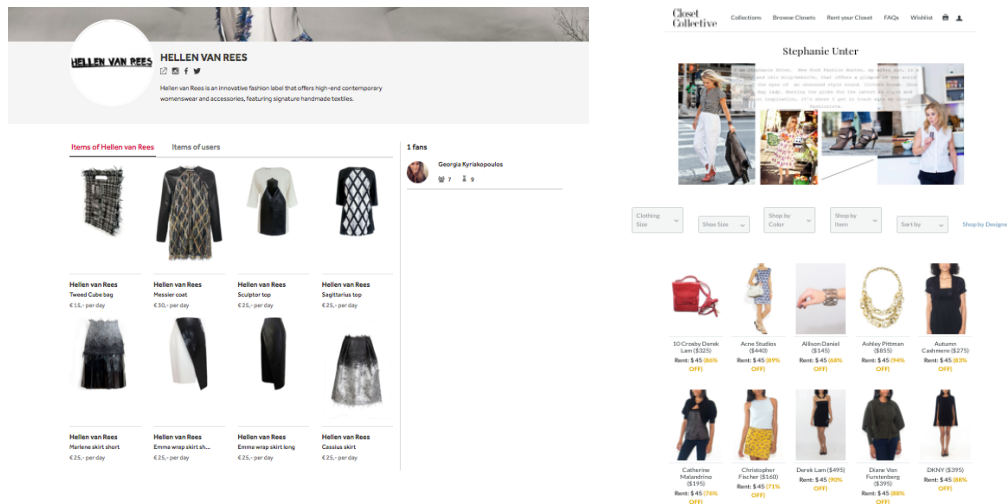
All companies offer dry cleaning services, however **Rewear** offers this as an extra fee to the lender. What's more, companies try to make the whole renting service easy by offering simple platforms for lenders to post their items. **Closet Collective** offers a superior service to that of **Rewear** and **Date My Wardrobe** by having *White Glove* and a *Do-It-Yourself* service.

*For the DIY service we will tell you how to take the pictures and we'll edit your pieces so they fit the site. If you do the White Glove service, we send the lender a pre-paid bag to put their clothes in to send to us. We photograph and list the items and then send them back with a lender kit. – **Closet Collective**, Claire Allison co-founder, (Reddinger, 2014)*

*Everyone is on their phone all the time, and this will let [users] post their pictures and create a digital wardrobe. If there's a nice dress I bought, I can just upload it directly to the site through the app. – **Date My Wardrobe**, Amrita Aviyente founder, (Castellanos, 2014)*

Furthermore, the companies also offer advice on how to set prices, however the lenders are usually the ones who choose for how much they are willing to rent their items for.

Trust is built on the borrowers' side by having a lenders' profile up on the companies' platforms. This gives them the opportunity to get to know the lenders and their personal style.



**Fig.9: Lenders' Profiles**

Source: Closet Collective

#### D. Revenue Streams, Cost Structure & Main Value Proposition

Revenue streams are fairly similar among these companies. All of them have a consignment scheme in which they get a commission for the items that are rented. **Closet Collective** offers lenders two sorts of services *Do-It-Yourself* taking 20% commission or *White Glove* service taking 40%. The company also charges borrowers a \$10 membership fee that grants them access to all items on the website. What's more, borrowers can also choose to pay an extra \$25 monthly styling fee where they get three selected items and choose what to keep. Furthermore, all companies offer the option to buy after rent depending on the lenders' willingness to depart from their items.

The main values around C2C renting platforms are both the community building that they create and the better use consumers make of their own resources. On the lenders' side they can rent what they will probably not wear again and on the borrowers' side they can rent what they will probably only wear once. It is also a way of expanding the fashion market to consumers who could not buy certain pieces.

*If you're just looking to occasionally update your closet without spending a bunch of money, you can borrow pieces from other women with a like-minded sense of style or body type. That means you could be renting everything from Theory to Céline without breaking your bank. – Closet Collective, Claire Allison co-founder, (Reddinger, 2014)*

*For millennial consumers who don't want to spend as much but still want stylish, high quality, designer pieces, renting clothing seems like the natural progression from subscription services (...). – **Date My Wardrobe**, Amrita Aviyente founder, (Castellanos, 2014)*

### **III. B2C Second-hand Models**

#### *A. Key Activities & Key Resources*

B2C Second-hand Models buy all their items from carefully assessed resellers. There are only two companies operating under this category, **Material Wrld** and **What Goes Around Comes Around** both from the USA. What's more, they aim to differentiate themselves from fast-fashion by only sourcing luxury and high-end designer items.

*(...) Material Wrld isn't going after "fast fashion, it's very brand and quality conscious. – **Material Wrld**, Rie Yano co-founder, (Perez, 2013)*

*The future for us is to continue being the home front of luxury around the world. Whatever key vintage collectors are out there, they know we're one of the few places they can go to. – **What Goes Around Comes Around**, Seth Weisser co-founder, (Friedlander, 2014)*

#### *B. Key Partnerships & Channels*

In this case, companies partner with mostly resellers and second-hand stores to obtain their items. Their main goal is to offer consumers unique vintage items.

*Part of the allure of our business is that we have a museum-like collection that we have hunted and continue to hunt to depths that most people don't know exist to get to. – **What Goes Around Comes Around**, Gerard Maione co-founder (Friedlander, 2014)*

In terms of channels used they differ from one another. *What Goes Around Comes Around* actually started as a physical store in Soho, NY, moving to the online world later on. In the case of *Material Wrld*, it is only set online. Both companies communicate seamlessly online making use of either fashion blogs or social media.

*We've always looked at innovation like social media and technology to keep WGACA in the forefront. – What Goes Around Comes Around, Seth Weisser co-founder, (Grandlife)*

### C. Customer Segments & Customer Relationships

High-end women are the segment targeted, given the items' relatively high price point.

*The service is going after the high-end fashion consumer. (...) Price points for clothes on sites like Poshmark tend to fall in the \$20 to \$30 range while on Material Wrld, it's much higher. - Material Wrld, Rie Yano co-founder, (Perez, 2013)*

*They are prime examples of the new retail sector of luxury vintage, in which barely worn bags or designer dresses are sold at discount to women who might have shopped straight from the runway. – What Goes Around Comes Around, Seth Weisser co-founder, (Bloomberg, 2016)*

Once again CRM is very important for these companies, with their primary aim being delivering consumers the best sourced items (Grandlife). All items follow a strict authenticity check before being bought to ensure the product's quality.

*Our senior buyers are like scientists, and they will get down to counting stitches or even using techniques we'd prefer not to disclose. – What Goes Around Comes Around, Seth Weisser co-founder, (Bloomberg, 2016)*

*We have strict guidelines around types of product that can be sold. So no fast fashion (Zara, H&M, Forever 21). – Material Wrld, Jie Zheng co-founder, (Tiku, 2012)*

Furthermore, both businesses offer advice to customers on what to buy and are available for any sort of questions they may have.

#### *D. Revenue Streams, Cost Structure & Value Proposition*

These businesses purchase inventory. They find resellers and make an offer for their item. For instance, in the case of **Material Wrld** sellers get a free trade-in kit in which they place their items, after having them evaluated **Material Wrld** makes sellers an offer, which they can decline if they wish.

The main value-message carried by the companies is the differentiation of personal style through vintage clothing.

*My idea was a marketplace for pre-owned fashion with community elements (like Etsy but not just vintage/handmade) and Rie's idea was a platform to allow self-expression. – **Material Wrld**, Jie Zheng co-founder, (Tiku, 2012)*

*Vintage has become a misused term. Many don't understand the quality and importance of a vintage piece, but for the fashionistas, vintage is an integral part of their style. It's an amazing way to express your individuality and personal taste. – **What Goes Around Comes Around**, Seth Weisser co-founder, (Grandlife)*

In fact, this is not only shared by these companies, stylist Lauren Goodman shared with Business of Fashion that vintage holds a special meaning as it has not been seen numerous times on social media, it is therefore something rather unknown (Bloomberg, 2016).

*By the time someone wears a look from the runway out to a party, the clothes already feel like last season. But if it's vintage (...) it's special, unique, and it's yours. You are making a bold, personal style decision (Bloomberg, 2016).*

## IV. C2C Second-hand Models

### A. Key Activities & Key Resources

C2C Second-hand Models are present in the fashion industry as e-platforms that connect buyers and sellers. They are most abundant in the United States, however there is a smaller gap between their presence in USA and in Europe. Most businesses have both clothing and accessories for sale, yet four companies sell fashion accessories only, such as **Portero** that offers consumers the possibility to buy designer handbags, jewellery and watches. The brands offered can range from luxury to mainstream designer brands.

Most of these businesses were born out of the necessity to create a well-structured way of selling quality second-hand items, as well as a sustainable approach to extending the items' lifetime value.

*I spotted many top tier bloggers reselling their own items on their sites without a shopping section, e-commerce functionality or even so much as a dedicated post. It was then I began to think about creating a platform that would enable fashion lovers to re-sell coveted pieces. – Vestiaire Collective, Fanny Moizant founder, (Piety, 2015)*

*There's a large hole in the market. Brielle and I saw that first hand (...) when both of us were trying to consign luxury goods, and we never found a service that we felt was high-end enough. - Luxury Garage Sale, Lindsay Segal co-founder, (Cheung, 2015)*

### B. Key Partnerships & Channels

Items are obtained mostly through re-sellers and in some cases second-hand stores.

*If an individual has a collection of handbags, they'll send it in and we will consign it for them. – Portero, Alexis Clarbour co-founder, (Teicholz, 2015)*

*Snobswap's partnerships with real-world, mom-and-pop consignment stores and secondhand clothing chains is what makes the service unique among a sea of competitors. – Snobswap, Elise Whang co-founder, (Perez, 2014)*

This makes sense as these companies want to attract a large number of buyers and sellers and their chances increase with a wider product portfolio. They also partner with distribution companies to get their items to the end-buyer.

Next, these businesses are mostly done online with only four companies – *Buy My Wardrobe, Collectors Square, Crown & Caliber, Fashionpile, Luxury Garage Sale, Snobswap* and *The Next Closet* – having a showroom as well.

Communications with customers are done through email marketing, Adwords and social media (Tefler, 2015). Most companies have blogs as ways to inspire their community to share and provide fashion content. These allow businesses to build customer engagement as members become more embedded in the companies' culture. Some companies, like *Vestiaire Collective*, invite users to generate content through comments, likes, wish lists and profiles, as this is also a way to drive commitment.

*We try to inspire our community by providing very edited fashion content, fully 'home made' via our French stylists. (...) Our other type of content is directly provided by our users. Being a social platform means that we have an amazing volume of user generated content (...) This social content drives deep engagement as members are also coming to VC for advice, tips and inspiration from other fashionistas. - Vestiaire Collective, Fanny Moizant founder, (Nettement Chic)*

*We got a bunch of maybe 15 very good French fashion-bloggers on board. They were promoting the site because they were excited about the concept. – Videdressing, Meryl Job co-founder, (Pietschmann, 2014)*

### *C. Customer Segments & Customer Relationships*

Despite, women still being the primary segment, there is a more equally segmentation distribution, with some businesses targeting men and kids as well.

*A younger watch enthusiast with a smaller budget may buy a less expensive watch, while a middle aged watch enthusiast who has been saving for years may purchase a more expensive watch. Because such a variety of people are purchasing watches, there is also a wide variety of people selling watches. – **Crown & Caliber**, Hamilton Powell founder, (Biggs, 2015)*

Finally, ensuring that customers are happy with the process is crucial for success. These models have two sides of customer service, as they must please both sellers and buyers. All companies provide a thorough guide on how to sell, answering questions such as how to set prices and which brands are accepted. There are two main ways of setting prices, either the seller sets them according to market trends or the company takes the item for evaluation and then contacts the seller with a price suggestion. In the latter case sellers may decline the offer.

