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Abstract

This thesis investigates a growing trend of Circular Business Model Innovation (CBMI), as it explores how established companies are incorporating second-hand markets as an additional element to their existing business models. With the main context being the fashion industry, this qualitative research was conducted using a multiple-case study design and draws on the concept of CBMI as it examines how different companies are pursuing this innovative approach and possible challenges and opportunities of it. The analysis reveals that integrating a second-hand market into an existing business is a complex undertaking, requiring adjustments across various business model components. The customers play a crucial role in this model, as they act as both buyers and suppliers, impacting factors like cost structure and product assortment.

The research identifies several key challenges associated with CBMI in this context. These include managing the inherent uncertainties of a second-hand supply chain, maintaining profitability with lower-priced products, and overcoming negative perceptions of second-hand goods. Cultural acceptance of second-hand products also emerges as a critical factor for success. Despite these challenges, the research highlights significant opportunities associated with CBMI and second-hand markets. The phenomenon offers a path towards increased product life cycles, improved resource efficiency, and a positive impact on market dynamics within a circular economy framework.

This thesis contributes to the field by bridging the literature of second-hand and the field of CBMI. It offers valuable insights for companies seeking to adopt this innovative and sustainable business strategy. Additionally, the research identifies areas for further exploration, paving the way for a more comprehensive understanding of CBMI and second-hand markets within the broader context of circular economy and business model innovation.

Keywords: business model, business model innovation, business model canvas, circular business model innovation, second-hand

Abbreviations

BM: Business model

BMI: Business model innovation

CBM: Circular business model

CBMI: Circular business model innovation

SBM: Sustainable business model

SBMI: Sustainable business model innovation

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1. Introduction

This first introductory chapter will present the background of this thesis, followed by a problem discussion and the research purpose and questions. Lastly, the outline of the thesis is presented, to provide an overview and guide the reader through the dissertation.

1.1. Background

The concept of Business Model Innovation (BMI) is widely known and researched today and refers to the transformation of a business model and how to do business in a new way (Ferlito & Faraci, 2022). BMI can help companies increase performance and gain new competitive advantages, hence BMI should not be overlooked by managers. This may be even more important in today's ever changing business environment with increased globalization, a more competitive landscape and an increased pressure to act towards more sustainable businesses (Taran et al., 2015; Pieroni et al., 2019). Differentiating BMI depending on area has grown popular, hence leading to different sub-streams of the overall BMI literature (Pieroni et al. (2019)). This thesis will address two of the sub-streams, namely BMI in the context of sustainability and circular economy (CE).

A term within BMI that has gained attention is Circular Business Model Innovation (CBMI). CBMI is derived from the concept of CE, which refers to more efficient usage of resources by narrowing, closing or slowing resource loops (as opposed to the linear economy), and is often viewed as a way to achieve sustainability (Pieroni et al., 2019). Antikainen & Valkokari (2016) state that in reality there are no 100% linear or circular business models, however for simplicity reasons, terms such as circular will be used, although it may not refer to a fully circular model but merely an initiative towards circularity.

Svensk Handel (2023) states that Swedish consumers are embracing circular business models (CBMs) more, along with increased awareness of sustainable consumption. Both D'Adamo et al. (2022) and Machado et al. (2019) support this statement, meaning that the demand for more sustainable business models (SBMs) is increasing. So, how can companies then innovate their business models (BMs) to be more sustainable and increase circularity? An example of CBMI is the recent trend among retailing companies of reselling their own products on their own second-hand market as an addition to their existing BM, like IKEA, Lindex and Oscar Jacobson are doing. However, neither CE nor second-hand are new ideas. Chen (2020) explains that the concept of CE emerged in the 1960's, but has gradually matured over time and has received more attention in the context of BMI. Yrjölä et al. (2021) state that several trends and developments today favor second-hand BMs, including environmental concerns. Consumers' values, mindsets and behaviors have shifted, changing their preferences on second-hand products, making second-hand a more popular and accepted form of consumption. In the fashion industry for example, the demand for second-hand is

expected to grow twice as much as the ‘fast fashion’ market in coming years (D’Adamo et al., 2022).

Yrjölä et al. (2021) state that little attention has been paid to the business perspective of the increasingly important phenomenon of second-hand. Although several companies are embracing CBMI, there is a big gap between the demand and the supply of CBMs, according to Svensk Handel (2023). Hence, they state that there is big potential for companies to meet this increasing demand and develop their current BMs towards more sustainable ones (Svensk Handel, 2023).

1.2. Problem Discussion

Research claiming BMI’s positive impact on businesses (e.g. Taran et al., 2015), as well as how CBMI can help companies become more competitive and work towards more sustainable practices (e.g. Comin et al., 2020; Assmann et al., 2023) have been made before. Apart from opportunities, many researchers have focused on barriers and challenges of BMI and CBMI (e.g. Rosa et al., 2019; Assmann et al., 2023), including management of multiple BMs (e.g. Bosbach et al., 2020). The second-hand BM has also been researched, especially from a general perspective where the second-hand business is the main BM (e.g. Yrjölä et al., 2021). These examples have focused on BMI and CBMI including second-hand BMs from a different perspective, not deep diving into how existing retailing companies can engage with a second-hand business. Yrjölä et al. (2021) even suggest that second-hand retailing operates differently than the most researched type of second-hand business; the BM with the second-hand market as the single focus. Hence, the aspect of retailing companies reselling their own products on their own second-hand market as a way to innovate their BM is usually not considered. This thesis will cover this gap, using the perspective of BMI and CBMI, to understand how companies pursue additional second-hand businesses and what challenges and opportunities they are facing.

Comin et al. (2020) argue that although the literature about BMs and sustainability are expanding, especially in recent years, there is still a limited understanding of the area and especially of sustainable practices that work with existing models. Pieroni et al. (2019) add on to this discussion stating that while both the literature around sustainability/CE and BMs/BMI are still emerging and being consolidated, companies are being pushed to transform and innovate their BMs to embed circular or sustainable thinking. Hence, the need for increased literature based upon empirical evidence is needed to highlight the approaches used and to identify challenges and opportunities that will guide the literature and managers forward.

