

Fashion Rental

Subjects: Business

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Fashion rental is one of the product–service system (PSS) models currently seen as an alternative to traditional fashion consumption channels. It is perceived to offer more sustainable consumption alternatives than fashion ownership, with the potential to extend garment use and lifecycles.

Keywords: sustainable fashion ; rental ; product–service systems (PSS) ; taxonomy

1. Introduction

The textile industry is a significant sector of the global economy, with the USD 1.3 trillion clothing industry employing more than 300 million people along the value chain ^[1]. Yet, business enterprises in the fashion industry are responsible for significant negative environmental outcomes, including: contributing to resource depletion, producing large amounts of solid waste, pollution from chemical treatments used in dyeing and the disposal of large amounts of unsold stock through incineration or landfill deposits ^[2]. Collectively, the greenhouse gas emissions from textile production totalled one billion tonnes of CO₂ equivalent, more than that of all international flights and maritime shipping combined ^[3]. PSSs as business practices are expected to lead to environmental benefits, but only if these models replace a significant volume of purchases and the rented goods are high enough quality to be resistant to intensive usage ^[4]. In consumer rental practice, however, there is still debate as to the balance found between the unintended impacts of the system itself and the benefits of a move toward multiple users of single garments ^[5]. To address this balance, examination of the factors required to engender a shift from linear to circular thinking in the fashion industry is required ^[6].

2. Background of Fashion Rental Business

2.1. The Linear Fashion Industry

Our global resources are finite, and the fashion system has long consumed more than its fair share of these resources. The production and distribution of most clothing operates in a linear way, where valuable virgin resources are converted into waste throughout the value chain and fast fashion has a low-cost, high-volume focus, otherwise known as the 'take-make-dispose' model ^[7]. This linear approach means that more than 500 billion USD of value is lost every year due to clothing underutilisation and a lack of recycling, and the negative environmental and social impact of the fashion system continues to grow in an exponential fashion ^[1]. Linear consumption and production practices are beginning to be questioned not only in academia, but also by high-profile industry figures and consumers themselves. There is increasing interest in consuming apparel in a more sustainable way, including a move toward circular business models in fashion ^[8]. Compared to other large industries, the fashion sector has significant potential to achieve greater resource efficiency ^[9]; however, for the industry to actually achieve a sustainable trajectory, consumer behaviour must pivot toward more environmentally positive consumption methods. Conventional fashion retail business models and consumer patterns of consumption use and disposal must change markedly to usefully reduce the current impacts of the fashion industry ^[10]. Business model innovation is a path to achieving this change by establishing industry-specific, resource-efficient ways of creating and delivering customer value ^[11].

2.2. Sustainable Fashion Business

Innovating existing business models to be more sustainable has the potential to generate a competitive advantage for firms, whilst also delivering environmental and social benefits ^[12]. Many organisations are searching for alternative ways to create and deliver value to consumers, motivated by industry changes and increased consumer demand for more ethically-produced goods and services ^[13]. Sustainable business models are those that operate in harmony with the environment and society by creating, delivering and capturing (i.e., monetising) value in a win–win solution to the organisation–consumer relationship ^[14]. Thus, exploring how sustainable business model innovations are functionally implemented in specific markets, such as the fashion industry, is important to understanding their long-term viability. As

part of the drive toward more sustainable consumption and production, Circular Economy Business Models (CEBMs) represent an alternative economic model that aims to keep products and materials at their highest utility and value, achieved through long-lasting design, maintenance, repair, reuse, remanufacturing, refurbishing and recycling ^{[11][14][15]}. CEBMs are a sustainability paradigm that challenges companies to reevaluate and adapt their supply chains through maximising product value and usage. The gold standard of a CEBM is waste being avoided (reused) and only using renewable energy ^[11].

Where product-oriented businesses transition from linear to CEBM operations, a business model that is often employed is the Product–Service System (PSS) model ^[14]. This model focuses on selling performance instead of products as a means for realising the circular economy in a business context. PSS integrates products and services to fulfil customer needs through pay-per-use, short-term rental or long-term lease models. Use-orientated PSS business models for cars, bikes and tools have seen great success globally, leading scholars to question their potential in the fashion industry as well ^[16]. Internationally, the fashion PSS business model has taken off—Rent the Runway, one of the first American fashion rental firms, is currently valued at \$1 billion and fashion rental is expected to reach a market size of USD 1.9 billion by the end of 2023 ^[17]. Subsequently, big brands are beginning to jump on fashion's rental trend, with retailers such as Urban Outfitters launching Nuuly and Banana Republic offering Style Passport and My List at Bloomingdale's ^[18].