*We provide our consumers with a quote and give them prepaid and insured packaging to use to send in their watch. – **Crown & Caliber**, Hamilton Powell founder, (Biggs, 2015)*

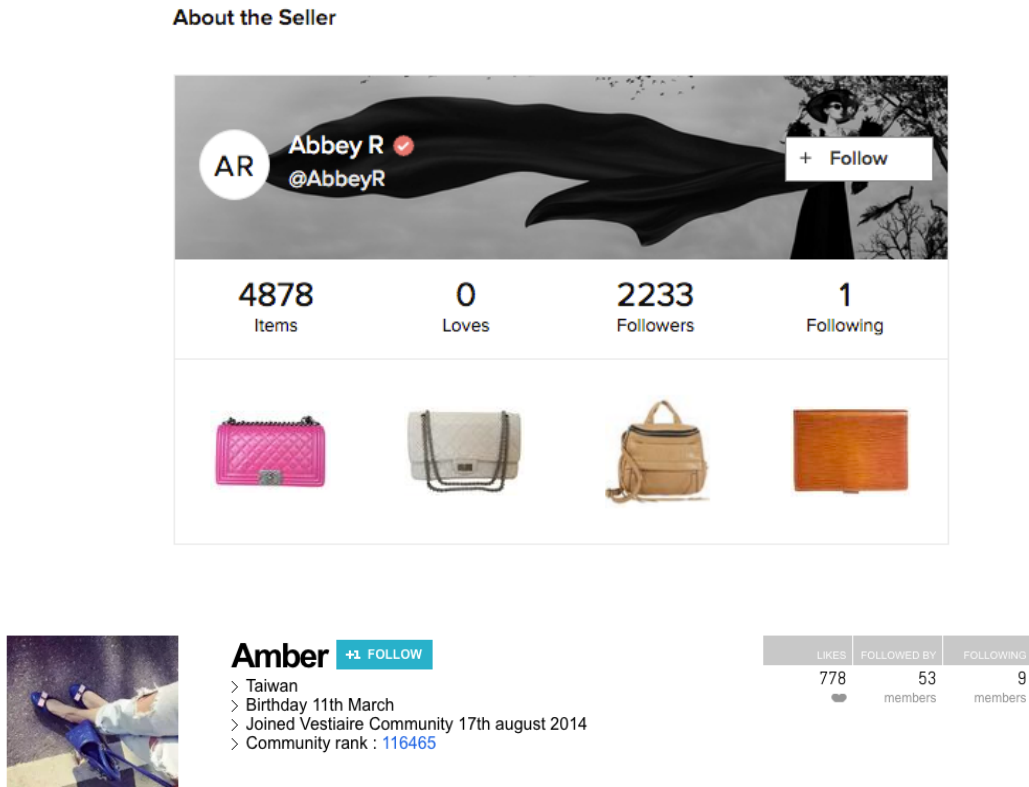
Furthermore, these businesses make the whole selling process easier for consumers, offering them a range of services such as pick-up services and item's descriptions and photos.

*What is great about it is that you can sell your clothes in an online environment through our Butler Service. You just have to signup and we'll do the rest; from styling, professional photography till sending. – **The Next Closet**, Lieke Pijpers and Thalita Van Ogtrop co-founder, (Circle Economy, 2013)*

*For sellers looking for a return on the high-end goods they're looking to get rid of, **The RealReal** accepts items Fedex-ed to their warehouse through a free online download system. For consignors with the most valuable goods, the company will dispatch one of its luxury managers to individual homes for white glove service. – **The RealReal**, Julie Wainwright founder, (Wood, 2015)*

On the other end of CRM, in order to ensure buyers' trust, companies often offer quality guarantees, as well as free 14-day return-policies. Most of them have either sellers' reviews

on previously sold items, a page with sellers' profiles – as way of sharing information about the seller – or both. This reflects the importance of having trusting schemes on companies' websites.



**Fig. 10: Sellers' Profiles**

Source: Tradesy & Vestiaire Collective

Moreover most companies have thorough authentication services in order to guarantee that all luxury and high-end designer products are real.

*You want to present an item the way you would want to see it. Providing key components like clear photos from all angles, authenticity points, a thorough description, and detailed measurements make a buyer feel as though they have the item in front of them. – eDrop-Off, Corry McFadden founder, (McKinley, 2015)*

*The RealReal sets itself apart by aiming for total authenticity and luxury — their staff includes authenticators and gemologists who examine the valuable goods as they enter their warehouses and photographers who stage and shoot the clothing” – **The RealReal**, (Wood, 2015)*

#### *D. Revenue Stream, Cost Structure & Value Proposition*

Revenues come mainly from consignment fees. Companies either follow a flat sales commission, such as **Snobswap** or a variable one like **Vaunte** and **The RealReal**. The percentage of sales commission varies between companies, however companies holding a fixed commission fee usually take a lower percentage of the final sale than companies with variables fees.

*The RealReal's cut — about 20-40 percent of each item sold, depending on its value — will bring in around \$200 million this year in revenue and should be profitable next year. - **The RealReal**, (Wood, 2015)*

*It's different for every person, but it starts at around 30% and we're going to do premium service soon and that's 40%. – **Vaunte**, Leah Park co-founder, (Mau, 2013)*

Furthermore, some companies extend their revenue stream by offering to buy items upfront from resellers. However this is not that common, only **Collectors Square**, **ThreadUp**, **Fashionpile** and **Portero** offer this option.

*Items listed on thredUp for \$40 or less qualify for upfront pricing (payouts of 10%-40% of the anticipated selling price), while those with a price of \$40 or more qualifies them for consignment. – **ThreadUp** (Perez, 2014).*

Consumers that choose to sell their items directly to the company, instead of consigning, end up earning less for their item (White, 2015). This is because by buying the item upfront, companies are bearing the risk that it may not sell, as a result they are not willing to pay high values for the product.

The main value proposition of these models lies around the concepts of community – building and making a profit out of unused items.

*At Poshmark we really believe that a community can't be slapped on top of commerce – it has to be nurtured to grow and mature. The commerce transactions we've seen on Poshmark are really a by product of the vibrant community we've built. – **Poshmark**, Manish Chandra founder, (O'Young, 2014)*

*It gives people more flexibility, you can get your fashion fix, monetize your own wardrobe and swap with like-minded people. – **Snobswap**, Elise Whang co-founder, (Klara, 2013)*

Ultimately, these models have authenticated the whole resale market by bringing the luxury experience to the economy. They also open up the luxury market and can be seen as way of pushing retail sales as customers can purchase new items with their potential resale value in mind. Indeed, *when you're investing in a bag, you're more likely to buy a bag that you can get a higher return on* (Tefler, 2015).

## V. Collaborative Business Model Canvas: General Summary

	<b>B2C Renting</b>	<b>C2C Renting</b>	<b>B2C Second-hand</b>	<b>C2C Second-hand</b>
<b>A) Key Activities &amp; Resources</b>	<ul style="list-style-type: none"> <li>Online stores that offer renting services of mostly designer items to consumers.</li> <li>Inventory is bought from retailers and designers.</li> <li>Rental periods differ among businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Online community platforms that match borrowers and lenders.</li> <li>Items range from luxury brands to mainstream designer products.</li> <li>Inventory is sourced under consignment agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Online stores that offer second-hand luxury and high-end designer items to consumers.</li> <li>Inventory is bought from resellers.</li> </ul>	<ul style="list-style-type: none"> <li>Online community platforms that match sellers of second-hand items with buyers.</li> <li>Items range from luxury brands to mainstream designer products.</li> <li>Inventory is obtained under consignment schemes.</li> </ul>
<b>B) Key Partnerships &amp; Channels</b>	<ul style="list-style-type: none"> <li>Partners with designers and retailers.</li> <li>Distribution companies.</li> <li>Large investments on digital channels. Some businesses provide partners with customer data so that they get to know which items are renting the most and some correlations.</li> <li>Google AdWords is the most used, as well as social media.</li> <li>Blogs where they communicate directly with consumers increase brand awareness.</li> </ul>	<ul style="list-style-type: none"> <li>Partners with lenders who provide the items for rent.</li> <li>Distribution companies.</li> <li>All of the businesses are done online</li> <li>Blogs are the primary form of media communications.</li> </ul>	<ul style="list-style-type: none"> <li>Partners with resellers and second-hand stores.</li> <li>Distribution companies.</li> <li>Blogs and social media are the main forms of communication to reach consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Resellers and second-hand stores.</li> <li>Distribution companies.</li> <li>Communication primarily through social media, email marketing and Google AdWords.</li> <li>Blogging is a common activity among companies as it is a way of building customer engagement.</li> </ul>
<b>C) Customer Segments &amp; Customer Relationships</b>	<ul style="list-style-type: none"> <li>Mainly women but men are also targeted in some companies.</li> <li>CRM through superior customer service: Styling consultations and tips.</li> <li>Companies offer try before renting services either in showroom for free or by allowing customers to rent an extra size.</li> </ul>	<ul style="list-style-type: none"> <li>Women.</li> <li>Relations are built with borrowers and lenders:</li> </ul> <p><b>Borrowers:</b></p> <ul style="list-style-type: none"> <li>Lender's profile page with information about their style, the items they are renting and reviews.</li> <li>Guidelines on how renting works.</li> <li>Styling tips.</li> </ul> <p><b>Lenders:</b></p> <ul style="list-style-type: none"> <li>Advice on what to rent, how to set prices and the whole renting process.</li> </ul>	<ul style="list-style-type: none"> <li>High-end women.</li> <li>Staff advises customers on what to purchase and are available to assist them in every way they can.</li> <li>All items follow a strict authenticity check before being bought to ensure the product's quality.</li> </ul>	<ul style="list-style-type: none"> <li>Primarily targeting women. However other segments, such as men and kids, start being addressed as well.</li> <li>Relations are built with buyers and sellers:</li> </ul> <p><b>Buyers:</b></p> <ul style="list-style-type: none"> <li>Guarantees of quality through authentication services.</li> <li>Information about sellers either through past customer reviews or sellers' profiles.</li> <li>Guidelines on how to buy.</li> <li>14-day free return period.</li> <li>Styling tips.</li> </ul> <p><b>Resellers:</b></p> <ul style="list-style-type: none"> <li>Guidelines on how to sell, how to set prices and what to sell.</li> </ul>

	<b>B2C Renting</b>	<b>C2C Renting</b>	<b>B2C Second-hand</b>	<b>C2C Second-hand</b>
<b>D) Cost Structure, Revenue Stream &amp; Value Proposition</b>	<ul style="list-style-type: none"> <li>▪ Inventory, Distribution, Labour and Marketing expenses.</li> </ul> <p><b>Revenues:</b></p> <ul style="list-style-type: none"> <li>▪ Renting items.</li> <li>▪ Some offer the option to buy the item after renting.</li> </ul> <p><b>Main value:</b></p> <ul style="list-style-type: none"> <li>▪ Sustainable alternative to buying. Customers make smarter investment decisions as most of the items bought for special occasions are only worn once.</li> <li>▪ Variety: different events require different outfits for a fraction of the price.</li> <li>▪ <i>Try before buying</i> service as consumers get to experience the brand before committing to a larger investment.</li> <li>▪ Market Expansion.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Distribution, Labour and Marketing expenses.</li> </ul> <p><b>Revenues:</b></p> <ul style="list-style-type: none"> <li>▪ Consignment based scheme.</li> <li>▪ Buy after renting option.</li> </ul> <p><b>Main value:</b></p> <ul style="list-style-type: none"> <li>▪ Easy platforms in which consumers can rent their items.</li> <li>▪ Sustainable alternative to buying.</li> <li>▪ Variety for a fraction of the price: more items for a smaller investment.</li> <li>▪ Community building as it matches lenders and borrowers.</li> <li>▪ Market expansion.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inventory, Distribution, Labour and Marketing expenses.</li> </ul> <p><b>Revenues:</b> Selling the items.</p> <p><b>Main Value:</b></p> <ul style="list-style-type: none"> <li>▪ Reaffirmation of personal style and uniqueness through the use of vintage items.</li> <li>▪ Museum-like collections with hard to find products.</li> <li>▪ Best product quality and large collection: strict guidelines for inventory buying.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Distribution, Labour and Marketing expenses. Some companies offer the option of buying items from resellers upfront.</li> </ul> <p><b>Revenues:</b> Consignment based scheme either through fixed or variable fees. It varies between less than 20% and 50% of the sale price.</p> <p><b>Main Value:</b></p> <ul style="list-style-type: none"> <li>▪ Authentication of the whole resale market: therefore there is a democratization of brands as the market is opened to customers who did not previously buy.</li> <li>▪ A complete and easy selling platform: free pick-up of the items or free shipping of the items to their HQ. Also, they take care of photographing, describing and styling the items.</li> <li>▪ Community building as they join consumers with matching needs, those who want to buy and those who want to sell.</li> </ul>

**Table 2: Collaborative Business Model Canvas: General Summary**

## Discussion

This research aimed to use Kortmann & Piller's (2015) framework to identify the main Collaborative Business Models in the fashion industry and understand their different characteristics through the Business Model Canvas (Osterwalder & Pigneur, 2009). These new business models capitalize on the trend of social commerce relying on values of sharing and sustainability through the extension of products' lifecycle (Batista & Ng., 2012). This makes them unique as they have the power to change the way consumers consume and value products, thus ultimately transforming the usual value propositions of businesses.