Hvass (2015) looked into the topic of BMI through incorporating a second-hand market in a retailing company using a single case study of the high quality fashion company Filippa K. Hvass (2015) means that the development of new resell/reuse channels are mainly adopted by premium and high fashion brands with products of higher quality, as this strategy requires

high quality to ensure that the clothing preserves its value and can be re-bought multiple times. This thesis challenges this perspective and provides a broader study including several companies with varying quality standards/benchmarks. Hence, to the best of my knowledge, this is the first paper researching different retailing companies reselling their own products on their own second-hand markets, using the perspective of BMI. Although the furniture industry will be represented, this thesis will mainly take on the perspective of the fashion industry.

1.3. Research Purpose and Research Question

The purpose of this thesis is to analyze the possible opportunities and challenges of the recent trend within circular business model innovation of using a second-hand market as a novel addition to an existing business model. As stated above, the demand for circular business models and second-hand markets are rising from a consumer perspective while the supply from companies is lacking. Therefore, there is a need to research this potential business opportunity to understand its relevance from a strategic point of view for managers. Previous research has been made focusing on the concept of second-hand as a single business model (e.g. Yrjölä et al., 2021). However, few focus on how engagement with a second-hand business within an existing company can be used to innovate a current business model (with the exception of Hvass, 2015). Hence, there is also a need to research this new phenomenon from an academic perspective, to bridge the two areas of second-hand and BMI.

With this purpose in mind, the research questions that will guide and frame this thesis are:

- *How is CBMI pursued when engaging with an additional second-hand business within existing firms?*
- *What challenges and opportunities are related with CBMI in the form of an additional second-hand business for an existing firm?*

1.4. Thesis Outline

After this introductory chapter, the literature that was found relevant to the research is presented in the chapter named “Literature Review”, also including the theoretical framework. Then follows a chapter presenting the method used to conduct the research and different aspects and considerations made. In the succeeding chapter, the results from the data collection are presented, which are then analyzed and discussed in the following chapter. Lastly, the thesis is concluded and suggestions for future research as well as practical and theoretical implications are presented.

2. Literature review

In this chapter previous literature will be presented, that is found relevant to provide a profound understanding of the subjects included in this thesis as well as to enable the analysis of the collected data. Firstly, the concept of Business Models is presented, followed by Business Model Innovation and management of multiple Business Models. Then follows Business Model Innovation in the context of sustainability and circularity, including the practice of second-hand businesses. Lastly, the theoretical framework is presented, which is based upon the research questions and the main findings of the literature review.

2.1. Business Models

As stated in the introductory chapter, the phenomenon of adding or incorporating a second-hand market to an existing business could be considered a way of innovating a business model (BM). Hence, in order to analyze how this is done in firms and what the challenges and opportunities are, one must first understand the terms business model and business model innovation (BMI). A natural order to understand and define BMI is by first deep diving into the concept and construct of a BM (Foss & Saebi, 2017). One definition of a BM is provided by Teece (2010) who states that “*A business model articulates the logic, the data, and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value. In short, it’s about the benefit the enterprise will deliver to customers, how it will organize to do so, and how it will capture a portion of the value that it delivers*” (p.179). However, there are several definitions of a BM in the literature, some which are similar to the definition provided by Teece (2010) and some which provide a different perspective (Goyal et al., 2017). Key components in a BM, partly mentioned in the definition provided by Teece (2010), are value proposition, value creation, value delivery and value capture (Ranta et al., 2018). Bocken et al. (2014) explain that the value proposition includes the product and/or service (the offer), the customer segments and relationships. They also suggest that value creation and delivery can be combined as one component and include key activities, resources, channels, partners and technology. Value capture concerns the revenue streams and the cost structure (Bocken et al., 2014).

Taran et al. (2015) state that although there are several definitions of the term, there seems to be consensus around the generic definition that a BM is a model of the way a company does business. Moreover, they state that the definition of ‘doing business’ refers to “*creating and delivering value so as to generate revenue and achieve a sustainable competitive position*” (Taran et al., 2015, p.303). The ‘model’-part of the term is the one less agreed upon as several perspectives and suggestions exist regarding the components or the building blocks of the actual model, according to Taran et al. (2015). A commonly used tool within the field of BM is the Business Model Canvas, discussed by Osterwalder & Pigneur (2010), which provides a suggestion for the ‘model’-part. Osterwalder & Pigneur (2010) explain that the canvas is made up of 9 building blocks, which are described to show how a company intends to make

money. The building blocks are: Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships and Cost Structure (Osterwalder & Pigneur, 2010). These building blocks have later been organized into the 3 main forms of managing value, i.e. value proposition, value creation and delivery and value capture (Pieroni et al., 2019).

Foss & Saebi (2017) point out the fact that BM and BMI have gained increasing attention in management literature and from practitioners in the last two decades. They mean that recent reviews of the now extensive BM literature prove a definitional convergence. Hence, although there seems to be slight differing definitions of the term BM (Taran et al., 2015; Goyal et al., 2017), Foss & Saebi (2017) argue that many contributions to the literature now view the concept based on the definition provided by Teece (2010). This definition states a BM as the “*design or architecture of the value creation, delivery, and capture mechanisms*” of a business enterprise (Teece, 2010, p.172). Foss & Saebi (2017) elaborate by stating that a BM architecture can be defined by the interdependencies among the firm’s methods for creating, delivering and capturing value. Moreover, they argue that a BM consists of a cluster of subsystems (i.e. the value creation, delivery and capture mechanisms) with interdependent activities, hence making the BM a complex system (Foss & Saebi, 2017).

2.1.1. Business Model Innovation

The addition of and/or engagement with a second-hand business within an existing firm will ultimately affect the BM, either through altering the existing BM or through the addition of a new BM, depending on how the company chooses to engage with the second-hand business. Nonetheless, when a firm changes the configuration of a BM or its individual components it is referred to as BMI (Geissdoerfer et al., 2018). Several views of BMI will be presented in this section, including differing definitions, levels of BMI and different types of BMI.

