Typology of fashion-sharing business models

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Abstract

Purpose - The aim of this study is to develop a conceptual framework of the sharing economy within the fashion industry.

Design/methodology/approach – The methodological approach followed in this paper was to systematically review the academic literature on the sharing economy. A systematic and precise search was done, followed by an analysis and careful understanding. The next step was a synthesis and interpretation.

Findings – After creating the first framework relating to the sharing economy within the fashion industry, the findings show that there are different strands of fashion-sharing business models. On the one hand, we have identified those which are “pure” fashion–sharing business models such as fashion libraries where the core of the business is based on the exchanges and participation of the users. On the other hand, there are some businesses which use sharing practices purely as a promotional tool. In addition to these opposite strands, we have identified another category which is hybrid businesses. These have been set up thanks to sharing economy models (i.e. crowdfunding) but their main activities are not based on a collaborative model.

Originality/value - The paper provides valuable strategic insights for the fashion industry to be able to solve two main problems: the lack of studies which explicitly differentiate between various forms of the sharing economy (Möhlmann 2015), and building a specific typology for the sharing economy within the fashion industry.

Keywords
Sharing Economy, Fashion-sharing business model, Sustainability, Fashion library, Swap party, Crowdsourcing, Crowdfunding, Co-working, Co-sewing, Sewing Café

Paper type
Research paper

1. Introduction

The Economy is ever more open. Societies are more participatory, companies create stronger alliances and new ways of entrepreneurship are being developed.

We are witnessing the birth of a new paradigm based on a sharing economy in which people share and collaborate in order to meet certain needs (Pedersen and Netter, 2015).

This disruptive model (The Economist, 2013) which is changing consumer behaviour (Möhlmann, 2015; Ozanne and Ballantine, 2010; Pedersen and Netter, 2015; Piacentini et al., 2012) establishes a network between people and companies that is more than an aggregation of bilateral collaborative relations or dyads (Belussi and Arcangeli, 1998).

As an example, in early 2016, VisitSweden, and the Swedish Institute, both agencies responsible for promoting Sweden and its culture, supported the launching of a fashion collection called ShareWear (www.shareware.se). This collection is one of the initiatives that has arisen under Sweden's Democreativity Initiative (www.democreativity.com), a platform based on crowdsourcing designed to promote and create ideas which focus on a new topic each year. Within this context, the special feature of ShareWear is that people from different countries are encouraged to borrow its pieces for free. In fact, this collection, which was co-created by famous Swedish designers and brands such as Filipa Ko or Whyred, is a suggestion to "(…) share them [the item of clothes] forward if you want to be fashion-forward\(^1\)". Using this idea, these two agencies try to attract international attention by promoting cultural Swedish traditions and values, such as collaboration, while also raising environmental awareness.

The system of sharing is very simple, using an official Instagram ShareWear account (search for the hashtag #sharewear), the first person to make a comment on the garment’s photo will be the one who receives it. At the end of a week, the item of clothing should continue its trip and the process will be repeated with the item being shared on to the next person and so on.

The underlying idea behind the sharing economy is to bring people closer together through transactions which offer access over ownership (i.e. renting, lending, subscribing, reselling, swapping, donating) while mitigating the costs associated with it (PwC, 2015). Nevertheless, the sharing economy should not be understood as to have merely symbolic, or anecdotal, significance (Möhlmann, 2015). According to a Nielsen survey, 22% of respondents were willing to share or rent their clothing for a fee (Nielsen, 2014). PwC estimates that total revenues for the five most prominent sharing economy sectors (peer-to-peer finance, online staffing, P2P accommodation, car sharing and music/video streaming) could rise from $15bn in 2014 to around $335 by 2025 (Carson, 2014).