Furthermore, in these businesses consumers become *prosumers* as they actively participate in the production and consumption of resources, as seen across all four businesses models (Barnes & Mattson, 2016). What's more the value proposition of each business is in line with the more conscious spending that the 2008 economic downturn created (Belk, 2014). This was also pointed out by Lara Vidreiro (2016), Chic By Choice's co-founder, as one of the main drivers of this business model innovation. Thus, the economic crises not only led to more carefully thought investments but also fostered innovation. Amit & Zott's (2010) view on innovation as way of creating or increasing profits is supported by the strategies followed by the four business models discussed in the results' section.

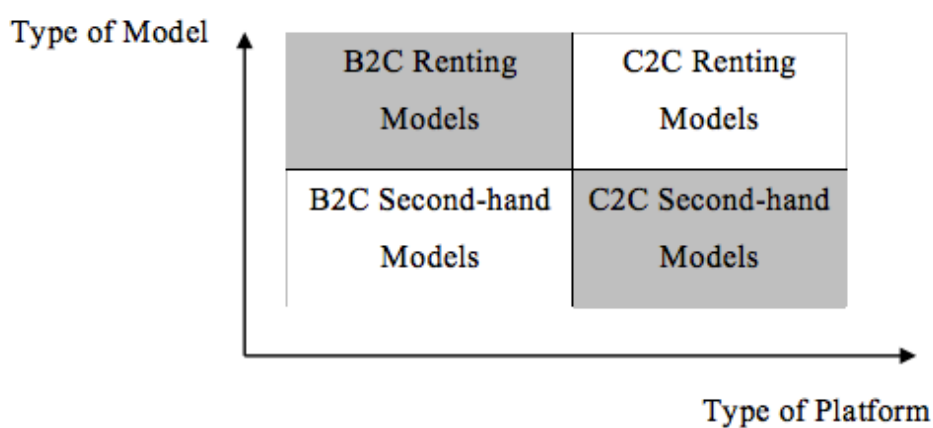
The results identified four business models consistent with Kortmann and Piller's (2015) framework- B2C and C2C Renting Models and B2C and C2C Second-hand Models. It was interesting to see that both services had similar characteristics except for the type of platform they used - which then meant setting up different structures to make each business work. The same was true for B2C and C2C Second-hand Models. In addition, all businesses relied heavily on Web 2.0 platforms as these proved to be the main structure in which they operated (Belk, 2014). Contrary to what was expected none of the businesses faced any of the government challenges highlighted in the literature (Cusamano, 2015; Frenken et. al, 2015). A reason for this might be the fact that the fashion industry has always been used to the second-hand and the renting markets (Vidreiro, 2016). Thus, making labour unions protests uncommon and government legislations more flexible.

What's more, the description of each business model seemed to be in line with the main advantages of Collaborative Models mentioned in the literature review. In fact, as Cusamano

(2015) outlined one of the main benefits of Collaborative Models was the fact that they opened up the market to more customers who could not previously consume. This was common across all four. Making a more efficient use of companies' resources was yet another benefit common to all of them (Leismann et. al, 2013). This is because of the high reusability of items that Renting and Second-hand Models have. Thus allowing them to have lower production costs than traditional retailers.

Finally as touched upon by some of the articles in the literature review, the analysis of the results showed that the environmental benefit that these models bring about is not the main driver for their implementation (Barnes & Mattsson, 2016; Mohlmann, 2015). In fact, several companies' co-founders' pointed out economic factors as the biggest value proposition of Collaborative Models.

However, not everything in the results was in line with the theoretical framework. Whereas in Kortmann & Piller's (2015) all business models' archetypes seemed to co-exist, it appears that in the fashion industry not all models are equally likely to survive. This came as a result of the large gap found between the number of firms operating in B2C Renting – 20 – and C2C Second-hand – 17 – Models versus the number of firms operating in C2C Renting – 3 – and B2C Second-hand – 2. It is interesting to see that the openness of the business model that survives in renting –B2C – is different from the one that prevails in second-hand – C2C, fig. 11.



**Figure 11: 2x2 Matrix: Collaborative Business Models' Results**

## I. B2C vs. C2C Renting Models

A possible reason for the dominance of B2C Renting Models over C2C can be due to the barrier that may exist towards renting something from another customer, as this requires a much bigger behavioural shift than convincing them to share commodities (Pike, 2016). Renting a dress from a store that has taken care of the item - with dry cleaning and maintenance services - is somewhat different than renting it directly from someone's closet. Problems concerning hygiene may arise as in the latter consumers cannot know the conditions in which the items they are borrowing come in.

Furthermore, here C2C businesses do not offer any authentication services, so borrowers do not actually know if the item they are renting is counterfeited. As these models grow there is a need for independent regulation to actually attest for the item's authenticity (Hartl et. al 2015; Leismann et. al, 2013). Without these it is likely that there will be a decrease of consumer trust in the quality of the service. Thus, making the survival of these models more difficult. On the contrary, B2C models source their items from retailers and designers, making the high quality of the items one of their main value propositions. These businesses allow consumers to access aspirational brands they could not afford. They offer the opportunity to *adopt an alternative, more glamorous and stylish persona for a short period of time and indulge in celebrity lifestyle – all on a budget* (Yeoman, 2011 p. 49).

In addition, B2C Renting Models can offer much more variety in terms of pieces, especially concerning size and colours, than C2C are able to since these are constrained by the lenders' own inventory. Another issue with C2C is getting enough customers to own a large enough inventory to make the business attractive for borrowers.

Last, in C2C Renting Models lenders have to handle all the logistic since these companies only offer them a platform in which they can upload their inventory (Pike, 2016). This means that those who want to rent their own closets need to photograph, style and send the items themselves. If lenders have a high demand for their pieces they need to constantly manage and efficiently plan their inventory. This is a heavy workload for people doing this as a side-job, especially because fashion products require specific care between uses and are more difficult to transport (Pike, 2016).

On the downside B2C Renting services are much more capital intensive, as they must purchase inventory upfront and absorb the depreciation costs of each item. Nonetheless, as

Reddinger (2014) pointed out these models have the potential to be lucrative. This is because they have made strategic decisions around depreciation costs coming from wear and tear and the costs of upkeep (Knopf, 2012). As a result, they have mastered data analytics ensuring that every inventory purchase they make is likely to make a profit.

## **II. B2B vs. C2C Second-hand Models**

In the case of second-hand items, the model that seems to prevail is C2C Second-hand. A valid point for this could be the fact that people get more out of C2C than B2C, as they can participate in the profits of the company (Belk, 2014). In fact, these platforms are efficient in matching supply and demand since sellers can dispose of depreciated assets and buyers can purchase them at a price point substantially lower than retail (Vaughan & Hawksworth, 2014). Another point can be the relative familiarity consumers already have with the second-hand market in itself. This has been around for quite some time making the idea of buying from another person instead of a company less daunting than renting it for instance.

From a company's point of view this also ends up being a more efficient business model mainly because of two factors. First, the trust online-communities build. These generate significant communication and production efficiencies that enhance the profitability of the firm (Kortmann & Piller, 2015). In the case of C2C platforms consumer communities are transformed *into market-like settings where consumers holistically and independently create the value, capture a major portion of the profits and, thus, signify the main actors on both the supply and the demand side* (Kortmann & Piller, 2015, p.26). Also in line with Vaughan & Hawksworth (2014) the sellers' profiles and authentication services that C2C businesses provide are good ways of building the trust of buyers in the quality of the products. Therefore, being able to exhibit a high-quality standard. Second, by holding no inventory companies can better scale their businesses to source a large variety of items (Reddinger, 2014). Sometimes being even able to have more extensive collections than actual retailers.

Another thing that makes sense in the dominance of C2C in second-hand is the fact that B2C businesses are extremely focused on the luxury women segment. This means that the amount of inventory they hold is rather limited compared to C2C models that source brands from all designers and cater to wider segments. As a result, B2C Second-hand's aim for exclusivity may be their ruin. On the other hand, the biggest barrier in a C2C model is securing enough

people to guarantee that there is inventory variety. To overcome this, companies provide larger product ranges and address wider market segments (Pike, 2016).

Last, sourcing items is easier in C2C Second-hand Models than in C2C Renting, especially because the item is only sold once. In other words, even if sellers decide on a *Do-It-Yourself* service in which they have to style, photograph, upload and ship the products they only have to do this one time, making the process less work intensive. Furthermore, these businesses usually help out sellers when it comes to choosing the items that are most likely to sell according to past sales' history (Sherman, 2016). Technology has played a crucial role in setting up good C2C businesses, as it is where all transactions occur (Barnes & Mattsson, 2016). Thus, in order to ensure that all logistics run smoothly and that customers are pleased with the service, they have developed strong technological platforms that make all the selling process easy and efficient.

### **III. Overall Typology**

Given the sample under study it seems that B2C Renting and C2C Second-hand are the models that are most likely to prevail in the long run, however they still face some challenges.

C2C's logistics end up being a very costly process since unlike most e-tailers they do not make wholesale sized margins (Sherman, 2016). This is especially problematic for businesses operating in lower-priced products, making profitability a big issue. In the case of B2C Renting Models the style and fit variation that fashion entails makes inventory turnover much higher. This is a problem in the renting sphere because the reusability of each item may not last long enough to allow these companies to make a profit (Sherman, 2016).

Ultimately only time will tell if these models will survive, nonetheless more research is needed in order to generalize these conclusions to the whole fashion industry.

#### **IV. Limitations & Avenues for Future Research**

Given the relatively small sphere in which Collaborative Models operate the biggest challenge was finding enough relevant information about all companies. As a result, the data collected came mainly from secondary sources, which differed in format and content. It would be noteworthy to have been able to interview each firm individually in order to have the same type of information on all of them. Also, real company data such as information about profitability and costs was difficult to collect, thus making this research qualitative. Performing the same research on a quantitative note could be a future research opportunity to understand which models are most profitable and thus most likely to survive. Furthermore, in order to see if B2C Renting and C2C Second-hand Models can be predicted as an actual future consequence of this trend, a larger sample and more time would be needed.

Additionally, the second-hand and renting market is a two-edged sword for original brands. On the one hand the first-generation buyers are able to profit by re-selling their units enabling them to upgrade to new items (Zhao & Jagpal, 2006). On the other hand, when not first-generation buyers are seen wearing the same brands as primary buyers, either by renting or buying second-hand, the brand value is actually diminished. Thus making *this market for designer fashion harmful to the brand* (White, 2015). Also, the supply of products on the second-hand and renting market cannibalise the firms' sales of new products. This happens because consumers may be willing to wait and buy or rent the items for a lower price instead (Zhao & Jagpal, 2006). These are strong counterarguments to previous views on how second-hand and renting markets can be earlier entry points to consumers and push the purchase. Therefore, it would be interesting to study two things. First, the actual impact that these models have on the overall brand equity of designer brands. Second, if by having a first contact with a brand, through either renting or second-hand services, people are more likely to become consumers of that brand in the future.