Taran et al. (2015) argue that any change in a BM can be called a BMI, however some changes are more radical and/or complex and some are better understood than others. They suggest a three-dimensional approach to define or measure the innovativeness of a BM change, which include radicality, reach and complexity. According to Taran et al. (2015), radicality refers to how radical the change is in terms of how the firm does business and the newness of each building block constituting the BM, meaning how much the innovation departs from the prior BM. A radical innovation refers to something significantly new for the BM and its building block(s) (Taran et al., 2015). An incremental innovation, on the other hand, involves smaller changes such as extensions or improvements which on their own may be almost imperceptible while cumulatively could have a large impact (Taran et al., 2015). The reach of the innovation concerns who the innovation is new to, including a scale from new to the company to new to the world, according to Taran et al. (2015). The last dimension of the approach, the complexity, refers to how many of the building blocks of the BM are involved in the innovation (Taran et al., 2015). A simple innovation involves a change in one of the BM building blocks while a complex innovation includes several building blocks, with

the most complex innovation involving changes in all the building blocks simultaneously (Taran et al., 2015).

Andreini et al. (2022) suggest another definition of BMI, with it referring to “*a set of deliberate acts that managers and entrepreneurs perform over time to change the BM components and architecture in a consistent and innovative way*” (p.1092). With this definition, the concept is rather a process than an outcome, as suggested by Taran et al. (2015). Andreini et al. (2022) also mean that the ultimate goal of BMI is to gain a strategic advantage. Foss & Saebi (2017) provide an additional definition of BMI, as “*designed, novel, and nontrivial changes to the key elements of a firm’s BM and/or the architecture linking these elements*” (p.216). With this definition, the requirements of nontriviality and novelty suggest that minor changes and imitations of other BMs are not to be considered BMI (Foss & Saebi, 2017), which contradicts Taran et al.’s (2015) reasoning that any change in a BM could be called an innovation. However, both Taran et al. (2015) and Foss & Saebi (2017) acknowledge that different changes/innovations can have different levels of complexity and novelty. Complexity, according to Taran et al. (2015), concerns the level of interdependencies between the subsystems of the BM, with value creation, delivery and capture being the subsystems. BMI in a loosely coupled BM implies modular change while BMI in a BM with tightly interdependent subsystems implies architectural change (Foss & Saebi, 2017). The novelty aspect of their model shows that the innovation can either be new to the firm or new to the industry, hence disrupting market conditions in the latter case (Foss & Saebi, 2017).

Geissdoerfer et al. (2018) explain that there are mainly four types of BMI; start-ups, BM transformation, BM diversification and BM acquisition. In BMI in the form of start-ups there is no current BM and hence a new BM is created (Geissdoerfer et al., 2018). Geissdoerfer et al. (2018) state that BMI in the form of BM transformation includes a current BM that is changed into another BM. According to their model, BMI in the form of BM diversification refers to keeping the current BM while also creating an additional BM. The last type of BMI, according to Geissdoerfer et al. (2018), is BM acquisition, which refers to the identification, acquisition and integration of an additional BM. Regardless of the type of BMI, Bosbach et al. (2020) argue that BMI can help companies increase competitiveness, extend to unexplored and unexploited markets and contribute to strategic renewal.

2.1.2. Multiple Business Models in one Firm

As mentioned in the above section, BMI can take several forms. If the second-hand business is included into the business through the addition or acquisition of a new, separate BM, the firm must manage multiple BMs at once; both the original BM and the new BM. The literature presents different terms for multiple BMs, such as dual or co-existing BMs as well as BM portfolio and BM diversification. Bosbach et al. (2020) and Westerveld et al. (2023) explain that when a firm engages with at least two different ways of creating and/or capturing value it is called BM diversification, leading to a BM portfolio. In this sense, BM diversification refers to the inclusion of more than one BM, as a BM portfolio per se is a

portfolio of two or more BMs (Bosbach et al., 2020; Westerveld et al., 2023). Hence, even the type of BMI called BM acquisition provided by Geissdoerfer et al. (2018) could be included under the umbrella term of BM diversification, as the current BM remains and a new BM is included in the BM portfolio through acquisition (Geissdoerfer et al., 2018).

Managing multiple BMs could be challenging and a BM that performs well by itself could have a different performance outcome when placed besides another BM within the same firm (Harren et al., 2022). Operating multiple BMs was originally a way to defend the business against possible disruptive BMs from potential competitors, as well as to gain new competitive advantages (Westerveld et al., 2023). Moreover, BM diversification as a strategy to expand the BM portfolio can be a way to increase value, for example to drive growth, mitigate risk, increase competitive advantage and drive shareholder value creation (Bosbach et al., 2020). Additionally, dual or multiple BMs can help firms manage inconsistent demands, be resilient against disruptions and generate new revenue streams (Visnjic et al., 2022). However, Bosbach et al. (2020) argue that with BMs being a complex area, BM diversification is a challenge that needs to match the firm's strategic goals. Hence, finding the right balance between existing and new BMs and managing the transition from a single to dual BMs is a big challenge (Bosbach et al., 2020; Visnjic et al., 2022; Harren et al., 2022).

While the existing business is managed in a known way, the new business is driven in an explorative innovation space, hence being investment-intensive and prone to failure according to Bosbach et al. (2020). They argue that the main factors that hinder value creation in BM diversification are different requirements or targets between old and new BMs that could easily lead to tension. Examples provided by Bosbach et al. (2020) include funding and resource allocation, management, measurement, expectations and mindsets, organizational infrastructure and staffing. Moreover, the tension between current and new BMs could result in internal competition and cannibalization (Bosbach et al., 2020). Visnjic et al. (2022) discuss that usage of different trade-off practices can help companies to understand and resolve the tension and its complexity, hence leading to a more successful transition to dual BMs. Westerveld et al. (2023) further stress the importance of recognising the paradoxes across a BM portfolio and the usage of appropriate strategies to manage the strategic tension that could arise from these paradoxes. An example the authors provide is by shifting focus from choosing between one BM or the other, to leveraging choosing both simultaneously. Furthermore, they state that firms should be clear on the strategic intent of the BM portfolio both when evaluating the portfolio and when diversifying it, which is helpful to identify both opportunities and paradoxes (Westerveld et al., 2023).