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\(^1\) Statement of Henrik Selin, Head of Department for Intercultural Dialogue at Swedish Institute in (Breyer, 2016)
Therefore, the sharing economy is a global scale phenomenon that reveals itself as a very profitable investment trend to many businesses (Botsman and Rogers, 2010). Accordingly, there are many examples of companies based on this new archetype within the fashion industry. Some companies are focusing on the strength of alliances or collaborations between agents along the supply chain, for example, the American ‘Joor’ (www.jooraccess.com) provides a meeting point for wholesalers, fashion brands and fashion designers. There are also other kinds of fashion businesses also focused on the idea of sharing such as ‘La Más Mona’ (www.lamasmona.com), a webpage where consumers can rent clothes and accessories for special events, weddings etc. The point being that some of the clothes belong to the company but others belong to the clients, who can rent out their outfits, earning 50% of the revenue per transaction. Another interesting example is ‘Threadless’ (www.threadless.com), an online shop specialized in the selling of T-shirts. This company uses its community’s feedback, via the on-line votes of it users, to determine which models will be produced.

It is certain that the knowledge generation process and the selection of ideas is becoming more collective, due to the fact that the intelligence of a group of people collectively exceeds that of each individual alone (Surowiecki, 2005). Users even provide new ways of using the products which give them more added value than they had when those products were originally designed, as has happened in the industry of aquatics sport, especially in windsurfing (King and Lakhani, 2013).

However, although all those companies are under the fashion-sharing paradigm, how they understand and make use of this new economic model varies. In fact, the number of ways to implement the sharing economy in a business model is so heterogeneous that it could include merely obtaining economic support for a fashion project through crowdfunding, sharing work spaces, co-sewing, or even, collaborative initiatives between competitors such as window shopping, or interactions exclusively between consumers such as swap parties. Although there is certain knowledge of each model separately, as far as the authors know, no framework exists which allows the identification, classification and outlining of the different collaborative strands within the fashion industry.

Therefore, motivated by the vast gap between the economic relevance of the sharing economy on the one hand and the scarce theoretical understanding of this phenomenon on the other (Pedersen and Netter, 2015), the main purpose of this paper is to examine the portfolio of existing alternatives grouped under this new paradigm. In this way, we have created a framework that is able to cluster together those with similar business models, building the first typology on the sharing business model within the fashion industry. With this study, we have established the basis for making future empirical research easier.

Apart from the implications for Academia, the business potential of this study emanates from the fact that we are able to identify different business opportunities on a new economic paradigm.
This paper opens the door to the re-examination of the traditional business model and considers alternative avenues. Most retailers are in the business of selling, but renting and sharing are becoming increasingly popular alternatives. This paper provides evidence of how companies can reshape their strategies in order to reap benefits from a sharing marketplace.

The remainder of this paper is structured as follows. The following section describes the evolution of the collaborations within the fashion industry. In Section 3, we present a review of the most notable classifications of the sharing economy followed by a deep analysis of the approaches to the sharing economy in the fashion industry. Based on the findings of the third section, our typology is proposed in Section 4. The final section provides a discussion and highlights the theoretical and managerial implications.

2. Evolution of the collaborations in the fashion industry

The studied paradigm, the sharing economy, empowers the concept of co-creation. Co-creation has been defined as: “an interactive process, involving at least two willing resource integrating actors, which are engaged in specific form(s) of mutually beneficial collaboration, resulting in value creation for those actors” (Frow et al., 2011, p. 1). Nevertheless, the sharing economy surpasses the simple aggregation of bilateral collaborative relations or dyads (Belussi and Arcangeli, 1998) which have been the predominant partnerships within the fashion industry.

Over recent decades the fashion industry has mainly developed collaborations (fashion partnerships) that have initially served to open up the doors to a new understanding of alliances. During this process, fashion companies have transformed their collaborative strategies from “sleeping with enemies,” to “talking to strangers” (Ahn, Kim, and Forney 2010, 1). To illustrate this, we can mention a wide range of examples. For example, the collaborations between fashion designers and some brands of water, such as Evian and its limited edition bottles designed by Enzo, Elie Saab or Paul Smith, among others; Ángel Schlesser, Loewe or Duyos designed for Solán de Cabras or more examples relating to other types of beverages such as CocaCola Light using designs by Karl Lagerfeld or Jean Paul Gaultier. This same concept extends over many different products including Dolce Gusto coffee makers customized by Custo Barcelona or Agatha Ruiz de la Prada, the Nestlé Red Box decorated by Roberto Verino or Armand Bassi or Bugaboo limited edition buggies signed by Missoni or Marc Jacobs.