The future industry impact that these businesses are likely to have is still blurred given their youth. It is unlikely that retail will be obsolete, however fast fashion businesses could be strongly impacted especially by renting services (Pike, 2016). In fact, consumers may turn to rentals for occasion-wear and statement pieces instead. Therefore, it could be interesting to see to what extent Collaborative Business Models will impact retail sales.

## Conclusion

Collaborative Business Models follow a strategy in which *the dominant consumption logic is shifting from product ownership to product usage* (Batista et. al, p. 9). The current economic crisis has made these models sustainable alternatives to the waste and overconsumption that traditional business entails (Botsman & Rogers, 2010). Furthermore, companies like Airbnb and Uber have capitalized on this new trend offering peer-to-peer involvement, generating a sense of community (Sherman, 2013). This shift has been felt in several industries, especially in fashion with several companies moving towards more sustainable business models (Ashworth et. al, 2006).

The present research aimed to understand and describe the collaborative categories in which fashion companies could be found upon. It turned out that they mainly differed on two fronts: the type of platform used and the service supplied - renting or resell.

B2C Renting Models are online stores that offer consumers the chance to borrow mostly designer pieces at a lower price than the typical retailer. Their items are in new or in almost new conditions and they are obtained through commercial partnerships with retailers. C2C Renting Models are very similar to the ones before, with the main difference being that they are online platforms making the match between borrowers and lenders. Therefore, items are obtained directly from lenders' closets.

On the other side, B2C Second-hand Models buy inventory upfront from consumers and then resell them. They only sell luxury and high-end items, thus being very specialized in the type of inventory they purchase. In the case of C2C Second-hand Models, these are online consignment platforms that match buyers and sellers. They accept all sorts of items ranging from luxury to mainstream; this makes sense as it makes the business easier to scale. By expanding the number of eligible sellers they increase future revenue. Common to both are authentication services that guarantee the items' authenticity.

Despite all four models having been found in the industry only two seem likely to prevail in the future, B2C Renting and C2C Second-hand. After having gathered arguments in favour of their dominance, from my perspective the industry needs to mature in order to be able to source any valid conclusions about the actual success of these models. The newness of their

business model as well as the potential impact that they may have in retail sales is still very much unknown in order to thoroughly predict the actual direction in which they will grow.

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### **Depth- Interview**

1. Vidreiro, L. (2016, February 19). Interview– Lara Vidreiro Chic By Choice. (M. Amaro, Interviewer)

## Appendixes

### Appendix 1: Interview Chic By Choice – Lara Vidreiro

**Duration:** 40'

**Location:** Chic by Choice's offices;

Lara Vidreiro is the co-founder of Chic By Choice and currently holds the position of Chief Operating Office. The aim of the interview was to get further insights on Chic By Choice's business model as well as Laura's own views about the new market trends.

#### I. Intro

##### **1) Can you tell me about Chic by Choice and your reasons for founding it?**

Chic By Choice is an online platform that allows European women to rent luxury dresses for a fraction of the price. Through this service women do not have to spend huge amounts of money on an item that they are probably going to wear only once. This idea emerged a bit out of our own necessity, as we had some social events going on and we realized that we would have to purchase a dress for every single one. I believe that when an idea is created in this way that it is much easier to be developed, not only the concept but also the best ways of promoting and distributing it. Chic by Choice is all about the opportunity cost. What I mean is that this allows us to ultimately make better use of our resources and to spend them in something that we consider being worthwhile. So the premise is that it really makes no sense to invest in a dress that we will probably wear once. There are two main factors playing here, the first is that for each event they attend women want something different. The second is that no one wants to be seen in the same dress by the same crowd multiple times. Chic by Choice marries these two necessities by offering a much more sustainable alternative to buying.

##### **2) In recent years there has been a growing rise of collaborative models. Chic by Choice as an online fashion rental service benefits from this shift in consumer behaviour. How do you explain the popularity of the sharing economy?**

I think that part of the rising popularity of the sharing economy trend is also a result of the emergence of new business models offering sharing as an alternative. In other words, both influence each other, the sharing economy promotes new models but the existence of these also reinforces this trend. To be honest, for me this is not really a new concept. The US were pioneers in expanding this concept not only in fashion but also in other markets, e.g. car sharing. I think that we are seeing this trend catching on any item that requires an investment beyond what the consumer thinks is reasonable. This mindset opens up opportunities for new ways of consuming those items. In the US there are online platforms that allow you to rent clothes, suits and even a huge online consignment store, the RealReal, which is massive. Europe is also starting to be open to these new models with the emergence of companies like Vestiaire Collective and Videdressing. Uber is also starting to operate in European markets and I also think that online marketplaces such as Farfetch have helped expand this new reality. The opening of the market and the rise of sharing economy were brought about by the need of companies to adapt to consumers. Another thing that triggered this was a decrease in the investment risk. For example we do not buy stock upfront, as a result there is lower risk. Therefore we are increasing the profitability of our own businesses.

### **3) But Chic By Choice does not offer any subscription rates does it?**

We don't offer subscription but these are becoming increasingly popular as well. This can also be a way of reducing the investment made upfront by the consumer as well as a secure revenue to the business.

### **4) Beyond offering more affordable fashion, how does Chic by Choice change the shopping experience?**

First of all, we offer a consulting and styling service free of charge to every customer. Customers are encouraged to ask us anything that they want e.g. what kind of dresses are appropriate to each event; sizes; etc. So this is a service that adds value because we really guide our customer throughout the whole process. Another thing is the product in itself. Customers have the chance to experience a high-quality and exclusive dress. We have a lot of exclusive brands so we can also reassure the customer that the likelihood of finding someone with the same dress is very low. Finally we have the price aspect, in which clients are wearing a dress that would cost them 1000€ for 150€. This price allows them to keep the dress for that, and it is a reflection of the actual price of the dress for only wearing it for that period of time.

### **5) What is the impact/relationship between your business model and the more traditional ones? Do you think that your business is taking share from the luxury industry?**

Basically we are in the middle of the less available online and extremely expensive high-luxury, and the more accessible - in terms of price and distribution - fast-fashion (e.g. Zara) spectrum. This is because our customer segments are women with a considerable purchasing power. We are catering to medium-high high social class. These are people that don't have a lot of time and like the convenience of online shopping. So there are two things that we must take into account. The first one is being able to reach this audience that has a higher purchasing power but makes smart consumption decision because they have their priorities very well organized. It can be because they have a family or because they still want to invest in other things they consider important such as educations or travels.

This does not mean that Chic by Choice does not compete with Zara for instance, but they are not direct competitors as we are able to differentiate ourselves from them. First there is the exclusivity issue, which is the key, because if you buy something from Zara chances are that someone bought the exact same thing. The second thing is our price difference Zara's is not that significant, making our value proposition grow considerably, as we are renting designer dresses.

Regarding luxury brands this provides them with the opportunity of entering consumers lives much earlier. For instance, customers that thought they would only be able to wear a designer at 50, can now wear it at 30. This is good for us but also good for the luxury industry. The reason is that although consumers may not buy a dress right away they may buy something that requires a smaller investment such as a bag or a coat, because they already know the brand and they felt good wearing it. Consumers end up knowing another luxury brand by renting a dress from us. The fact that consumers had already experienced the brand may lead them to become future customers of that brand. By receiving compliments on a dress by a certain designer, consumers will associated those confident feelings to the brand. And this gives brands the chance to establish themselves in a consumer's subconscious. This perhaps would not have been possible had it not been for Chic By choice, as consumers face the usual

barriers of entry in any brands' flagship stores. As a result of this experience, the consumer is much more predisposed to invest in that brand in the future.

**6) How do the luxury brands (your suppliers) react to your business? Doesn't the fact that you can rent luxury brands end up decreasing the luxury experience and thus brand equity?**

There are brands that choose not to partner with us, however this is rare, because there are studies that show that by giving consumers the chance to get to know a brand earlier the customers' lifetime value will be higher. Yet, this question is rather subjective because at the moment we mainly have luxury brands in the website for positioning reasons. For instance, if I have a brand that no one knows about and I put it next to a Valentino, the value of Valentino will automatically be transferred to that other brand. What usually people think is that the reason for that brand to be next to a Valentino is that it has a similar value. As a result, we are able to enhance brands' positioning through the use of luxury brands. In reality, luxury brands end up being a support but they are not our main clients, as most consumers opt to rent other brands. Consumers fall in love with dresses and what happens most of the times is that they end up trying out brands that they had never thought of. Chic by Choice opens this opportunities.

**7) Do you think that consumers care about sustainability?**

I think that sustainability and waste does not really play a role here. What really drives consumers is an efficient allocation of money. At the moment consumers actually think: will I wear this enough to justify the price? People have become more aware of the value of money and are making smarter economic decision when it comes to buying. This doesn't mean that they are spending less, what it means is that they make sure that they take the most out of their resources. For instance instead of buying 5 jackets, they may only buy 1 but they will ensure that they are able to wear it enough to justify the purchase.

**8) You have only one brick-mortar store in Lisbon. What's the rationale behind this? Why do you think it is important?**

We don't really have any brick-mortar stores, this is our HQ and we only have customers here by appointment. Our business is done completely online and the fact that we allow customer here is also because of the Portuguese market in itself. Portugal is not yet an online mature market and so we decided to offer this option also to allow clients to try the clothes beforehand. In the outside market, this doesn't really happen, people are much more familiar with online shopping and they have a deeper knowledge of their own body as sizing goes. We also offer a try before renting service online and it works perfectly.

**9) What would you say were your biggest obstacles in implementing Chic by Choice? How did you tackle them?**

I think that we face challenges everyday. But I would say that the speed of implementation and reaching and testing the market is one of the most challenging aspects. Agility is crucial, we must be able to adapt quickly being able to respond to market and consumer changes is the most difficult aspect.

**10) The rental model is initially capital intensive, because a company has to purchase inventory upfront and absorb the depreciation and maintenance costs associated with each item. How did you overcome this?**

That is correct but our stock ends up being much more profitable than that of a normal retail. Our business model is all about matching supply and demand. We do not own any dresses that have not been demanded by our customers. We have a virtual catalogue – the dresses on our website – a bit like Farfetch, and we only buy them if clients show interest in renting them. This decreases our investment risk because when we buy something, we already know that there is going to be return on that investment. A lot of the dresses on our website are not real, we only buy them after clients have showed interest in renting them.

**11) Who are your biggest competitors?**

We have a direct competitor in the UK that has the exact same service but is catering to a much younger audience, also because both the product's quality and prices is lower. Indirectly we are competing against every retailer that offers a complementary product. We end up competing with Zara in a way because there could be some sort of substitution. I mean a customer may prefer to rent an exclusive designer dress instead of buying a dress at Zara to attend a special event. Nonetheless, our real competitors are the ones that have the same business model and that may steal the customers who are interest in renting rather than buying dresses.

## **II. Business Model Canvas**

### **Key Partnerships**

**1) Who are your Key Partners? How do you establish them?**

Our partnerships work just like those of normal retailers, we follow the same structure as that of a commercial business. We have the normal suppliers with whom we do our business transactions. We buy the dresses just like retailers do and follow a set of terms and conditions agreed with our suppliers.

### **Key Activities**

**2) What key Activities describe your business model?**

Besides renting the dress to clients, we sell the dress to consignment stores at the end of the dresses' lifetime. This is not announced on our website because our core is renting the dresses and so we don't want to send out two different messages. At the moment, we have partnered with Videdressing and Vestiaire Collective, which consign our dresses. We decide to do this when the value we could get by selling the dress is higher than from renting it. This can be triggered by a number of factors, either because that dress is not in season anymore or because it hasn't been rented in a while. This allows us to increase the dresses' profitability as well as overcome any problems regarding large inventory.

## **Key Resources**

- 3) What are your Key Resources? How are they obtained? You say your items are like new or almost like new, do you accept clothes from normal sellers? What are your criteria?**

Our key resources are the of course the dresses, we buy them from retailers and suppliers just like a normal store. The only difference is that we only buy according to our demand, so instead of buying large number of dresses upfront our orders are considerably smaller. First we partner with the brand and then they send us their look books and according to what has been sold in the past and our own views of the market – we cross data – we choose the dresses that we put on our website. Then depending on our customers' demands we buy them. So we really work with brands, we have the partnership with the brand, then we select the product and finally we test it.