2.2. Business Models and Sustainability

The initiative from a company to resell its own products on its own second-hand market could be viewed as a sustainability initiative, hence there is a need to understand BM and BMI in this context as well. As with BM and BMI, various definitions of the concept exist, however three dimensions of sustainability are often discussed; economic, ecological and

social sustainability (Suess et al., 2021). Suess et al. (2021) explain that economic sustainability refers to the aim of long-term economic continuity of a system. They go on by stating that ecological sustainability also refers to long-term continuity, however in an ecological system. Lastly, social sustainability refers to the relationships between systems and the human (Suess et al., 2021). Schaltegger et al. (2012) state that companies are crucial to enable sustainable development, hence corporate management and corporate strategies need to consider sustainability.

Sustainability is a term that is applied in several contexts, and BMs and BMI are no exceptions. Comin et al. (2020) argue that there is an increasing concern for sustainability issues, leading to the need for companies to demonstrate their positioning on sustainability. They state that sustainable practices within companies require both environmental and social considerations which are influenced by corporate culture values. Comin et al. (2020) state that a company can obtain benefits and competitive advantage by redesigning the BM through incorporating sustainability, and that sustainable practices can improve not only competitiveness but also brand value. BMs are considered key factors for companies to define their sustainability goals (Comin et al., 2020) and they need to be intentionally designed in order to deliver wanted sustainability impacts (Bocken et al., 2019). Comin et al. (2020) and Bocken et al. (2019) agree upon the fact that to obtain a sustainable business model (SBM), one thing that needs to be considered is value creation for all stakeholders, e.g. customers, shareholders, suppliers and environmental components. Sustainable developments of BMs include pursued economic value together with ecological and social value (Comin et al., 2020).

Bocken et al. (2019) define sustainable business model innovation (SBMI) as the creation of superior customer and firm value through considering societal and environmental needs in the way business is done in an organization. Sousa-Zomer & Cauchick-Miguel (2019) add on by stating that it can concern both the creation of significant positive and/or reduced negative impacts on the environment and/or society. Regardless of the approach, sustainability adds complexity to the conventional BMI process (Pieroni et al., 2019).

2.2.1. Circular Business Model Innovation

The literature often addresses SBMs within the concept of circular economy (CE) (Comin et al., 2020; Rosa et al., 2019). CE is often viewed as a way to achieve sustainability, with the more narrow focus on the two dimensions economic and ecological/environmental sustainability (Pieroni et al., 2019). Comin et al. (2020) state that innovation is shown to be an important driver for incorporating CE within BMs, according to trends in innovative and SBMs within the fashion industry. Pieroni et al. (2019) explain that the concept of CE “*envisions the achievement of a more resource effective and efficient economic system by intentionally narrowing, slowing and closing materials and energy flows*” (p.199). Rosa et al. (2019) state that while traditional production and consumption patterns are linear, they are instead closed-loop ones in the CE. Moreover, to achieve real transition towards a CE there is

a need for relevant changes along the whole value chain, including strategies and BMs (Rosa et al., 2019). Antikainen & Valkokari (2016) stress this by stating that radical innovation and disruptive BMs are needed to move towards CE.

According to Pieroni et al. (2019) circular business model innovation (CBMI) refers to usage of principles and practices from the concept of CE to design BMs. Three modes of integrating CE principles in BMs are discussed by Pieroni et al. (2019), with the first one being Downstream Circular which includes amending value capture and delivery through new revenue schemes and customer interface. The second mode is Upstream Circular which includes amending value creation systems. The last one is Fully Circular which is a combination of downstream and upstream principles and also the most impactful to gain balance between the environmental and economic benefits (Pieroni et al., 2019). Geissdoerfer et al. (2023) also provide a framework related to CBMI. They discuss four types of CBMI: circular start-ups, CBM diversification, CBM transformation and CBM acquisition. In circular start-ups there is no current BM, hence a CBM is created from scratch. CBM diversification refers to the addition of a CBM while maintaining the current/original business model as well. CBM transformation refers to when a current BM is changed into CBM, and lastly, CBM acquisition concerns an existing CBM which is acquired and integrated into an organization (Geissdoerfer et al., 2023).

Assmann et al. (2023) discuss that firms that use circularity in the BMs “*report more resilient supply chains, cost reductions, increased reporting accuracy, and market differentiation*” (p.6009). Chen (2020) supports this by stating that CE creates opportunities for businesses facing challenges of resource scarcity and environmental impact, through innovations aimed at value creation, cost reduction, revenue generation and resilience improvement. However, there are also several challenges related to the adoption of CE principles and CBMs. In Rosa et al.’s (2019) literature review, five main categories of challenges are presented: sustainability-, supply chain-, company-, ICT- and lean-based challenges. They acknowledge that supply chain dimensions are more neglected in literature while challenges on a micro-level that concerns the company's enablement of CE (sustainability- or ICT-based) are paid attention to at a larger extent (Rosa et al., 2019). Assmann et al. (2023) states that one of the main barriers for the adoption of CBMS is that, in practice, companies are not yet guided how to implement CBMs.

Chen (2020) provides examples of what is mentioned as cultural barriers to CBMI, which include lacking consumer interest and awareness, and a hesitant company culture. Assmann et al. (2023) also mention culture, and provide examples of cultural determinants that can both pose as barriers or drivers of CBMs. Firstly, they state that customer attitude and behavior can determine the adoption rate of CBMs. They also mention that customers are more likely to buy circular products when linear products have higher prices. Moreover, with extended product life cycles including more durable products, customer loyalty may increase as well as willingness to engage with CBM-oriented companies (Assmann et al., 2023). Other cultural determinants mentioned by Assmann et al. (2023) are organizational culture, employee- and management attitude and behavior, supply chain culture, industry culture and

societal culture. Hence, the values, state of mind, expectations, practices, behaviors and norms on different levels can determine the adoption of CBMs (Assmann et al., 2023).