2.3. PSS Fashion Models

Fashion PSS business models are a functional means toward creating a 'lease society', and if appropriately applied, they have the potential to decrease the total number of garments consumed by providing alternative modes of product usage. Fashion rental services fulfil customer needs through a combination of tangible products and intangible services ^[8] whereby consumers pay for access to garment functions instead of ownership, satisfying consumer needs in a less materially-intensive way (and ultimately slowing resource loops) ^[14]. It is acknowledged in the sustainable fashion initiative that consumers are at the core of successful business models, with consumer acceptance of, and motivation toward, rental fashion heavily influencing business development in this field ^[19]. A wealth of recent literature thus extensively explores consumer attitudes toward fashion rental services ^{[20][21][22][23][24]}. However, less work has explored how individual firms package and present their service offerings in this space. Now that fashion PSSs are becoming more common and more acceptable to a wider reach of consumers, it is timely to consider the underlying business of fashion rental from a long-term viability perspective.

Although PSSs can mitigate some of the material impacts of the fashion industry, by changing consumer behaviour toward garments, there are many challenges in PSS acceptance and uptake by fashion businesses themselves. Pal & Gander ^[25] argue that the introduction of more sustainable practices in fashion business models, such as renting, is likely to result in a reduction of profitability or the competitive ability of firms if only a niche of consumers is attracted to these value propositions. For smaller fashion rental businesses, the need to make medium to long-term investments can create difficulties and financial uncertainty ^[26]. In comparison to short-term profits generated at the point-of-sale in traditional fashion retail models, rental firms often encounter uncertainty of cash flow, particularly if the products selected are not popular or profitable with a somewhat fickle fashion customer base.

The core value proposition of the rental fashion system is in its ability to provide consumers with the use of a wide array of garments at a reduced cost, enabling access to designer pieces or varied styles with limited financial risk ^[27]. In this sense, value is both shared and extended, and offers potential for increased sustainability in the fashion industry overall. It is not a matter of debate that the clothing and accessory industries require innovation in business models to begin to significantly reduce environmental impact, and fashion rental PSS models are seen as one opportunity to achieve this ^[21]. Despite this promise, recent examination of PSSs more generally suggest that they do not automatically result in a decoupling of production from material and energy consumption, and that dematerialisation of the industry in which they operate is not always an outcome of the system ^[28]. When fashion products are provided within rental services, sustainable outcomes are sought through intensification of use. However, intensification of use is a double-edged sword in fashion rental PSSs, where increased laundering and transport of garments may in fact increase the lifecycle impact of individual garments beyond that if they were user-owned.

The move toward business models that eschew traditional linear production and consumption processes is fundamental to transition to more sustainable industries ^[29]. However, the difficulty of incentivising resource efficiency alongside user satisfaction in such models is still a central problem that remains unsolved for most systems ^[30]. Fashion rental PSS numbers have expanded exponentially around the world and continue to grow, yet still remain only a very small component of the entire fashion market ^[27]. Fashion goods become obsolete rapidly, irrespective of condition or quality ^[25]. Traditional PSS businesses, such as car rental or lease services, often have time on their side when obsolescence is

measured. Further, traditional models that deal with higher-priced goods may include a servicing component at the cost of the customer. This is generally not the case in fashion rental, where damaged products are common and the extent of damage may render a product unusable. Studies show that consumers show lower product care within PSSs compared to ownership, and do not consider that they bear any responsibility for wear and tear and hidden damages that result in a shortened lifespan of goods overall [26][31].

Most PSS models are centred on a need to offer a wide range of high-quality stock to meet consumer demand, whilst also encouraging a high utilisation rate per item to mitigate environmental impacts [26]. The product use intensity of fashion products, however, demands detailed upkeep of products, such as professional cleaning, for product longevity and customer satisfaction [21]. Each aspect of maintenance has an environmental cost, which must be factored into the overall sustainability assessment of the business model—for example, dry cleaning solvents contain highly toxic compounds and persistent pollutants when released, which may inhibit a firm's potential for sustainable outcomes [32]. Further, if fashion styles go out of circulation rapidly and new stock is required with increased intensity, intentions toward lowering the environmental cost of fashion may not be achieved. A sustainable fashion rental PSS should thus also be responsible for designing garment end-of-life strategies to ensure the longevity of materials and move close to a true CEBM.