When we say that our dresses are new or almost like new we mean that another client might have already rented it. We buy new dresses we don't buy anything second-hand from clients for example. We have several criteria for deciding with which brands we want to work with but I would say that the biggest one is ultimately clients' satisfaction. So if a brand has high demand we will probably introduce similar dresses. It is ultimately the client who will decide on our stock because we do everything based on their preferences.

## **Channels**

- 4) What main channels do you use? How are they integrated? How are you reaching consumers?**

We mainly work online, although in Lisbon we do have an offline channel it is mainly residual. In terms of communication channels we resort to agencies to deal with the offline communication and then we heavily invest in digital marketing, since our audience is online. We do require a bit of offline communication in order to be featured in magazines and other industry's specific media, this is more of a matter of increasing brand awareness. However, client conversion comes without a doubt from online communication.

- 5) What are they most responsive to? Which channels are the most expensive?**

Google Adwords is the most efficient channel as well as the most expensive. The reason is that when people look to rent a dress they mostly search in Google. We also use social media, but Adwords is where our investment is higher since it is also the channel that we get most from.

## **Value Proposition**

- 6) What is your key value? What makes you different? Which customer needs are you addressing?**

I think that our key value is really all about the product's exclusivity and value for a much lower price. We have a really strong price/quality relation, something that customers would not be able to get had they bought the dress from a retailer.

## **Customer Relationship**

### **7) How do you build Customer Relationships? Are they expensive?**

Well we have an incredibly strong customer support service in which we include styling advisory. It is important to have good customer service as this works also as way to acquire customers. This is also works as cheaper alternative of marketing our service, since it doesn't require large investment amounts.

## **Customer Segment**

### **8) Who is your target consumer? Who is your consumer?**

Our consumers are women between 25-45 years old. Our target and segment market are aligned, we are serving the customers we initially thought of. However in our consumers we can identify two types of women:

- 25-35 year old women who are still very much keen on investing in education and knowledge. However they are still very socially active, they have a variety of different events that require them to invest in outfits.
- 35-45 year old women that usually already have a family and so that is their biggest priority. They don't have as many events as the other ones, however the ones that they do have are much more valued. So they also have a bigger concern in regards to what to wear, they want to look the best.

## **Cost Structure**

### **9) How do you have fixed shipping costs?**

We have partnered with DHL and so we were able to negotiate a flat shipping rate. Instead of having different shipping costs we have the same rate for all Europe. This way we can also minimize our own cost structure.

### **10) Can you tell me about your main Cost Structure? Which key resources are most expensive? Which activities are most expensive? How do you solve the problem of excessive inventory?**

Our main costs are stock, labour, marketing, variable costs regarding renting services (Dry cleaning, etc.), and then we have a variety of fixed costs such as maintaining the office and shipping costs.

## **Revenue Streams**

### **11) Which country drives the most sales?**

1. UK; 2. Germany; 3. Portugal; 4. The rest of Europe

### **12) Where does revenue come from? For what are customers paying? Can you tell me your annual revenue? How long did it take you to achieve break even?**

Most of our revenue comes from the UK. We do not have any ads on our website so our main source of revenue is the renting service. We have just started the selling service this year. We

are only operating since 2014 and a dress is on our website for around 18 months. So only now has the dress completed its lifetime cycle, so it did not make sense to sold it before. As a result, our sales' volume is not very significant yet. It has never happened that someone kept the dress, but sometimes dresses get ruined. In those cases the client pays for the damages, yet the maximum amount they would be charged would be the dresses' retail price and in that case they get to keep the dress.

Clients are paying for the whole renting service, I mean they pay for the dress, for the amount of days they have it in their possession and also for the dry cleaning and its return.

Regarding annual revenue I can't disclose this information but we haven't achieved break-even yet.

### **III. Conclusion**

#### **1) What's your best learning experience so far?**

Well this is a constant learning experience, really. What we have come to realize is that everything takes longer and is harder than we fist anticipated. So we must be always prepared to adjust our expectations and be flexible to accommodate any changes. It is really important to understand that sometimes our plans do not work out the way we thought, which doesn't mean that they don't work out in a better way.

#### **2) What's next for Chic By Choice? How could you improve and expand?**

Well our goal for now is to establish a stronger position in every market that we are operating in, as there is still a lot of growing potential. We also want to expand the number of options to our clients in regards to complementary products for example. We are launching accessories in March actually. One of our aims is also to complete the renting cycle by giving the client the option to purchase the dress. In the long run we want to create a sustainable marketplace, we aim to become a good option to outlet dresses. What I mean is that we want that brands decide to sell their dresses to us instead of selling them to outlet stores.

#### **3) The sharing economy business model does however have its critics who point to companies evading regulations, such as taxi drivers in against Uber. What's your view on this?**

Well I think that our case is a bit different, because if I'm not mistaken this criticism is most addressed to Uber vs. taxi drivers rather than in any other industry. I think the reason that taxi drivers are against Uber is that they had the market monopoly and now they see their revenues decreased because they are facing competition. When markets are open and there is competition there are always innovations occurring that disrupt the way the market operate. For instance this didn't happen with Airbnb because the industry is much more competitive. In the case of fashion, designers and brands have had to deal with so many new ways of having their products delivered that this kind of innovation would be easier to accept. In the fashion industry competition is so fierce that we must differentiate ourselves and always try to be the best. When competition is strong we must adapt in order to survive.

## Appendix 2: B2C Renting Models – Secondary Sources

### 2.1 *Girl Meets the Dress*

#### **How Girl Meets Dress is capitalising on the demise of ownership (Davidi, 2014)**

Ahead of the Activate London Summit 2014, Anna Bance, co-founder of Girl Meets Dress, spoke to us about how the online fashion rental service is riding the wave of collaborative consumption as people increasingly value experience and time over ownership.

##### **1) Can you tell us a little about girlmeetsdress.com and your reasons for founding it?**

Girl Meets Dress is a disruptive e-commerce business with a mission to democratise luxury – believing that everybody deserves a Cinderella experience. We provide millions of women with the ability to rent designer dresses and accessories for a fraction of the retail price.

The Girl Meets Dress story began in 2009 when I was working as UK PR manager for French luxury brand Hermes – and like my previous roles in the fashion industry, it involved lending the collection of dresses and accessories out on a daily basis to fashion magazines, shoots, celebrities and journalists. I thought to myself "wouldn't it be amazing if we could all borrow dresses for just one event, and wear a different designer for every event in our calendar?" When my co-founder Xavier and I looked into the market we saw that no one was doing it.

##### **2) As an online fashion rental service, you've benefited from the growing rise of collaborative consumption. How do you explain the popularity of the sharing economy?**

Collaborative consumption is drastically changing the way we live. Consumers are no longer confined to owning goods and services. The abundance of assets along with the relative affordability of almost anything, high-tech consumer platforms, the digitisation of products, close-knit social media communities and the economic downturn of 2008 have all meant that collaborative consumption is flourishing.

Many of us are used to bartering, swapping or trading. But these networks are now wired up globally, so this kind of networking and exchanging is second nature, even between strangers and across myriad commodities. When we launched back in 2009, the recession mindset dominated. It meant that "cost per use" was a huge driver, as being smart with money and where to spend it was highly regarded. But it was also clear that people have since realised that experience and time are the most precious commodities we have, and that consequently ownership is becoming more irrelevant than ever before.

##### **3) The sharing economy business model does however have its critics who point to companies evading regulations. What's your take on this?**

Of course not everybody is going to agree on the sharing economy, especially hotels and taxi firms who are losing out on business from peer-to-peer services. But new businesses will appear as old economies fail, with these services adapting to emerging gaps in the market. Since we are not peer-to-peer we are not breaking any rules or regulations specifically discussed in this article, and it will not be surprising to see more of these articles being written to discourage the sharing economy as the hotel and taxi industry suffers.

Fashion designers have never had a reluctance towards rental services the same way hotel and taxi firms have been to Airbnb and Uber. In fact, it is the opposite. Girl Meets Dress is very attractive to designers because many women will typically only have tried a few high-end designer brands in their lifetime, if any. With rental, designer labels get to be introduced to

potential customers on a regular basis. That is a huge marketing opportunity for designers trying to reach new customers and the next generation on a mass scale. Instead of picking holes in the sharing economy we should continue to embrace it.

**4) Beyond offering more affordable fashion, how is Girl Meets Dress.com changing the shopping experience?**

98% of our customers try a new brand they have never worn previously in their life. Many women will typically only have tried a few high-end designer brands in their lifetime, if any. With rental, everything is suddenly affordable. The trend for fast fashion over the past few years has been fuelled by mass market retailers' abilities to manufacture and retail in very short time cycles. Similarly celebrities are promoting ever more products at every opportunity; so much so that consumers have ended up buying at such a rapid rate that women now buy four times as much clothing as 30 years ago and the average woman has 22 garments in her wardrobe that she has never worn. Designer dress rental is the evolution from this and it means that by spending the same a woman can always be on trend and in a different dress for every event. This is the perfect retail cocktail for the customer which the fashion industry has been unable to provide until now.

**5) You've recently launched your first showroom in the UK, in Battersea, London. What's the rationale behind this?**

Retail and consumer habits are changing significantly, both in terms of expectations but also in terms of value. The growth in rental highlights consumers growing preference for experience over ownership. We wanted to keep up our high-level of customer service by creating an initiative that added to customers overall dress rental experience. Showroom appointments allow women to play designer dress-up and try on as many dresses as they like. They will also receive personal styling advice from our style team, and from here can book up their social calendar with dresses. This initiative was a large reason as to why we moved to bigger offices a few months ago.

**6) What's next for Girl Meets Dress?**

We have ambitious and exciting plans for the year ahead. We want to continue to grow the collection of stock, the team, and to innovate within the wider fashion space. We will continue our leadership of this emerging space and be in a position to wow our customers in every way possible and to forge a brand and quality of service which women will wonder how they managed without, giving women access to the biggest closet in the world.

**7) Finally, what is your message for the delegates attending the Guardian's Activate London Summit?**

The pay-as-you-live lifestyle enables you to easily access a better and more affordable lifestyle by hiring or sharing goods and services on a temporary basis, rather than buying and owning outright. This is a concept that is rapidly changing the way we look at consumerism, and now is the time to stand up and take notice.

*2.2 Le Tote*

**10 Questions With The Founders of LeTote, Brett Northart and Rakesh Tondon (Laws, 2015)**

LeTote is known as the Netflix of fashion. This subscription box simplifies fashion for the on the go girl, by allowing her to take the hassle out of shopping for the right business, day-time, and on the town styles.

Create a routine in 4 easy steps:

- Select the styles that you love
- Wear them for as long as you like
- Purchase the pieces that you love by holding on to them
- Send the rest back and receive a new box

**I heard that in many ways it was the women in your lives that inspired you to create Le Tote, can you elaborate on that?**

Brett Northart: I saw my wife (girlfriend at the time) constantly buying new clothes for work, events and all sorts of occasions. It seemed like she would wear something once and then it would disappear into the depths of her closet. Not to mention, she and her friends were always sharing and swapping clothes. We began to think that there must be a better way. What if swapping clothes spanned beyond just your friends? What if it was universal?

Rakesh Tondon: When my wife was pregnant, both times, she wanted variety in her wardrobe, but didn't want to pay for something she could only wear for a few months. The options she had were also extremely limited and not at all fashionable. So, she started trading some of her clothes with a friend who was also pregnant at the time. It became the entire premise of Le Tote and eventually our maternity service.

**What were some of the challenges that you faced early on in creating a platform for women, as men?**

Brett: I think some of the lingo was a bit of an adjustment. Now, we both know what peplum means and that the last word in Net-a-Porter rhymes with "foray."

**Great ideas get broken down over time, as you begin to mold, build, and create, what are some of the things that had to be scraped off of your concept over time?**

Rakesh: We went through a lot of trial-and-error finding the right audience. In the early stages of Le Tote, we started off with styles that were targeted toward a younger demographic, but the disposable income for a subscription service wasn't there. When we added more day-wear styles and professional pieces to our collection, we found a huge demand amongst a larger audience.