Alongside cultural determinants, Assmann et al. (2023) provide examples of 7 other categories of determinants that either drive or challenge the adoption of CBMs. There are also regulatory-, market-, strategy-, business case-, collaboration-, operations-, and knowledge determinants. Among these categories, some important factors include market demand, market dynamics, strategic focus, competitive advantage, investment opportunities, growth and revenues opportunities, cost reduction, product characteristics etc. (Assmann et al., 2023). They also bring up dual BMs, as discussed previously in this literature review, stating that the coexistence of traditional and CE-oriented BMs has an impact on the adoption of CBMs as companies might need to align investments with both BMs (Assmann et al., 2023). There could also be risk of cannibalization of own market share and profits with coexisting traditional BMs and CBMs (Assmann et al., 2023; Guldmann & Huulgaard, 2020; Linder & Williander, 2017).

2.2.2. Second-hand

One of the business practices that is addressed within the concepts of sustainability and circularity is second-hand, with a second-hand market being a marketplace where consumers sell used goods to other consumers for further use (van Loon et al., 2018). Chen (2020) mentions that the second-hand scheme has received increasing attention in recent years, and that it is used to extend the product life cycle and decrease usage of raw materials. Machado et al. (2019) explain that extending product life through reuse is a way to operationalize CE, including second-hand BMs.

Second-hand markets exist in several sectors and for many types of products (van Loon et al., 2018). One industry where second-hand is used is the clothing industry, where second-hand (fashion) refers to reused clothing with consumers being both the buyers and sellers (Machado et al., 2019). As it does not require new production and lengthens the otherwise short life cycle of clothing, it is part of CE, and second-hand consumption therefore helps to reduce environmental and social impacts on the (clothing) industry (D'Adamo et al., 2022). Hvass (2015) argues that companies are developing resell/reuse platforms to prolong the life of clothing as well as to capture the resale value. D'Adamo et al. (2022) state that the propensity to recycle clothing is growing, hence influencing companies within this industry to adopt CBMs. They also state that the second-hand market may represent both a threat and an opportunity for companies, with the threat being exploiting the marketing potential without significant changes resulting in potential greenwashing. On the other hand, if actors in the value chain are able to innovate operating models, they can leverage the growth of the second-hand market and increase their competitiveness (D'Adamo et al., 2022).

D'Adamo et al. (2022) and Machado et al. (2019) suggest some consumer benefits related to second-hand fashion, including better prices and the opportunity to find unique garments.

Moreover, D'Adamo et al. (2022) propose that second-hand within the clothing industry have several business opportunities, including increased product variety (including increasing opportunities for marginality), penetration of new market segments, longer product lifetime etc. However, some business critical issues are also identified, including marketing/selling costs, cost of quality assurance and clothing sanitisation, amount of stock etc. (D'Adamo et al., 2022). van Loon et al. (2018) further elaborate on this topic (using a more general perspective not restricted to the clothing industry), stating that taking back products for reuse involves more operations than what companies are used to, including return transport, inbound logistics, quality checking and recovery. Furthermore, these activities often occur on a single item-level or small batch level, as opposed to large-scale operations including manufacturing (van Loon et al., 2018).

van Loon et al. (2018) also discuss the relation of second-hand and new products, stating that second-hand partially replace the sales of new products, as it can concern the same type of product. This can lead to high cannibalization rates and put pressure on the price difference between second-hand and new products. Hence companies need strategies for how to control the second-hand market and turn them into their advantage (van Loon et al., 2018).

While some authors do not distinguish the concepts of the second-hand economy and the sharing economy, there are noteworthy differences between the two concepts (Yrjölä et al., 2021). As this thesis will research BMI in the setting of existing companies engaging with a second-hand business, there is a need to clarify the differences and the resulting framing of the thesis. Yrjölä et al. (2021) define the different concepts in the context of BMs as:

- *“Second-Hand Business Models: Business models that enable the exchange of used goods”* (table 1, p. 765)
- *“Sharing Economy Business Models: Two-sided platform-based business models that allow consumers to grant each other temporary access to under-utilised physical assets”* (table 1, p. 765)

With these definitions and the framing of the thesis in mind, this thesis will not research concepts included in the sharing economy BM, such as leasing or renting.

2.3. Theoretical Framework

With the research questions as a basis, the main findings from the literature review will now be summarized and discussed, which will bring form to the theoretical framework. The framework will be used to synthesize and analyze the findings of the data collection.

Foss & Saebi (2017) explain that with the extension of the BM literature, there has been a convergence of the BM definition, leading to the definition of a BM as a model on how a company creates, delivers and captures value. This will be the definition used henceforth in this thesis. Value creation and delivery include key activities, resources, channels, partners and technology while value capture concerns the revenue streams and the cost structure (Bocken et al., 2014). Another important term within this topic is value proposition, which

refers to the offer, the aimed customer segment and customer relationship, according to Bocken et al. (2014). The BM canvas is a commonly used tool that suggests that a BM is made up from 9 building blocks (Osterwalder & Pigneur, 2010) that together represent the value proposition, the value creation and delivery and the value capture (Pieroni et al., 2019).

Existing companies have one or more existing BMs, hence when they engage with a second-hand business they need to somehow alter their existing BM(s) or expand their BM portfolio. The different definitions of BMI presented in the literature review are summarized in table 1.

Table 1
Definitions BMI

	Definition BMI
Geissdoerfer et al. (2018)	Changes in the configuration of a BM or its individual components
Taran et al. (2015)	Any change in a BM can be called a BMI
Andreini et al. (2022)	Deliberate acts by managers/entrepreneurs over time, to change the BM architecture and components in a consistent and innovative way
Foss & Saebi (2017)	Designed, novel and nontrivial changes to the key components and/or architecture of a BM

Although the definitions vary, there seems to be consensus around the fact that BMI refers to changes in a BM, or more precisely in the components and/or architecture of the BM, according to the definitions provided in table 1. While the two first definitions provided by Geissdoerfer et al. (2018) and Taran et al. (2015) are more including, the latter two provided by Andreini et al. (2022) and Foss & Saebi (2017) limit what type of changes could be called a BMI. However, Taran et al. (2015) and Foss & Saebi (2017) acknowledge that there are different dimensions of a BMI, hence considering the degree of innovativeness of the change. A combination of these definitions result in the definition that will be used henceforth in this thesis, which is: *BMI refers to deliberate and designed changes in a BM architecture and/or its components and can be measured/analyzed by different dimensions*. With this definition, any deliberate and designed change in the BM components and/or architecture could be viewed as BMI, however, consideration is taken that the BMI can be more or less ‘innovative’.