3. Conclusions: Toward a Benefit Exchange Taxonomy for Fashion Rental PSSs

If fashion rental is considered as a community of benefit exchange (CoBE), under Bajaj et al.'s [33] taxonomy of alternative consumption practice, the fashion rental PSS fits squarely within the Business Managed platform structure, with a clear organising strategy and intention of profit generation. The Business Managed platforms are ostensibly the most precarious of CoBE models as they are the most threatened from the network effect of consumer-orientated CoBE platforms, whereby individuals work together in a like-minded fashion to achieve beneficial outcomes for the group. Business Managed platforms tend to have a central purpose of pecuniary gain, whereas Consumer Managed or Business Endorsed platforms often also include the purpose of interaction, community focus, altruism and social sustainability [33]. This categorisation of the fashion rental PSS is, in itself, a key signal of what is required to create a truly sustainable and future-focused fashion service model—an understanding of the nature of mutual gain and benefit between consumers and service providers. The results of this study identified core areas of disconnect between the nature of perceived gain and benefit for consumers to that of the PSS provider. This disconnect leads to a functional business model that may achieve business profitability in the short-term, yet does not align well with either the current move toward sustainable consumption alternatives in the fashion industry or long-term business growth and stability. Hence, this study offers a taxonomy for mutual benefit exchange in fashion rental PSSs, with the aim of providing future pathways to stabilise this alternative consumption model within the fashion system (Figure 1).

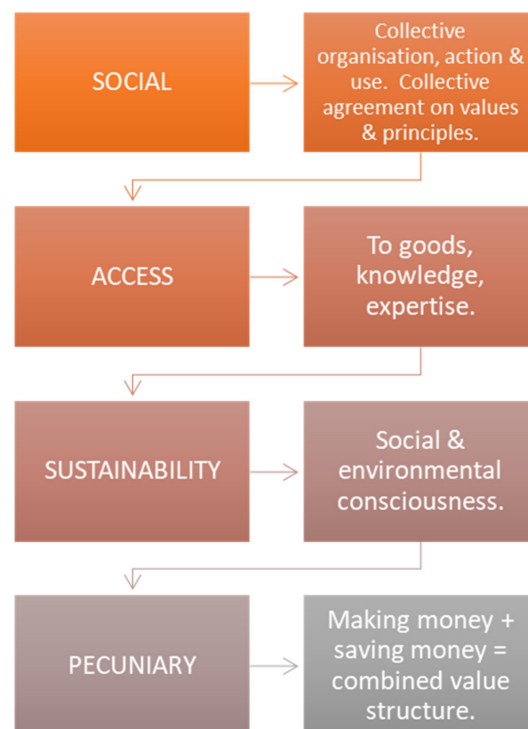


Figure 1. A benefit exchange taxonomy for fashion rental PSSs.

Prior literature has identified a significant consumer drive toward the non-monetary, intangible benefits of renting in the emerging fashion apparel world [21][27][34][35][36], including the social benefits of consumption communities. A conscious system design that embraces this within fashion PSSs would have a significant advantage over existing models in the apparel rental market. A focus on the social elements of a collaborative consumption service has benefited existing organisations such as Uber and Airbnb, where users and providers are treated as equal members of the exchange platform (for example, with two-way review and feedback systems). Moving toward a collective organisation of the fashion rental PSS would allow features to be embedded to improve user connectedness with the system and community of other users, for designers to benefit from communally-beneficial supply and to enhance overall trust in the user–provider relationship (a core moderator of fashion PSS success identified in this study).

Access to goods, a primary driver for both consumers and providers of fashion rental PSSs, has been couched in economic understanding within these models, focusing on allowing consumer use of products they may not have otherwise afforded to purchase. This economic framing of access is not suitable within a long-term sustainable model of alternative consumption, where the term access should be centred on access to the outcomes of fashion use, including personal, social and ethical/environmental wellbeing. In this sense, access in a benefit exchange taxonomy for fashion rental should also embrace access to fashion knowledge and expertise, decoupled from simple ownership of garments. Enhancing this aspect of the fashion rental PSS model underpins the previous step of collective social good and stretches across users, producers (designers) and rental system providers.

Linked to access as well as the knowledge and expertise to value garment performance and use outcomes over ownership is a clear set of sustainability principles guiding the PSS as a whole. Currently, this is a particularly weak aspect of current fashion rental business models, which, despite acknowledging a growing consumer trend toward sustainable fashion alternatives, focuses almost exclusively on a profit-per-wear formula in regard to garment selection, maintenance and disposal. There remains significant potential for fashion rental PSS providers to consider the true environmental cost of their offerings and reconceptualise their model to focus less on economy of access and more on the social and sustainable benefits of their business model. By communicating this clearly to consumers, through the pillars of collective organisation, knowledge and expertise, the fashion model can genuinely move from one of ownership to value-sharing.

For models such as those described here to endure and grow in impact and use, there must still remain a pecuniary strategy that allows business operators to remain profitable. However, the taxonomy presented here contends that firm money-making considerations should not occur in isolation from a consideration of financial benefit to the consumer of these models. Creating mutual financial value may mean that businesses focus less on short-term increased profit margins and more on the long-term impact of the new PSS approach to fashion consumption. The hierarchy of social, accessible and sustainable values must be fulfilled in order for this to happen, and for the model to be truly 'smart business'.

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