Concurrently, the fashion industry has opened its creation process up to the consumer, thanks to the development of massive customization. There are some initiatives which clearly demonstrate this evolution. For instance, Nike has developed an online platform, NIKEiD, this customization model allows consumers to carry out limited input on the design of their own trainers. It should be noted that the consumer can only choose between a closed number of choices such as a limited range of colours.
Nonetheless, the most recent initiatives are the ones which have really established a new context for fashion collaborations enabling businesses to develop new strategies based not only on “sleeping with enemies,” or “talking to strangers” but also on “coopetition”, in other words, nowadays companies are able to develop reliable relationships which reduce costs, increase their visibility and improve sales (Retail Revolution Vision, 2015). Initiatives such as the use of “window shop-in”, whereby there is an agreement between different companies to display each other’s products in their shop windows, giving each company more than one platform to sell their products; the implementation of “pay it forward”, campaigns which give a discount voucher to consumers so they can purchase an item in another store or even co-shops, show that businesses have moved on from the do-it-yourself attitude (Gassmann, 2006). This is a change from understanding innovation management as an isolated and internal process, to open innovation management, where the development of innovations has become a process which requires more and more joint actions taking into account all the players involved. (Sánchez-González et al., 2009).

It is precisely this idea of collectivity which leads to the term “sharing economy” surpassing the meaning of other synonyms such as “collaborative consumption”. This is due to the fact that the interaction in a sharing economy is not only limited to a single seller with a single consumer, but is extended into numerous relationships, for example, between two equal agents in the context of coopetition or co-working, or between a community of consumers, or even between investors in a crowdfunding platform.

3. **Different forms of collaboration in the fashion industry.**

Unfortunately, the theoretical approaches already undertaken to generate a classification of this phenomenon, have major shortcomings that have not been offset, such as an explicit differentiation between the different forms of sharing economy (Möhlmann, 2015). In fact, some general typologies confine themselves to analysing collaborations as a dyad between agents, e.g. business-consumer, overlooking that sharing business models are complex structures where different actors intervene. Likewise, King and Lakhani (2013) suggest a classification based on open innovation which divides the consumer participation into three stages. Firstly, the consumer can participate in generating ideas that subsequently will be used by the company. In order to achieve this, companies can organize a competition, or take part in online platforms, such as Innocentive (www.innocentive.com) or Yet2 (www.yet2.com) in order to attract talent or solve operational problems. Secondly, it is also possible for consumers to participate in the selection of

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2 For instance, the voucher enables them to buy something in store B after they have bought something in store A.
an idea, or at least, they can show preferences for certain models. To demonstrate this, it is worth mentioning ModCloth (www.modcloth.com), a vintage e-shop where consumers’ feedback resolves whether prototypes will be manufactured. The third stage represents a combination of the two previous ones. In this scenario, the consumer can both generate and select ideas. Other classifications that come from collaborative consumption are also of interest. The first, was conceived by Botsman and Rogers (2010) who established three categories. The first category, named ‘product service systems’, consists of paying for access to a product that belongs to a company or an individual, for instance, the services of car sharing. The second relates to ‘redistribution markets’, where owners of products which are no longer of any use to them, are encouraged to take part in a reassignment of property, for example, through a swap, e.g. using the webpage Truequers (www.truequers.com), or by selling it at a lower price using websites like Ebay (www.ebay.com). The final category considered by Botsman and Rogers is related to ‘collaborative lifestyles’, where people share not only goods but also interests, knowledge and skills. Time banks are included in this category.

For their part, Matzler, Veider and Kathan (2015), explain in more detail how companies can take advantage of the sharing economy to generate new business opportunities. They propose a set of six ways to do this which includes, among others, the option to pay to use an item, but does not include the sale of the item itself; consumer support to resell goods or even they suggest companies could use the sharing economy as a tool to gain new consumers.