For the dimensions, a combination of the ones provided by Taran et al. (2015) and Foss & Saebi (2017) will be used. The dimensions are summarized in table 2.

Table 2
BMI Dimensions

	Dimensions BMI
Taran et al. (2015)	<p><i>Radicality</i>: how much the innovation departs from prior BM. A radical change is something significant new to the BM and its components. An incremental change is an extension or improvement of the BM.</p> <p><i>Reach</i>: who the innovation is new to. From new to the company to new to the world</p> <p><i>Complexity</i>: how many building blocks/components are involved in the innovation. A simple innovation changes one of the components while a complex innovation changes several components.</p>
Foss & Saebi (2017)	<p><i>Complexity</i>: interdependencies of the subsystems. From modular (loosely coupled BM) to architectural (tightly interdependent subsystems) change.</p> <p><i>Novelty</i>: who the innovation is new to. New to the firm or new to the industry.</p>

The first dimension Radicality, presented by Taran et al. (2015), will be used to analyze how much the innovation departs from prior BM. As both the Reach (Taran et al., 2015) and the Novelty (Foss & Saebi, 2017) refer to the same thing, this will be analyzed using the term Novelty with the span of new to the company, new to the industry and new to the world. Although the authors use the term Complexity in different ways, both definitions will be taken into consideration. Complexity will be used for the dimension provided by Taran et al. (2015), which analyzes how many of the building blocks/components that are involved in the innovation. For the dimension considering how interdependent the subsystems are, discussed by Foss & Saebi (2017), the term Interdependence will be used.

When a company engages with a second-hand business it could be viewed as an act towards the CE, as explained by D’Adamo et al. (2022). They argue that with second-hand referring to reusing goods, there is no need for new production and the life cycle of the product extends. Hence, this leads to narrowed, slowed or even closed resource loops, which could be determined as the definition of the CE (Pieroni et al., 2019). Usage of principles and practices from the concept of CE to design BM(s) could be concluded as CBMI (Pieroni et al., 2019).

There are different ways of integrating CE practices, as discussed by Pieroni et al. (2019). Firstly, they describe Downstream Circular as amending value capture and delivery. They call the opposite way Upstream Circular, which includes amending value creation. When combining these two types and amending value capture, delivery and creation it is referred to as Fully Circular (Pieroni et al., 2019). With a BM describing the value creation, delivery and

capture mechanisms of a firm (Teece, 2010), this model will be used to understand how the second-hand business and its resulting CE practices affects the BM.

Geissdoerfer et al. (2018) provide four types of CBMI, spanning from the creation of a CBM from scratch, changing a current BM into a CBM, creating an additional CBM and lastly, acquiring an additional CBM. While the first two types refer to a single CBM, the two latter types result in multiple BMs in one firm, including at least one CBM. As this thesis only considers existing companies, the creation of a single new CBM from scratch will not be covered. Although creating or acquiring an additional CBM is part of CBMI, as explained by Geissdoerfer et al. (2018), it could also be studied from the perspective of BM diversification (Bosbach et al., 2020; Westerveld et al., 2023). BM diversification in this context refers to engaging with more than one way of creating and/ or capturing value, hence leading to more than one BM and a BM portfolio (Bosbach et al., 2020; Westerveld et al., 2023).

There are several challenges and opportunities related to BMI, SBMI, CBMI and second-hand and the main ones discussed in the literature review are presented in table 3.

Table 3
Challenges and opportunities

	Challenges	Opportunities
BMI (including both BM transformation and BM diversification)	<p>Finding the right balance between existing and new BMs and managing the transition from a single to dual BMs is a big challenge (Bosbach et al., 2020; Visnjic et al., 2022; Harren et al., 2022)</p> <p>A new business is investment-intensive and prone to failure. Different requirements and targets of multiple BMs lead to tension; funding and resource allocation, management, measurement, expectations and mindsets, organizational infrastructure and staffing. Increased internal competition and</p>	<p>Increased competitiveness, enter unexploited markets, strategic renewal (Bosbach et al., 2020)</p> <p>Defend the business and gain competitive advantage (Westerveld et al., 2023)</p> <p>BM diversification can help drive growth, mitigate risks, increase competitive advantage and drive shareholder value creation (Bosbach et al., 2020)</p> <p>BM diversification can help management of inconsistent demands, increase resilience and generate new revenue streams (Visnjic et al., 2022)</p>

	cannibalization (Bosbach et al., 2020)	
SBMI & CBMI	<p>Sustainability adds complexity to the BMI process (Pieroni et al., 2019)</p> <p>CBMI: Sustainability-, supply chain-, company-, ICT- and lean-based challenges (Rosa et al., 2019)</p> <p>Companies are not guided how to adopt CBMs. Customer attitude and behavior can affect adoption rate. Values, state of mind, expectations, practices, behaviors and norms on different levels can determine the adoption of CBMs. Market demand, market dynamics, strategic focus, product characteristics. Aligning investments between original BM and CBM (Assmann et al., 2023)</p> <p>CBMI: Lacking consumer interest and awareness and hesitant company culture (Chen, 2020).</p> <p>Risk of cannibalization of own market share and profits with coexisting traditional BMs and CBMs (Assmann et al., 2023; Guldmann & Huulgaard, 2020; Linder & Williander, 2017)</p>	<p>Sustainability incorporated in the BM increase competitiveness and brand value (Comin et al., 2020)</p> <p>CBMI: resilient supply chains, reduced costs, increased reporting accuracy, market differentiation. Customer attitude and behavior can affect adoption rate. Increased customer loyalty and willingness to engage with the company. Values, state of mind, expectations, practices, behaviors and norms on different levels can determine the adoption of CBMs. Market demand, market dynamics, strategic focus, competitive advantage, investment opportunities, growth and revenues opportunities, cost reduction, product characteristics (Assmann et al., 2023)</p> <p>CBMI: Cost reduction, revenue generation, resilience improvement. Manage resource scarcity (Chen, 2020)</p>
Second-hand	Exploiting the marketing potential without change, resulting in greenwashing. Marketing/selling costs, cost of quality assurance,	Extend product life cycle and decrease usage of raw materials (Chen, 2020)

