

Circular business model innovation through sensory ethnography

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Abstract

The aim of this study is to unpack the value of ethnographic research as a relevant methodology for studying and developing new business models. A pop-up store we ran for three months in 2020 served as a testlab to experiment with value creation around buying, swapping and borrowing secondhand clothing.

Keywords

Ethnography, pop-up retail, fashion, circular business models, experimentation

RELEVANCE OF THE PROBLEM

The circular economy has become a core concept to drive sustainability transitions in business. However, there is still significant uncertainty associated with the implementation and impacts of the circular economy. Experimentation with circular business models is needed to understand which propositions work in practice and what their complex environment impacts would be. To kickstart transformations within businesses, business model experimentation has recently gained foothold in the sustainability sphere (Bocken et al., 2017; Bocken & Snihur, 2020): it has been described as a process to learn about future business models (McGrath, 2010) and co-create them in practice, and has long been a method in the natural and physical sciences (Weissbrod, 2019). However, the processes and methods for experimentation in a business context still need significant development (Bocken & Snihur, 2020; Felin et al., 2020). Bocken recommends to start experimenting for the circular economy at the product or material level, as this may naturally lead to more complex and impactful change at the value chain and business model level (Bocken, 2021). Experimentation, regardless of the method, is necessary to support the development of innovative solutions (Bocken, N., Boons, F., &

Baldassarre, B., 2019). However, more insight is needed to understand the most appropriate practices, which is where ethnography might be of value.

Innovating business models in the fashion industry is crucial as the industry is dubbed as being the second largest polluter in the world, after oil (Thorisdottir & Johansdottir, 2019). Rental and resale business models for clothing are one out of the two most interesting investment opportunities in the fashion industry with the biggest impact on sustainable systemic change (Ellen McArthur Foundation, 2020). Unfortunately - based on personal conversations with founders - current rental models such as physical clothing libraries and online rental services in The Netherlands are either dependent on funding or don't survive longer than a few years. At the same time, we observe that resale is booming with large brands stepping on the bandwagon with reselling their collections¹⁹ while the market for person-to-person resale of pre-owned clothes is scaling up across Europe²⁰.

Circularity in a retail context is understudied in four ways. First, consumers have a high ambition to buy circular, but fail to implement in practice: they lack knowledge on both circular products as well as circular services such as rental, lease and resale (European Commission, 2018). Second, it is unclear which costs the consumer is prepared to pay for circular production and services. Third, for retailers it is crucial to anticipate policy regulations – the Dutch government has the ambition to be fully circular by 2050 - and to understand which skills they need to achieve circular objectives. Fourth, retailers need to shape collaboration with partners in the supply chain to come to circular procurement and sales (Overdiek, 2019). Value creation might lie in the product, but also in local network creation and curation (Overdiek, 2019). Experimenting with and developing new business models thus requires insight in the role of the social context (including customers) to answer the question if people are willing to change from ownership to rental models.

With this study we want to provide perspectives for the entrepreneurs who want to start a resale or rental model in fashion retail building on the knowledge we have about small fashion retail businesses (Overdiek, 2018; 2019; Poldner, 2013). Our assumption is that only a thorough understanding of pitfalls and best practices can support these innovators to create real impact.

METHODS

Testing business models with real customers paying real money provides the highest fidelity (Chesbrough, 2010), which is why we developed our study as a testlab for ethnographic action research. Building on Pink's ethnographic work, especially her conceptually rich discussions on the relationships between different media and the

¹⁹ Zalando enters resale market: <https://fashionunited.com/news/retail/zalando-enters-resale-market-with-launch-of-pre-owned-category/2020092135539>

²⁰ United Wardrobe acquired by Vinted: <https://peak.capital/blog/en/peak-capital-s-portfolio-company-united-wardrobe-acquired-by-vinted>

construction and interpretation of ethnographic text (Pink, 2009; 2012), we undertook a multi-sensorial ethnography (Pink, 2011a). We explored the relationship between visual (Pink, 2007a,b; 2011b) and other knowledge not through simply translating 'visual evidence' into verbal knowledge, which reinforces an implicit superiority of the written word over the visual image, but rather related visual material to other senses, like smell, sounds and speech.

The research setting is a second-hand clothing pop-up store near the city of Utrecht (The Netherlands) run by the first author over a period of three months from September until December 2020. We opened the shop to visitors three days a week, on Thursday, Friday and Saturday from 1-5 p.m. which resulted in 12 hours per week for 12 weeks leading to a total of 144 hours of direct customer engagement. In addition, we spent approximately 8 hours a week managing our Instagram account, which was the only social media platform we used, and answering to inquiries from the media and other interested parties. The Instagram account of the pop-up shop was used to highlight items from the store to inspire customers to visit the store. Texts (in Dutch) were kept short as the images of clothes spoke for themselves. On her personal Instagram account, the first author openly contemplated on the process of entrepreneuring and her interactions with customers. The combination of images, often selfies in an outfit sourced from the store, with English narrations of her experiences can be seen as a reflection diary. This data creation process resulted in another 96 hours of ethnographic data consisting of images, Instagram posts, artefacts (mainly fashion items) and (media) articles online and in print. We also collected a range of artefacts, from the everyday sales gathered in a simple accounting system, up to the price tags and the entire collection of garments that was our 'stock'. We followed grounded theory and analyzed our data using ATLAS.ti coding, triangulation between researchers and reflective sessions to make sense of our findings. Limitations to the study are that data is based on a single case in a local sociocultural context.