Nevertheless, the general nature of the previous typologies overlooks at least two aspects. The first one is that each industry has its own characteristics and specific research should be undertaken for each sector. Secondly, the level of implementation and exploitation of the collaborative strategies should be taken into account as well as the variety of participants involved so as to be able to cluster different business models together.

For these reasons, in order to build our fashion-sharing business model classification, we followed a two-step process. Firstly, we grouped and analysed the sharing business, strategies or activities generated or applied within the fashion industry. After that, we employed the methodological instructions of Doty and Glick (1994) and Frow, Payne and Storbacka (2011), generating a typology of business models (see Section 4) but not a taxonomy, due to the fact that taxonomies have an exclusionary role.

Under these premises, the following fashion-sharing approaches are identified:

**Fashion libraries**

“80% of the time, you wear the same 20% of your clothes” (Lena, 2014). Based on this premise, fashion libraries arise. The main goal is to promote and develop sustainable and efficient consumption without compromising the variety of choice. In fact, users can experiment with styles as much as they like. To be clear, in these kinds of organizations, the wardrobe is shared
and reused. The idea is basically to pay a monthly fee to borrow pieces of clothing that can be exchanged with others in the repository. The fee varies depending on the number of garments that are contracted. A specific example of this is Lena (www.lena-library.com), a Dutch fashion library based in Amsterdam with a monthly subscription fee of 19.95 €/month. The number of garments ranges from a minimum of one item to a maximum of 10 items, and the can be swapped as frequently as wished. There are more examples such as Helsinki Fashion Library (Helsinki, Finland) or Allbright Fashion Library (New York, EE.UU.).

Regarding the average number of users, recent research developed by Pedersen and Netter (2015), based on a sample of Nordic fashion libraries, estimates that the quantity of members varies between 100 and 300. The same study also highlighted the economic potential of these kinds of entities if they combine the fees that members have to pay with the possibility of selling products. In addition, it is suggested that fashion libraries could be used as pop-up stores for young designers and brands who could show their work to the public using the space of the fashion libraries in exchange for money.

Similarly, Ateliê Vivo (Sao Paulo, Brazil) constitutes another subset of fashion libraries where people can use clothing patterns that have previously been donated. The idea is that these kinds of entities provide the tools to create clothes (space, machinery and clothing patterns) and users can benefit from all of these freely, with the exception of the fabric that the users need.

All these types of collaborative models differentiate themselves from co-working spaces by the fact that there is no charge to use the facilities and equipment.

**Swap parties**

Swap parties, also called swap clothing, are defined as parties to exchange clothes with the intention of recycling them, meaning people update their clothes by swapping items with others participants.

Although swap parties and fashion libraries have similar goals, the difference between the two is reflected in the timescale, as there is no on-going swapping of clothes in the swap parties, but only occasional exchanges.

The parties, which have a completely open format, are usually organized by individuals, i.e. a group of friends or bloggers. In this second case, when the party is organized by bloggers, certain rules of exchange are often established. Thus, the participants usually pay a fee for the event management and the maximum number of exchangeable garments is fixed. However, an increasing number of companies have realized that they can benefit by supporting these swap parties. These kinds of events represent a good opportunity to target their audience and impact on

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3 See Naturoticas – Ética y Estilo (http://naturoticas.blogspot.com.es/p/swap.html)
them, fostering their reputation by associating their brand with the collaborative and green spirit of the event (Matzler et al., 2015). These same authors illustrate the profitability side of swap parties with the example of DM. The German company combined a swap party with the presentation of its own in-house makeup. During the event, attendees could test the company’s product for free and they were also advised by DM’s makeup stylists to find new looks that worked well with the new clothes they acquired. Moreover, these events were promoted by fashion bloggers through social networks.

**Crowdsourcing**

In the search of the ideal combination of innovation and cost reduction, businesses outsource some of their activities. At the same time, users become more active actors who participate in the creation process and in the selection of innovations. Crowdsourcing, therefore, represents the evolution of traditional outsourcing, but using the crowd, namely, the plural collaboration (Arango Sarmiento, 2014).