**As co-founders, has it always been smooth sailing?**

Rakesh: Brett and I had previously worked together and had become good friends before we launched Le Tote. And it's a good thing because the early days were tough. We worked out of my house for the first year, ate most of our meals together and put in really long hours. My parents even flew out from India to help us pack boxes and set up our initial fulfillment process.

**What are the areas you have both had to compromise in over time?**

Brett: We both came from Finance and, though Rakesh had started businesses before, launching an e-commerce startup was a new challenge for both of us. We've learned over time how to support each other so we're able to play to our individual strengths. Though most of the time we're aligned on a decision, if we're not, we do our best to compromise. If we can't reach an agreement, the person who is more steeped in that particular area will make the call.

**LeTote is called the Netflix of Fashion, that is pretty awesome, in what ways does LeTote simplify fashion for the everyday woman?**

Rakesh: Le Tote provides the ultimate level of personalization by letting you select the styles you want in each tote and tailor them to fit your ever-changing fashion needs. This helps us make it easy for women to look and feel their best at all stages of life. Whether you are looking for that perfect look for New Years, that empowering interview outfit, or a flattering dress to cover your pregnant belly, Le Tote offers that without the hassle of shopping or thinking about what's fashionable.

Brett: Le Tote helps women bypass the noise of the fashion industry and easily find new styles and brands that they may never have come across elsewhere. We also make them affordable. Our brands are high quality and might not be something you'd spend money on to "own." Also, with our "try before you buy" model, the risk that you'll be stuck with something you don't love is decrease. Overall, you still get all the advantages of a full closet without an empty bank account.

**What are your strengths as Entrepreneurs?**

Rakesh: We set the vision for the company and have perspective on the broader industry trends, which we're able to relate back to our product and customer experience. Over the last year we've grown our team significantly and filled the executive ranks with leaders from top retail and technology companies. We trust our team 100% and have invested in creating a strong company culture.

**What are your weaknesses as Entrepreneurs?**

Brett: We believe there's a huge opportunity ahead of us and are impatient to get all of our ideas to market. We like to move fast and are data-driven so we are continually testing and iterating. Sometimes it's difficult to stay focused on a core set of objectives when there's so much we want to get done.

**Can you describe your company culture in 5 words each?**

Brett: Passionate, innovative, collaborative, engaged and mostly female

Rakesh: Growing, dynamic, well-dressed, exciting and creative

**Appendix 3: C2C Renting Models– Secondary Sources**

*3.1 Closet Collective (previously known as Kookopa)*

**a) Borrow and Lend Site Kookopa Has The Answer To Your Closet Woes (Reddinger, 2014)**

*Ever look into your jam-packed closet and wonder why you still have nothing to wear? Newly launched borrow and lend site, Kookopa has this age-old dilemma solved! Now instead of consigning your closet, you can share it and make money in the process. Or if you're just looking to occasionally update your closet without spending a bunch of money, you can borrow pieces from other women with a like-minded sense of style or body type. That means you could be renting everything from Theory to Céline without breaking your bank. We sat down with former financier and co-founder Claire Allison to find out how it works.*

**How did you come up with the idea for Kookopa?**

I was grabbing drinks with one of my longtime best friends, who was graduating Columbia business school the next day and she had just come back from this whirlwind trip to Peru and

we were talking about her graduation the next day and she said, “My family is flying in for it, it’s a big deal and I haven’t thought about what I’m going to wear.” She didn’t want to have to go out and buy something. She wanted to borrow something. So she said, “I have this great idea that it would be really useful if all of your closet was online so I could tell you what to bring today.” I thought, “Yes, that sounds great for you but why would I do that? I love you, but I don’t love you that much!” We started talking about this idea within the sharing economy. Could we match one woman with another woman who is her size and who shares her style? Could we give girls like me a reason to put their closets online for a new way to monetize them?

**When did you start putting the idea into motion?**

We met for brunch a week after our first conversation. She was about to move back to Kenya and I was working in finance, but we both thought this was a really good idea. So we did some market research tests by basically going around to women in New York and asking them what they thought. We got really good responses so we decided to go for it. We launched the website in November of last year and its really growing.

**Why is Kookopa better than consigning?**

We take 20% versus the 50% that consignments take, so you keep 80% of every rental and you rent it out for 10% of the retail price. If you rent it out 10 times, you’ve pretty much made your money back, and you have the option to wear it again. I’ve never sold anything on consignment, because you get nothing for it. On consignment I get 10-15% of what I paid for it. It’s just not worth it.

**Wow...and you live in New York City?**

Yes, it’s not a good idea. My husband has been forced out into smaller closets in the hallway! I think Ikea storage beds have saved my relationship. It’s amazing how many things are stuffed in there.

**Can the lender choose how much they put it up for?**

Totally. We give them recommendations like based on what we are either seeing it rent for or what we think is a fair price, but at the end of the day we can’t tell a lender what emotional attachment they have to that piece.

**Once you lend, are you lending to everyone signed up on the site?**

It is open to anyone, but the lender does have the opportunity to say yes or no to any rental for any period of time. For example the lender may plan on wearing it at that time. But at the end of the day most of the items people put up are pieces they aren’t really wearing. Like most women, I probably wear about 10% of my closet and that’s being generous, so its not really the stuff that I’m rotating throughout my closet. It’s the piece that I bought to wear to a wedding or gala or that red leather jacket that I thought was genius at the time and had frills and everything, but I look at it and think, “I’m never going to wear this.” So it’s pieces that you’re not really wearing but you don’t want to get rid of because you spent “x” amount of money on them or you had some sort of memory of this piece that you don’t want to get rid of.

**Do borrowers have to return items dry-cleaned?**

We handle all the shipping and the dry-cleaning.

**What is the lending process like?**

When lending, a woman can either choose a DIY or a White Glove service. For the DIY service we will tell you how to take the pictures and we'll edit your pieces so they fit the site. If you do the White Glove service, we send the lender a pre-paid bag to put their clothes in to send to us. We photograph and list the items and then send them back with a lender kit. The lender kit includes the bag and cards need to ship the items when they are rented. When the borrower is finished with the piece, we get the item back, dry clean it, make sure it is in good condition, and then send it back to the lender ready to wear.

### **How does borrowing work?**

To rent an item a girl selects a piece on our site and rents it for five days, two weeks, or even a month. We have a monthly subscription for everyday pieces like say, a leather jacket you want to wear this month. We built this company around being the customers, being a lender and being a borrower, so we wanted to make it easy and hassle free.

### **Is there a price for the White Glove service?**

If you choose the White Glove service we charge 40% and if it's a DIY we charge 20%.

### **What happens if a borrower doesn't return a piece to a lender?**

We've never had that happen, because they know they're not just renting from a rental company. They know it belongs to another girl. However, if someone doesn't return the item or it gets ruined, the borrower's credit card is charged for the full retail amount and we give that amount to the lender.

### **How many people do you have using the site?**

We've got around 1,200 people using the site now, which is great. It's growing and we are posting new things everyday.

### **Is it women around the country or is it only in New York?**

Most of the items are from New York women, but we've got a few in Virginia and DC. We ship all over the country and we are definitely growing outside of New York.

### **What kind of merchandise can we expect to see?**

For the price of a J.Crew dress, you could get three designer pieces every month through our subscription service. It could be a Jimmy Choo bag, Valentino shoes, or a Smythe blazer. You just refresh your closet every month. It's great! Every time I see something new go up on the site, I want to add it to my list.

### **What kind of women are using the site?**

Women go through changes in their life. My partner and I were both in finance before and had a lot of suits. Because we don't need them anymore, they are perfect to lend to girls coming out of school, who need to look great their first day at work. This is a way to look the part without having to break the bank or going into debt to do it. We had a girl who was a lender already on the site and she just had a baby. She was the cutest pregnant lady ever and she wore the most adorable shift dresses from Vince, Theysken's Theory, and Derek Lam. After she had her baby she didn't need to wear them anymore, so she just put those up on the site. Its great for women going through different stages in life like pregnancy, breastfeeding, weight loss or travel.

### **What was it like quitting your finance job to start your own business?**

Scary. It's still scary, but it's great. Finance can be interesting work, but it's not yours. When you start your own business it's your baby. It's a really fun experience. When there's no regular paycheck or safety net for you to fall back on, it's scary, but I think if I hadn't had the courage, I would always wonder.

**How far into the business were you before you quit your finance gig?**

Day one. You can't start a business part-time.

**Even before you got funding?**

It's all self-funded. We have done it all ourselves.

**Do you consider Rent the Runway as a competitor?**

We love Rent the Runway. If they hadn't done what they've done then we could not exist. The difference is they have to buy and hold inventory, so they're very limited by a certain buying force or customer. They're very targeted towards who they're looking for because they have a certain amount of space for that inventory. We don't have inventory that we hold as a company. We can cover everything from suits for work to shoes, jewelry, and even ski gear. I put my ski boots on the site, after I discovered I hate skiing! I have all of this ski gear that I bought to wear in Vail. I wish I could have rented it from somebody else.

**What's the most expensive item on the website?**

We have a \$4,500 Zac Posen gown that rents for around \$450 and a \$2,500 knee-length Céline leather jacket that rents for around \$250.

**How long can you rent it for \$250?**

This being the piece that it is, just for five days. But we also have pieces like a \$4,000 Luca Luca dress and jacket or a Jimmy Choo bag for over \$1,000 that you can rent for a month under the subscription plan.

That's a good deal. It's great for when you go to all of these winter events and you have a fabulous dress on, but don't want to put on your boring old black coat. You don't necessarily want to buy an evening coat, but now you can rent one. We also have a Roland Mouret gown that retails around \$3,500 and you can rent it for \$90. It's just a great way to monetize it and get something back for it.

**What does the subscription entail?**

You pay a styling fee of \$25 per month and you get three designer pieces delivered to your door. You can try them on and the pay \$50 per piece that you want to keep for the month. So it's \$1,500 or \$2,000 worth of clothing that you get every month.

**But you can also rent piece by piece, correct?**

Yes, it's up to you. You can do a five day rental, a two week rental, a month rental, or for the subscription you get three pieces for a month.

**How so?**

Seema, my co-founder, hates dealing with fashion. It's hard for her because she's five feet tall. She's this tiny little person, who says nothing fits her. She had a wedding and she had to wear a long dress. She bought one, tailored it for her and now anyone who is five feet tall can borrow her dress and know that it's not a problem. You know if you buy anything online its like, look it's on a six-foot tall model and looks awesome, but doesn't help me. These are real clothes that fit real women.

### *3.2 Date My Wardrobe*

#### **a) Local Fashion Startup Date My Wardrobe Launches Mobile App, (Milnes, 2014)**

It all started when Amrita Aviyente realized she forgot the shoes she planned to wear to an out-of-town high school reunion. After having to buy a new pair, Aviyente figured there had to be a smarter solution, especially during a time when the sharing economy was taking off. From her predicament, Aviyente launched Date My Wardrobe, a startup that would allow women to rent from the wardrobes of other women nearby.

Date My Wardrobe's goal is to expand your closet to include the lightly worn items going under used in other closets around town, and help save you money. Users can either post their rentable items, or request an item to rent, and Date My Wardrobe makes the match before facilitating an exchange process. Currently, only shoes are listed to rent on the site and app, but this fall, the company will roll out rentable dresses and handbags – meaning you could rent an entire evening outfit through the startup.

After launching nearly a year ago in October of 2013, Aviyente has some new developments, in addition to the inclusion of dresses and handbags, headed to her startup, which is currently based out of the Babson College accelerator Butler Venture Accelerator.

Most immediately is Date My Wardrobe's new mobile app, which launched in the App Store last week. App users can contact potential rental matches directly through the app and facilitate a time and place to exchange an item, as well as upload photos more easily on their phones. Aviyente said that after launching the online site, the company received feedback from users that a mobile app would be a necessary and appreciated component.

"Everyone is on their phone all the time, and this will let [users] post their pictures and create a digital wardrobe without going to the site. If there's a nice dress I bought, I can just upload it directly to the site through the app," said Aviyente in a phone call to BostInno.