	<p>sanitisations, amount on stock (D'Adamo et al., 2022)</p> <p>Increased operations; return transport, inbound logistics, quality checking and recovery. Less opportunity for large-scale operations for the added second-hand business. Cannibalization, pressure on price difference between new and second-hand products (van Loon et al., 2018)</p>	<p>Capture resale value (Hvass, 2015)</p> <p>Leverage growth of the second-hand market and increase competitiveness. Increased product variety, penetration of new market segments, longer product life cycle (D'Adamo et al., 2022)</p>
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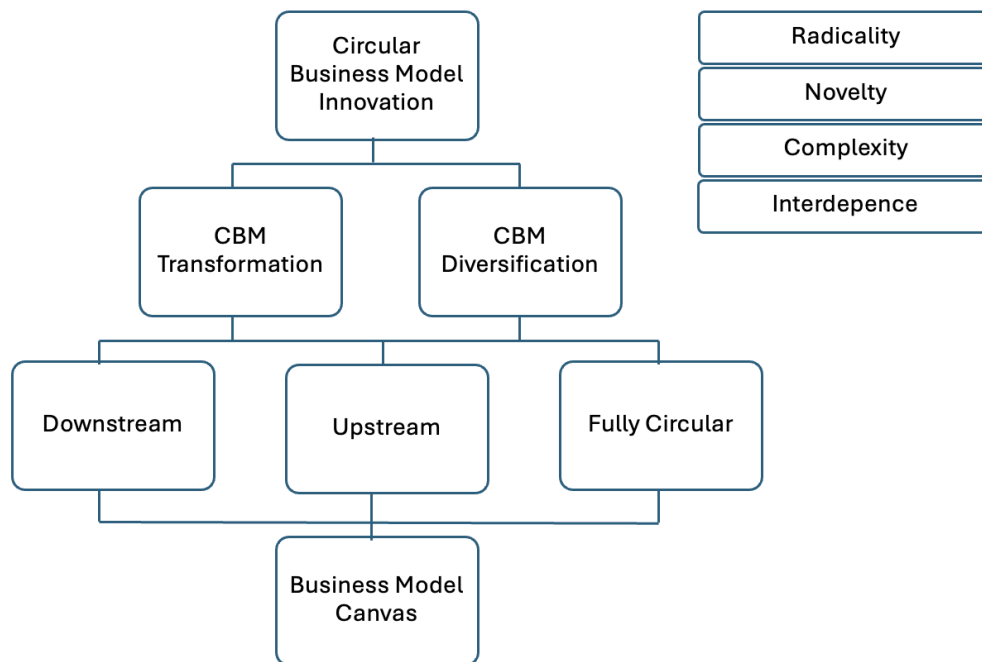
To analyze the data collection and provide an answer to the research question, 3 frameworks have been conducted that combine the literature of BM, BMI, SBMI, CBMI and second-hand businesses. The first framework, represented by figure 1, aims to bridge the literature regarding BM, BMI and CBMI to answer the first research question:

- *How is CBMI pursued when engaging with an additional second-hand business within existing firms?*

In this case the engagement in a second-hand business for an existing firm is used as the basis of the framework, representing the CBMI. The CBMI can be analyzed using the literature from the different areas. The model of four types of CBMI provided by Geissdoerfer et al. (2018) will be used to analyze what type of CBMI is occurring. As both the type CBM diversification and CBM acquisition refer to multiple BMs, these will be referred to as the umbrella term CBM diversification in the framework. CBM transformation will refer to CBMI in the form of changing a current BM into a CBM, as discussed by Geissdoerfer et al. (2018). To understand the changes of the actual model, the 3 modes for incorporating CE-practices (Pieroni et al., 2019) and the BM canvas (Osterwalder & Pigneur, 2010) are used. As explained by Pieroni et al. (2019) and Osterwalder & Pigneur (2010), both concern value management, however, the 3 modes; Upstream-, Downstream and Fully Circular, take on the perspective of changes with regards to CE, while the BM canvas provides a deeper understanding of each component constituting the BM. Lastly, the different dimension of a BMI is used to analyze the actual innovation, i.e. radicality, complexity, novelty and interdependence.

Figure 1

Framework 1: Circular Business Model Innovation



The next 2 frameworks combine the challenges and opportunities from each area in the literature and aims to bridge the literature, presenting the 6 main areas of both challenges and opportunities identified from each topic that is viewed as relevant for this phenomenon. These frameworks will be used to analyze the data collection to answer the second research question:

- *What challenges and opportunities are related with CBMI in the form of an additional second-hand business for an existing firm?*

The main areas of challenges and examples of challenges in each area are presented in table 4, while table 5 presents the same for the opportunities.

Table 4

Framework 2: Challenge areas

Challenge areas	Examples
Revenue streams and financial	Risk of cannibalization Price difference pressure
BM and strategy	Tension between BMs - aligning BMs Strategic focus
Consumers and market	Consumer attitude and behavior including

	interest and awareness Market demands Market dynamics
Organization	Hesitant company culture Practices, values, behaviors etc.
Product	Product characteristics
Supply chain and operations	Quality assurance and checking Sanitisation and recovery Selling cost Cost of stock Return transport Inbound logistics

Table 5

Framework 3: Opportunity areas

Opportunity areas	Examples
Revenue streams and financial	Revenue generation, e.g. capture resale value Cost reduction Investment opportunities
BM and strategy	Resilience improvement Strategic renewal Increased brand value
Consumers and market	Increased competitiveness Penetration of new market segments Leverage growth of second-hand market Market differentiation Consumer attitude and behavior Increased consumer loyalty Market demand
Organization	Practices, values, behaviors etc.
Product	Extend product life cycle Increased product variety Product characteristics
Supply chain and operation	Manage resources, e.g. scarcity and decrease usage of raw materials Resilient supply chain

3. Methodology

In this chapter the chosen methodology for collecting and analyzing the data needed to answer the research questions is presented. Firstly, the research approach and design are discussed and motivated. After that, the methodology for the data collection is described, followed by the data analysis. Then the research quality is discussed, and lastly the limitations of the methodology.