Under this approach, multinationals, such as American Apparel are teamed up with crowdsourcing sites such as Lookbook.nu in order to create their catalogues, among other possibilities. In this example, the collaboration, which started in December 2009, was based on the idea of online platform users uploading their own photos wearing different outfits by the brand. In fact, the event was a great success achieving almost 1,000 uploaded photos, which resulted in a lookbook with 132 outfits distributed amongst 280 shops. The print-run was 150,000 copies (Vacas, 2010). In the same vein, Marc Jacobs used social media, particularly, Instagram and Twitter, in order to choose the people who would become models for his Autumn 2014 campaign. The initiative was so successful that it has been repeated in later campaigns.

Nevertheless, brands and designers not only interact with their consumers by turning them into models, but consumers are also welcome to the brand’s fashion shows. In the Fall Winter 2014 fashion show, Adidas, for its NEO line, used Twitter to agree on the main elements of the fashion show with their consumers, from lighting to the clothes that models wore.

The reason why some companies are turning consumers into suppliers of ideas is that the risk of investing in a wrong trend decreases, reducing, for instance, stock problems. Retailers such as ModCloth or Threadless completely integrate crowdsourcing into their production process, being updated directly by their consumers on their present-day tastes.

**Crowdfunding**

Collective funding enables anybody to make an investment of any amount of money in a project. Crowdfunding is a way of consumption during the pre-launch, so it is a pre-tail trend (Mayo, 2013) and turns consumers into custowners (With, 2012) due to the fact that users stop being passive consumers and become investors or even, minority owners of companies in which they
are interested. Online platforms with a special section to finance fashion projects, such as Kickstarter or sites specifically conceived to host fashion projects such as I am la mode (www.iamlamode.com) or Fanstylers (www.fanstylers.com), have recently proliferated.

A major advantage found in this type of sharing economy is the increased visibility it provides for both new designers (Soares, 2014) and entrepreneurs. Thus, companies such as Byco make producing clothes easier thanks to collective funds. The process starts when someone uploads their designs. If they are accepted, Byco is in charge of calculating the price of a sample and the amount of money needed to produce it. If the design gets sufficient funding through crowdfunding, the clothes will be commercialized and the investors receive 10% of the revenues and the designers between 20 and 30%. The designers are always the owners of the sample and have intellectual property rights on it (Gontcharova, 2013).

Co-working, co-sewing and co-shops

Co-working has evolved from simply renting a shared workplace to co-creation (Boullosa, 2014), from the use of office space and common services to actually benefiting from their colleagues talents, in others words, toward leveraging of synergies.

Using the same philosophy of sharing space and know-how, specific business models have been developed for the fashion industry. For example, co-sewing spaces have emerged from the logical evolution of so-called sewing cafes (Santacana, 2012). The sewing cafes involve a hybridization of a coffee shop and a sewing workshop in the same space. They are, therefore, small businesses which rent the use of sewing machines per hour or which organize courses on dress designing and sewing. The underlying idea is to understand sewing as a socializing element, as indeed, some companies such as Teté CaféCostura (Madrid, Spain) claim.

However, a major disadvantage of co-working spaces is the necessity to have all the equipment required for the business. While in other sectors the equipment in co-working spaces is made up only of office furniture, in the fashion industry, the initial investment for equipment is higher, jeopardising its profitability (Santacana, 2012). Even so, there are examples of fashion co-working spaces such as Nähinstitut which has mirrored the owner’s evolution, Linda Eilers, who was the forerunner of the first sewing café in Europe in 2006. Nähinstitut, which was founded in Berlin (Germany) in 2011, is both a well-equipped co-sewing space and a creative community generating synergies.

By the same token, multinationals like Reebok, have come up with short-term projects carried out as co-working spaces, and have included urban art exhibitions, fashion workshops and cooking seminars, among other events. As a result, Reebok Creative Hub, contributed to creating a meeting point for artists and multidisciplinary creatives for two months (April, 28th – June, 18th, 2014).
Other examples of the hybridization of spaces under a sharing economy paradigm are the co-shops, defined as shared shops with several businesses grouped together, including craftsmen, shopkeepers or fashion designers. Commes de Garçons and Louis Vuitton have applied this idea in a limited way (owing to the fact there were just two members) by applying a strategy of dual branding sharing a pop up store in Tokyo (Japan) (Ahn et al., 2010).