Another feature coming to Date My Wardrobe in the coming months is a partnership with local designers. Aviyente hopes to work with area designers to get their collections on the site and app, in order to rent items out to users and test the market.

On top of that, a fourth new feature coming to DMW that will benefit designers and renters alike is the ability to buy items on the app, instead of just rent. Aviyente expects this feature to roll out this fall.

The market, Aviyente said, that Date My Wardrobe focuses on is the college and young professional population. She continued that it's important to build trust in a sharing economy, and that Boston is a perfect size to launch Date My Wardrobe, because it's manageable.

Next up, Date My Wardrobe will launch in Amsterdam, in conjunction with the Web Summit in Dublin, Ireland. As of now, Aviyente didn't mention any plans to expand to another US city.

#### **Appendix 4: B2C Second-hand Models – Secondary Sources**

##### *4.1 What Goes Around Comes Around*

#### **Inside the Booming Vintage Luxury Fashion Market (Bloomberg, 2016)**

Sales of high-end vintage attire and accessories are soaring — both in volume and price — and a handful of small businesses are taking advantage of market forces that are making what was old new again.

Veteran retailer Seth Weisser is in the middle of construction for his largest, most ambitious store to date: a 3,800 square-foot flagship just off Rodeo Drive in Beverly Hills, California. It will sell designer clothes, accessories, and jewellery; he plans special stores-within-a-store for Chanel and Hermès. “It will be extremely elegant, with high-end marble, brass fittings, and turn of the century Cartier showcases,” Weisser explains by phone from his office in New York, “This is going to be the ultimate luxury shopping experience.”

There’s one crucial difference between Weisser’s newest boutique and those nearby, such as Louis Vuitton or Valentino: It will sell used clothing.

This will be the fifth outpost of his chain, What Goes Around Comes Around (WGACA), where absolutely everything for sale is second-hand or rather, “luxury vintage.” A recent boom in enthusiasm for vintage fashion has led to a rapid expansion for stores such as WGACA and growing profits, even when global fashion brands are faltering. In fact, its merchandise assortment is even more exclusive and thrilling to shoppers than many offered by neighboring stores. That Chanel selection — “We have the largest collection of vintage Chanel in the whole world,” Weisser claims — will include dozens of noteworthy bags and clothes from Karl Lagerfeld’s stint as head designer, as well as sought-after, discontinued pieces from its costume jewellery range.

As for the Hermès “concession,” the centerpiece when it opens will be a Himalayan crocodile Birkin; a similar model sold for \$185,000 at auction two years ago. You simply can’t walk into an Hermès store anywhere in the world and expect to be able to walk out with one of these, now matter how much you are willing to pay.

Vintage Is Booming  
WGACA isn’t the only superior second-hand operation in the area. Indeed, Ben Hemminger’s Fashionphile has been selling top tier, gently used designer purses by Dior and Louis Vuitton from a jewel box-sized showroom in Beverly Hills since 2008. It’s tucked into an alleyway at the end of the same block as WGACA, less than 500 feet from an enormous branch of Barneys. “Actually, our showroom is right next to Louis Vuitton — our garbage can is the same as theirs,” Hemminger laughs, speaking by phone from the firm’s warehouse headquarters in Carlsbad, California.

Both firms are booming: Weisser’s plush new site is 25 percent larger than its previous location in a busy block of La Brea, while Fashionphile logged \$3 million in sales in February 2016, its strongest month ever, and business grew 50 percent to 60 percent year over year in 2015. They are prime examples of the new retail sector of luxury vintage, in which barely worn bags or designer dresses are sold at discount to women who might have shopped straight from the runway. They occupy sites adjacent to full-price rivals; sometimes, they even supply them. Weisser has contracts with such department stores as Lane Crawford in Hong Kong and Barneys in Japan to supply authentic, top-tier vintage for their sales floors.

Online Competition Is Growing  
Online counterparts are jostling for the same business: Both TheRealReal and MaterialWorld operate similarly, trading on the newfound cachet for used clothes. The booming industry of prime vintage has been buttressed by the emergence of handbag-centric auctions such as those at ArtCurial in Paris or Fine Art Auctions in Miami. Christie’s was so keen to enter the luxury vintage business that in 2014 it poached the wunderkind head of Heritage Auctions’ bag-selling department, a twentysomething Matt Rubinger. Heritage perceived the defection as such a blow that it sued Christie’s for \$60 million.

It’s still startling, though, to see a second-hand store — even one with such blue chip, red carpet credentials (Rihanna’s a regular) as WGACA — snap up prime retail space in Beverly Hills. Stylist Lauren Goodman suggests that this won’t be the last vintage tenant roped in by Rodeo Drive. She points out that much like fine wine, top-tier vintage clothes and accessories often appreciate in value. “You could buy a vintage Versace dress from the 1990s, wear it five

times and resell it, and it's probably gone up a little bit in value. I mean, everyone's obsessed with the '90s right now," Goodman says by phone from her home in San Francisco. (Remember the headline-making, albeit exaggerated claim that a Birkin bag by Hermès was a better investment than gold?)

New Stuff Is More Expensive Now, Too  
Goodman adds that the lure of vintage is also driven by the rising prices of new merchandise. Designer labels have deliberately hiked prices of core items over the past decade or so; the cost of Chanel's bags, for example, rises an average 15 percent annually. "It makes vintage feel better value than ever, and it's already survived the test of time."

Michael Tonello, who wrote the memoir *Bringing Home the Birkin* about his time as an Hermès reseller, agrees. "Ten years ago, a nice designer shirt was a couple hundred bucks," he says by phone from his home in Barcelona. "Now, you look in a store window and every price has a comma in it—\$1,000 or more."

Other cultural and economic shifts are helping to bring WGACA and Fashionphile to the fore. Instagramming from the front row of a show might earn editors a few extra followers, but it softens the excitement that once surrounded the delivery of new clothes to a retailer, notes Goodman. "By the time someone wears a look from the runway out to a party now, the clothes already feel like last season. But if it's vintage, it will exist outside of this cycle and won't have been liked 5,000 or 25,000 times on Instagram already. It's special, unique, and it's yours. You are making a bold, personal style decision." This same impetus lay behind Burberry's decision to runways with instant buying options, starting in September.

The Threat of Fraud  
It might seem that the rise of luxury vintage is unstoppable, but a danger looms that could derail the entire industry: fakes. The resale market is lucrative and generally un-policed—charges around selling fakes are usually pleaded down to disorderly conduct, resulting in minor fines and no jail time—so it's ripe for unscrupulous exploitation. The situation is made trickier by the emergence of a new class of counterfeits known as superfakes, essentially production overruns stolen from the factory and indistinguishable from authorized merchandise.

It's a threat that WGACA's Weisser takes seriously. "We handle more of this product than anyone's ever seen, so we get a very good comfort level on how to spot a fake. Our senior buyers are like scientists, and they will get down to counting stitches or even using techniques we'd prefer not to disclose."

## **Appendix 5: C2C Second-hand Models**

### *5.1 The RealReal*

#### **The Real Story Behind The RealReal (Steinberg, 2014)**

##### **What's different about The RealReal versus eBay or another consignment site?**

One of your top sellers who switched over from eBay said she loves it and has made \$90,000 in five months, but also mentioned that The RealReal takes a higher percentage than eBay.

Ebay will pay you more. If you do it yourself you're going to make up to 80 percent, sometimes 82 percent, and the most you can make with us is 70 percent. But the difference is you don't have to take returns, deal with customers, do chargebacks or ship. After your first consignment, we'll even pay for shipping to us.

Think of what she had to do before: she had to take pictures, post everything; she probably had an auction price instead of a full price so had to go back and forth on the prices, then deal with the credit card processing and take returns... she really was her own business front to

back, and now she's a product sourcer and we run the business aspect of it for her. In the end, she's making a lot more money and I think she's having a lot more fun.

Also our product mix is different than eBay's. It really is more of a Sotheby's or Christie's that also does fashion. And we will give you the brands we sell and the price points we sell at before you start selling with us (with the exception of fine jewelry and watches). We are really transparent and will give all that info to you. And the other thing is our items sell much faster. They sell so quickly that it makes people's heads spin. When people come from eBay, people have something listed for 60-70 days, and it may or may not sell. With us, 80 percent of the things sell within the first three days.

### **How are you changing consumers' buying habits?**

[For example,] I'm buying and selling things on a regular basis in a way that I didn't think I would be. I still buy full retail, but I buy things I know have the best resale value, and then I supplement it and consign, wear, and re consign on a regular basis.

Let's say my budget for the year for clothing was \$12,000. Now I can actually spend less and look better because I'm buying two or three really gorgeous things retail, and everything else I'm buying consignment and then I re consign and make money off of it. I'll buy on our site and will know I can resell it. And when I'm out shopping, I will tend to shop the designer floor, and know the resale value. Because, there's plenty of items in the store that are \$600 or more, but they have no resale value, so now I'm like, "Why would I do that when, if I spend \$900 I can resell it for \$600 later?"

And I'm not alone. People who have been using the site for a couple years have changed their retail buying behavior. They tend to buy brands they know have resale value, and then they buy and re consign on a regular basis. It just changes your perspective about your closet. It's very interesting to me: there's this whole economy even on reselling your phone, and yet people will spend thousands on their handbag or a dress and won't resell it; won't even think about it. We're really providing liquidity where there wasn't liquidity before.

## *5.2 Vestiaire Collective*

### **Luxury designer resale with Fanny Moizant, Founder of Vestiaire Collective (Piety, 2015)**

Fanny Moizant is a co-founder of Vestiaire Collective, a luxury resale store launched in 2009 that set out to fill a much needed gap in the online market. The result was a hyper-curated platform for designer pieces that had either never been worn or were gently worn and kept in premium condition. We talked to Fanny about the company's growth, sustainability, and her own perfectly organized wardrobe.

### **How did Vestiaire Collective start?**

The concept of Vestiaire Collective came up six years ago in the minds of our six co-founders, who all arrived at the idea for different reasons. I developed the concept based on my observations of blogger behavior. I spotted many top tier bloggers reselling their own items on their sites without a shopping section, e-commerce functionality or even so much as a dedicated post. It was then I began to think about creating a platform that would enable fashion lovers to re-sell coveted pieces. Sebastien Fabre, now CEO of Vestiaire Collective, and Sophie Hersan who is our Product Director, came across the concept from another perspective. Their shopping experiences had

left them with well curated closets, but without a re-sale platform that appreciated that elevated level of merchandise.

We all met through a friend and merged the two concepts. A few months later, in October 2009, Vestiaire Collective was born! In total, there are six co-founders, all very passionate, each a specialist in his or her own field.

**There has been a lot of talk about fashion and environmental issues recently. Did you have this in mind when you started the company? Why did you choose to work in the re-sale space specifically?**

Yes, we absolutely had sustainability in mind when we launched Vestiaire Collective. The resurgence of eco-consciousness was one of the main reasons we were convinced it was the perfect time to develop a global resale marketplace. I think that my generation is inherently environmentally conscious, so we've been very proud of Vestiaire Collective's role in global waste reduction.

**What have been some of the highlights, and lows, of Vestiaire?**

Our biggest recent highlights are definitely the new international offices in NYC and Berlin over the last few months. Five years after launching Vestiaire Collective with six co-founders, working from our own flats, it's a dream for us to have 150 people on the staff in 4 different countries!

Our lows have really just been trying trying to keep up with this huge growth and be "everywhere" at the same time; recruiting, driving the day-to-day business, launching new features, building and growing awareness of the brand while simultaneously trying to take a step back in order to keep innovating. We have had to fit all of that within such a short time that it can be hard to deal with sometimes.

**How are you continuing to expand the company?**

Our plan is to become a worldwide leader. For that, we are reinforcing our presence in Europe pushing hard in the US. We are growing our locals teams and partnering with the right talent in each regions to help us increase our awareness. We sell already in more than 40 countries and intend to grow a lot in the following months.

**How do you merge content and commerce on the site?**

We try to inspire our community by providing very edited fashion content, fully 'home made' via our French stylists. It's important for us to keep our French DNA. We do our own shoots and campaigns and match them with the inventory on the site to enable our members to go through our huge catalog.