RESULTS & DISCUSSION

We found that our multi-sensorial ethnography helped to disclose the more aesthetic and emotional aspects of value creation in circular business model experimentation. First, our ethnographic approach revealed a shift in the sensory values that people had in terms of safety and hygiene, which may have implications for the future of second hand businesses. Customers remarked that our shop had a different feel than your average second hand store, especially in terms of smell. The importance of scent in relation to perception of previously owned clothes is backed up by earlier findings (Overdiek, 2018: 74). In addition, the store had strict quality criteria to accept items: they had to be clean, undamaged and preferably ironed. We refused items that did not abide by these criteria and also items that really did not fit the style of the store. Pieces that didn't meet the desirable conditions for a second-hand life were donated to charity shops. Thus our pop-

up had the sensorial qualities of a fashion boutique, which positively surprised our customers and helped them to overcome their resistance about second hand clothes.

Second, the study affirms that space plays an important role when it comes to successful fashion business models (see for a summary Overdiek, 2020). The pop-up shop was located in Metaal Kathedraal, a breeding place for circular economy and the arts located in an old cathedral, which later served as a metal factory. The raw aesthetics of the physical space formed a 'perfect marriage' with the curation of vintage and second hand clothing that was offered. The sensory and storytelling qualities of a physical space add value to the customer experience and enable multi-sensory engagement as well as discovering and learning (about new materials, products and styling). This is the reason why even successful online fashion players opened physical stores pre-Covid. For the development of and experiment with so called 'slow fashion' retailing, the temporary store has been used for some time now (Alexander & Bain, 2016; Pomodoro, 2015). Particular practices related to a temporary or pop-up store such as breaking consumers' spatial routine, creating curiosity and fomo (fear of missing out) and engaging visitors in multi-sensory experiences sustain the goal of testing (and receiving feedback on) future business models (Overdiek, 2018).

Third, through the shifting customer perception, the physical space served as a vehicle for having a conversation about sustainability. Our pop-up was not located in a regular shopping street, but people had to know about it to be able to find it. Most of our customers learnt about us through Metaal Kathedraal and were already conscious consumers, but many also passed by on their bikes to and from the city and got off as they were curious to learn what we were doing. Their surprise often translated to a spontaneous purchase, but also to becoming more aware about their practices of fashion consumption. Next to swapping and borrowing, their eyes often opened to the value of maintaining damaged clothes (e.g. mending, alterations) demonstrating a potential in fostering alternative forms of circularity beyond buying new.

Fourth, time was an essential aspect as we ran the pop-up during COVID-19 (September-November 2020) and shut it down just before the hard lockdown in The Netherlands forced all fashion retail stores to close their doors. From the beginning of November people were advised to wear face masks in public spaces, but only from December onwards it became obligatory. We decided not to wear face masks in the store to be able to maintain open customer interaction and this appeared to be of great value. As one elderly customer said: "I don't dare to go to regular stores anymore, but here I can still feel human in communicating without face mask". People sensed that we served as a hiding place to still enjoy service and seemed to love the personal attention and styling guidance we could provide. This customer value creation by fashion and styling advice was also reported in earlier studies about circular retailing (Overdiek, 2018; Overdiek, 2019).

Fifth, our ethnography confirms that the pop-up store also lends itself for experimenting with the integration of online and offline value-creation, weaving social media activity

into the value creation fabric of the temporary physical store. Overdiek & Warnaby (2020) propose the pop-up store as a space for co-creation between a business and its consumers and as a testlab for design and marketing research. 'Pop-up environments can thus be conceptualized as assemblages/spaces that facilitate consumers' engagement with a (future) product or service offering in order to ascertain the nature of, and subsequently co-create, value. We term this 'pop-up store research'.' (Overdiek & Warnaby, 2020: 4) The pop-up store then functions as a testlab where various aspects of value creation can be explored and co-created together with the local environment and consumers.

PRELIMINARY CONCLUSIONS

The paper presents a business model innovation of a pop-up second-hand store that explored buying, swapping and borrowing of fashion as alternative form of value creation. We sensorily engaged with the routines created by this physical and online space and its visitors to develop methodological experimentation. By co-creating different new business model elements together with customers and inquiring for circular economy, this approach advances practice-based knowledge to the SDG 12: 'Responsible Consumption and Production'. The study has methodological, theoretical and practical contributions. The combination of ethnographic and 'pop-up research', together with offering alternatives for 'buying new fashion' opens up new business model opportunities for physical second hand fashion businesses. Furthermore, embedding a study around the local network and curation aspect of a circular business model within a pop-up store research offers new opportunities for relevant and rich ethnographic data collection about business modelling. It allows for real-life experimentation and iteration of different value creation practices.

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