4. **Typology of fashion-sharing business model. Interpretation**

After systematic research, grouping and analysis of the different businesses, strategies and activities that have been generated or applied within the fashion industry, we have developed a typology. This is not a taxonomy of mutually exclusive fashion sharing forms such as Doty and Glick (1994) identify, as typologies do not provide rules for classification, instead they identify multiple ideal types that may be partly overlapping.

Under these premises, we have identified three categories. The first one entails those fashion sharing business models where collaborative activities are the core of their business. For these “pure” fashion–sharing business models, such as fashion libraries, co-sewing spaces or sewing cafes, the main source of income is based on the exchanges and participation of users. In the same vein, when crowdsourcing is a key element in the production process, this is a straightforward case of a pure model. The activity of all these companies is only understood within a sharing economy framework.

In the second category, there are a number of companies which employ a hybrid model, that is, they require collaboration as a component of their organizational structure, but their activities are not related to the sharing economy. For instance, we found companies which use funds from crowdfunding sources to set up the business, or firms which are initially established in a fashion co-working space or as a co-shop. However, in the case of these companies, they might then move from a sharing business model to a traditional one. In fact, in the case of firms financed by crowdfunding methods, they may change to another kind of agreement to recover all their shares or participations, or the company may just decide to use a traditional place to run their business instead of a co-working space or a co-shop.

The third category involves those forms of sharing economy that are being applied as a tool, that is, as a complementary element for marketing purposes. For example, swap parties and some applications of crowdsourcing (see examples of American Apparel and Lookbook campaigns in Section 3). Companies which employ elements of the sharing economy in this way are low-profile implementers since their core activity and their organizational structure are totally independent of this paradigm.
5. Discussion and conclusion

This article contributes to generating the first sharing business typology for the fashion industry because, in spite of previous efforts carried out to create a general classification for this phenomenon (see Botsman and Rogers, 2010; King and Lakhani, 2013; Matzler, Veider and Kathan, 2015), there were still certain gaps that remained unresolved, such as the necessity to build a clear differentiation between the different ways the sharing economy can be applied (Möhlmann, 2015). The results of this study contribute to close this research gap since this classification enables a better understanding of the current fashion models under the sharing economy’s umbrella. Thereby, our work is a further step forward in understanding this area. In addition, our typology can serve as a managerial tool for fashion leaders to ease the decision-making process and, in particular, enable the identification of opportunities and potential business.

However, one of the limitations of this research is the impossibility of developing any taxonomy which would divide business models into mutually exclusive groups. Nevertheless, it should be understood that the phenomenon itself is a web of interrelationships that could hardly be arranged as isolated dimensions. It should also be mentioned that not all business models respond unequivocally to the theoretical concept of the sharing economy. Thus, although the sharing economy is understood from a broad perspective to include the following activities: “renting, lending, trading, bartering, and swapping of goods, services, transportation solutions, space, or money” (Möhlmann, 2015, p. 194), there are researchers who exclude activities which do not involve a monetary compensation (Möhlmann, 2015). This exclusion would mean, for instance, that only swap parties where a fee was paid could be included in the concept of the sharing economy. Moreover, some experts exclude all initiatives where the company is a mere intermediary (Arrieta, 2015). This questions the online platforms such as Closet or Chicfy (www.chicfy.com), fashion online marketplaces for the sale and purchase of second-hand clothing.

We would like also to mention that the sharing economy must work in “regulated environments”, as Jose Luis Zimmermann, spokesperson of Sharing Spain stated (Arrieta, 2015). Although this matter could be said to be obvious, one of the major controversies relating to the sharing economy is the tax regulation and the treatment of exchanges. In this regard, there is an important question to be raised as to how best to formulate the payment of tax, even if there were no contracts, transactions could be identifiable through credit cards (García Vega, 2016).

Nevertheless, all these questions are the result of the emergence of a new economic paradigm that is unquestionably changing business metabolism and determining new roles for the players in the fashion industry.
6. References