"It's important for us to keep our French DNA. We do our own shoots and campaigns and match them with the inventory on the site.

Our other type of content is directly provided by our users. Being a social platform means that we have a amazing volume of user generated content through their comments, likes, wish list, profiles.... This social content drives deep engagement as members are also coming to VC for advice, tips and inspiration from other fashionistas...

**What does a typical day at Vestiaire look like?**

It usually starts with a breakfast with someone interesting, editors, stylists, fellow entrepreneurs or potential partners. I love to meeting new people and I gain so much inspiration in those meetings. The day continues with some internal meetings in the London office or on Skype with our teams in Paris, Berlin or NYC. In France, we have lunch all

together outside. In London, it's more common to eat lunch in front of your own laptop. To fuel the team, I try to organize as many drinks, dinners or get togethers as possible. After a full day of work, I walk home to see my daughters, put them to bed and then I usually finish the day by doing battle with the e-mails flooding my inbox!

“In France, we have lunch all together outside. In London, it’s more common to eat lunch in front of your own laptop.

**I’ve read that you have a very edited capsule wardrobe. Is this a deliberate choice, and what advice do you have about curating the perfect closet?**

Yes I do, I will say that my closet is tiny compared some my friends who will remain nameless! I know what I love and buy several different versions of it. This comes from my desire for convenience and time. Being a mum and a busy entrepreneur I don't have time to ask myself every morning, "what should I wear today?" so having a uniform helps.

An edited wardrobe is for me a no brainer! Organize your clothing by the current season and store off-season items to avoid being overwhelmed every time you open your closet. This will provide a clearer idea of what you’re actually wearing as well as what items you need.

Store leather goods and accessories, away from direct sunlight and use sealed containers for long-term storage to keep items in ready-to-wear (or sell) condition!

“Organize your clothing by the current season and store off-season items to avoid being overwhelmed every time you open your closet.

**What is your everyday uniform and go-to basics?**

My basics are skinny jeans, a silk blouse or shirt and a nice pair of heels. I love simple and sleek looks that are accentuated with cool accessories like a pair of Gianvito Rossi heels, a Repossi Berbere ring or a quirky Charlotte Olympia clutch.

## Appendix 6: B2C Renting Models – Companies’ Characteristics

Companies	Brands	Type of Items	Location - Shipping Location	Lenght	Payment	Dry Cleaning	Showroom	Blog	Try the product before	Customers' Reviews on the product	Possibility to buy	Segment	Focusing on an event?
Adom	Luxury	Accessories	USA - USA	1 business day after the event	Rental	Yes	No	Yes	No	Yes	Yes	Women	Yes
Borrowed Bling	Luxury	Accessories	USA - USA	Unlimited	Membership fee	Yes	No	No	No	Yes	No	Men & Women	Yes
Chic By Choice	Luxury to high-end designers	Clothing	Portugal - Europe	4-8 days	Rental	Yes	Yes	No	Yes for an extra fee	No	No	Women	Yes
Cinderella Me	Luxury	Accessories	UK - UK	7 days	Rental	Yes	No	Yes	No	Yes	Yes	Women	Yes
Dream Wardrobe	Luxury to high-end designers	Clothing & accessories	UK - Europe	5,8 or 14-day rental period	Rental	Yes	No	Yes	Yes	Yes	No	Women	Yes
Eleven James	Luxury	Accessories	USA - USA	4 months s	Membership fee	Yes	No	No	No	No	Yes	Men	No
Generation Tux	Luxury	Clothing & accessories	USA - USA	10 days	Rental	Yes	No	No	Yes	No	No	Men	Yes
Girl Meets Dress	Luxury to high-end designers	Clothing & accessories	UK - Europe	2-7 days	Rental or Membership fee	Yes	Yes	Yes	Yes	Yes	Yes	Women	Yes
Glam Corner	Luxury to high-end designers	Clothing	Australia - Australia	4-8 days	Rental	Yes	No	Yes	No	Yes	No	Women	Yes
Gwynnie Bee	Mainstream	Clothing	USA - USA	Unlimited	Membership fee	Yes	No	Yes	No	Yes	Yes	Plus Size Women	No
Haute Vault	Luxury	Accessories	USA - USA	All items to be returned on the following Monday	Rental or Membership fee	Yes	No	Yes	Yes	No	For members only	Men & Women	Yes

Hire the Catwalk	High-end Designers	Clothing	UK - UK	3-7 days	Rental	Yes	Yes	No	No	No	Yes	Women	Yes
Le Tote	Mainstream	Clothing & accessories	USA - USA	Unlimited	Membership fee	Yes	No	Yes	No	No	Yes	Women	No
Lending Luxury	High-end Designers	Clothing	USA - USA	5 days	Rental	Yes	Yes	Yes	Yes	Yes	Yes	Women	Yes
My Couture Corner	Luxury to high-end designers	Clothing & accessories	France - International	4- 8 days	Rental or Membership fee	Yes	Yes	No	No	No	For members only	Women	Yes
Rent Frock Repeat	High-end Designers	Clothing	Canada - Canada	4 - 8 days	Rental	Yes	Yes	Yes	Yes	Yes	No	Women	Yes
Rent the Runway	Luxury to high-end designers	Clothing & accessories	USA - USA	4-8 days	Rental or Membership fee	Yes	Yes	Yes	Yes	Yes	No	Women	No
RocksBox	High-end Designers	Accessories	USA - USA	Unlimited	Membership fee	Yes	No	Yes	No	No	Yes	Women	No
The Black Tux	High-end Designers	Clothing	USA - USA	Return within 3 days after the event	Rental	Yes	Yes	No	Yes for an extra fee	No	No	Men	Yes
The Frock Project	Luxury to high-end designers	Clothing	UK - International	4-8 days	Rental	Yes	No	No	No	No	Yes	Women	Yes

Table 3: B2C Renting Models

**Appendix 7: C2C Renting Models – Companies’ Characteristics**

Companies	Brands	Type	Location - Shipping Location	Dry Cleaning	Lenght	Payment	Showroom	Blog	Try the product before	Trust	Authenticat ion Service	Possibility to buy	% Commission Fee for Consignment	Segment	Focusing on an event?
Closet Collective	Luxury to Mainstream	Clothing & accessories	USA - USA	Yes	30 days	Membership fee	No	Yes	No	Lenders' Profile	No	Yes	20% for DIY 40% White Glove Service	Women	No
Date My Wardrobe	High-end designers	Clothing & accessories	USA - USA	Yes	4 days	Rental	Yes	Yes	No	Both	No	Yes	Yes, not disclosed	Women	No
Rewear	Local Designers	Clothing & accessories	The Netherlands - International	Yes, extra fee	Negotiable	Rental	No	No	No	Both	No	No	13%	Women	No

**Table 4: C2C Renting Models**

**Appendix 8: B2C Second-hand Models – Companies’ Characteristics**

Companies	What	Brands	Type	Location - Shipping Location	Price	Showroom	Blog	Authenticity Service	How are the items obtained & Item's Condition	Segment
Material Wrld	Buy (upfront) & Sell	Luxury to high-end designers	Clothing & accessories	USA - Continental USA	Decided by the company	No	Yes	Yes	Individual Sellers Excellent to like-new condition Freshly laundered, stain and defect free.	Women
What Goes Around Comes Around	Buy (upfront) & Sell	Luxury to high-end designers	Accessories	USA - International	Decided by the company	Yes	No	Yes	The WGACA buying team travels the world, hand-selecting the finest items from the most coveted fashion labels.	Women

**Table 5: B2C Second-hand Models**

## Appendix 9: C2C Second-hand Models – Companies’ Characteristics

Companies	Option to buy upfront?	Type of Items	Brands	Location - Shipping Location	Price	Showroom	Blog	Trust	Authentication Service	Membership Fee for the consumer	Commission Type	% Commission Fee for Consignment	Segment
BuyMyWardrobe	No	Clothing & accessories	Luxury to High-end designers	UK - International	Set by seller	Yes	Yes	Sellers' Profile	No	No	Variable	Business - 12% (+VAT) Individual - 15% (+VAT) VIP - 35% (+VAT) overall charges.	Women
Collectors Square	Yes	Accessories	Luxury	France - International	Set by company	Yes	No	No	Yes	No	Fixed	25% (+ VAT)	Men & Women
Crown & Caliber	No	Accessories	Luxury	USA - International	Set by company	No	Yes	No	Yes	No	Variable	19,5% + small prep fee that varies bases on the price of the watch	Men
ebay	No	Clothing & accessories	Luxury to Mainstream	USA - International	Set by seller	No	Yes	Reviews on Seller	No	No	Variable	1. Standard: Listing fee (over 50 items) \$0,3 and commission fee 10% (max. \$750); 2. eBay Store:monthly subscription and 9% commission (max. \$250)	Men, Women & Kids
eDrop-Off	No	Clothing & accessories	Luxury to High-end designers	USA - International	Set by company	No	Yes	No	Yes	No	Fixed	40%	Women
Fashionpile	Yes	Accessories	Luxury	USA - International	Set by company	Yes	No	No	Yes	No	Variable	30% if bag < \$3.000 15% if bag > \$3.000	Women
Luxry Garage Sale	No	Clothing & accessories	Luxury	USA - International	Set by company	Yes	No	No	Yes	No	Variable	Depends on item	Women
Portero	Yes	Accessories	Luxury	USA - International	Set by seller	No	Yes	No	Yes	No	Variable	30% if item < \$10.000 25% if item > \$10.000	Women
PoshMark	No	Clothing & accessories	Luxury to Mainstream	USA - USA	Set by seller	No	Yes	Sellers' Profile	Yes, at an additional price	No	Variable	Sales < \$15: flat commission of \$2.95. Sales > \$15: commission 20%.	Women
Snobswap	No	Clothing & accessories	Luxury	USA - International	Set by seller	Yes	Yes	Both	Yes	No	Fixed	15%	Women
The Next Closet	No	Clothing & accessories	Luxury to High-end designers	The Netherlands - Internation	Set by company	Yes	Yes	Sellers' Profile	Yes	No	Variable	Premium Service 35%-50% Do-It-Yourself (DIY) Service: 20%.	Women
The RealReal	No	Clothing & accessories	Luxury	USA - International	Set by Company	No	No	No	Yes	Yes	Variable	Sales < \$7,499 commission 40% . Sales > \$7,500 commission 30%	Men & Women

ThreadUp	Yes	Clothing & accessories	Luxury to Mainstream	USA - USA	Set by company	No	Yes	Reviews on Seller	Yes	No	Variable	Direct Sale <\$14.99 90% Upfront \$15.00-\$19.99 85% Upfront \$20.00-\$39.99 75% Upfront \$40.00-\$59.99 60% Upfront  Consignment \$60.00-\$89.99 50% \$90.00-\$149.99 40% \$150.00-299.99 30% \$300.00 and up 20%	Women & Kids
Tradesy	No	Clothing & accessories	Luxury to Mainstream	USA - USA	Set by seller	No	Yes	Both	No	No	Variable	9% if customers keeps earnings on Tradesy 11,9% if customer cashes out	Women
Vaunte	No	Clothing & accessories	Luxury to High-end designers	USA - International	Set by seller	No	No	Both	Yes	No	Fixed	15%	Women
Vestiaire Collective	No	Clothing & accessories	Luxury to Mainstream	France - International	Set by seller	No	Yes	Both	Yes	No	Variable	18% (+ VAT) for items > €3000 20% (+VAT) for items between €2000 - €3000 24% (+ VAT) for items between €1000 - €2000 25% (+ VAT) for items between €500 - €1000 30% (+VAT) for item between €250 - €500 31% (+ VAT) for item between €100 - €250 33% (+ VAT) for item between €50 - €100 8€ (+ VAT) for items under €50	Men & Women & Kids
Videdressing	No	Clothing & accessories	Luxury to Mainstream	France - International	Set by seller	No	Yes	Sellers' Profile	Yes	No	Fixed	10% + €3	Men & Women & Kids

**Table 6: C2C Second-hand Models**