

Product Service Systems in fashion retailing: understanding customer adoption

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Abstract

Over 1.1 million tonnes of clothes are consumed and disposed of each year in UK of which 31% ends up in landfill (WRAP, 2012). The clothing industry is responsible for environmental impacts along the entire garment life cycle, including raw material extraction, manufacturing processes and use phases (Business for Social Responsibility, 2009). Fashion retailers are under intensive pressure to develop solutions that address not only garment disposal but also a reduction in environmental impacts throughout the whole lifecycle.

The development of service-oriented business models, such as Product Service Systems (PSS), could be seen as a potential way to address the majority of those negative environmental impacts. Armstrong et al. (2015) investigated the customer perceptions of clothing PSS and identified barriers as well as pathways to viability. Customers showed increasing interest in clothing take-back and swapping schemes, but less interest in clothing renting. However, the unique characteristics of retailers' business models (BMs) could enable BM innovations and seed the potential for moving towards leasing / rental schemes. These key characteristics are: (i) the focus not only on what to sell, but more importantly on how to sell; (ii) the customer experience gains greater attention than in the case of direct manufacturers (Sorescu et al., 2011). The commercial viability and environmental impact reduction of new retailer business models based on leasing / rental schemes are forthcoming (WRAP, 2013), yet few empirical studies exist to date.

This research focuses on gaining deeper understanding on clothing rental schemes through survey, experiments and trials. It is part of an on-going study funded by Innovate UK in collaboration with a large UK fashion retailer. A survey was conducted within the retail collaborator's staff with two-fold objectives: (i) to investigate further customer perceptions on rental schemes; (ii) to identify participants for a rental scheme trial. The survey results revealed key barriers for the scheme and were subsequently taken into account in trial design. The trial

results showed potential benefits, e.g. style experimentation, time saving, convenience and optimization of owned clothes. This feedback is under consideration for a subsequent trial.

Previous initiatives in the fashion industry have focused on waste reduction rather than business model development that maximizes the garment value through increased utilization. This study provides insights for academics on the determinants of rental schemes acceptance and for practice on the customer benefits of clothing rental schemes.

Keywords

Sustainability, product service system, fashion retailing, clothing