3.1. Research Approach and Design

This thesis is based on an exploratory descriptive approach, meaning that it shares similarities with both approaches. Exploratory research aims to provide a better general understanding of a phenomenon and is often conducted when few or no previous studies have been made (Collis & Hussey, 2021), which is the case for this study. With descriptive research, on the other hand, the aim is to describe detailed characteristics of a phenomenon (Collis & Hussey, 2021). Collis & Hussey (2021) further explain that the research questions for both exploratory and descriptive research often start with “how” and “what” as the aim is either to gain insights and understanding of the case or to describe it. Considering the nature of the questions of this thesis, they could be argued to take on both approaches. As the aim of the study is to both provide a general understanding of a phenomenon as well as to describe its characteristics, this thesis can best be explained by being both exploratory and descriptive.

Moreover, an abductive method is used, which could be viewed as a mix of the inductive and deductive approach, as these two seldom exist as clear-cut options (Eriksson & Kovalainen, 2016). The abductive approach is characterized by the iterative engagement with the empirical findings and the literature (Bell et al., 2022). Bell et al. (2022) explain that the method allows for an interchange with pre-existing understandings and the social world, hence not seeking to confirm the pre-understandings but rather to challenge them. The aim of this dissertation is neither to test hypotheses and confirm existing notions, nor to develop new theories all together, hence the abductive approach is the most appropriate for this research.

In addition to being abductive, this thesis is based on qualitative research. Qualitative research focuses on using words rather than numbers, and is used for exploring and understanding the meaning social actors ascribe to a social problem (Creswell & Creswell, 2018). As the aim of this dissertation is to provide a deeper understanding of a specific phenomenon, the qualitative approach is the most suitable. This is because the qualitative design focuses on the contextual understanding and an in depth analysis (Bell et al., 2022). Moreover, the approach in qualitative research is more unstructured, enhancing the emergence of the meaning of actions and actors from data collection (Bell et al., 2022).

Some common critiques of the qualitative design concern subjectivity, replication, generalization and transparency (Bell et al., 2022). Bell et al. (2022) explain that qualitative research is sometimes judged as too subjective, hence relying too heavily on the researcher’s

views of what is significant and important. They go on stating that it is argued that a qualitative research is almost impossible to truly replicate due to its unstructured characteristics. Furthermore, they state that the scope of the findings in qualitative research is restricted, hence creating problems with generalizing the findings. Lastly, they explain that some critique exists around the fact that it is sometimes hard to establish what the researcher actually did and how the study's conclusion was reached (Bell et al., 2022). Despite these challenges, the qualitative approach is deemed as the most suitable to fulfill the purpose of this thesis, as argued for above.

Several research designs are applicable when conducting qualitative research. With the aim of this study being an in depth analysis of different companies' approaches to a specific business phenomenon as well as the perceived challenges and opportunities of it, the qualitative approach together with a multiple-case study design is considered most useful. The multiple-case study design simply indicates that two or more cases are used, as opposed to one single case (Bell et al., 2022). This design can be considered closely related to the comparative design, as one of the purposes of a multiple-case study is to enable comparison among the included cases (Bell et al., 2022). Hence, the multiple-case study design allows the researcher to compare and contrast findings from each case, which leads to the researcher being able to find things that are either unique or common across the cases (Bell et al., 2022). Bell et al. (2022) state that the main argument in favor of this approach is that it improves theory building. However, some critique also exists according to Bell et al. (2022), mainly concerning problems with retaining contextual insight. Even so, the multiple-case study design is considered most appropriate for this thesis. This is because the goal is to gather data from several companies, and to analyze each case as well as to find both common and unique findings from the range of cases, to provide a deeper understanding of the phenomenon.

3.2. Data Collection

The main data was collected through interviews with different companies. Qualitative interviewing ensures depth over breadth and gains the interviewee's point of view (Bell et al., 2022), hence interviews were considered the best option. The interviews were semi-structured, meaning that an interview guide was used with a set of predetermined questions and/or topics. Although semi-structured interviews entail predetermined questions to some extent, there is also room for the interviewee to answer quite freely and for the interviewer to ask follow-up questions (Bell et al., 2022). It is a good alternative for a multi-case study design to ensure comparability among cases (Bell et al., 2022). Hence, semi-structured interviews were considered suitable to both ensure depth and comparability.

Two interview guides were conducted (which can be found in Appendix 1), one for the companies that have pursued some type of second-hand business and one for those that have not. Companies that have not yet pursued this phenomenon were considered relevant, as they can still provide insights into possible challenges and opportunities. Hence, these companies

were more relevant for the research question “*What challenges and opportunities are related with CBMI in the form of an additional second-hand business for an existing firm?*”.

The interviews were held both online and in person, depending on preference and geographical distance. Most of the interviews were held online via Teams, which was preferred for the researcher to ensure good sound for the recording. All interviews were recorded with the interviewee’s approval. Recording is helpful in qualitative research to ensure that the answers are captured correctly and allows the interviewer to be responsive during the interview (Bell et al., 2022). The interviews were then transcribed to a large extent, with the exception of introductory discussions including the purpose of the study. Transcription allows for a more thorough and repeated examination of what was said during the interview and helps the interviewer remember better (Bell et al., 2022), hence the transcription was necessary to enable proper analysis of the data. Moreover, transcription was done to increase the level of transparency and allow scrutiny of the data (Bell et al., 2022). However, both recordings and transcriptions were deleted after the thesis project to respect the integrity of the companies and interviewees. Furthermore, any company secrets that may have been enclosed during the interviews were not included in the transcription nor revealed to anyone that were not part of the interview, again to respect the integrity of the company. The data used in the thesis was also presented and confirmed by the interviewee, to ensure credibility (which will be discussed further under 3.4 Research Quality). Lastly, all interviews were held in Swedish. However, transcription and translation is very time consuming (Bell et al., 2022) and the transcriptions were not translated fully due to the time constraints. Only the necessary data to answer the research questions as well as quotes were translated.

The interviewees were selected on the basis of purposive sampling, which is the main form of sampling in qualitative research and is a non-probability form where the selection of units (in this case companies) is a strategic choice based on the research question(s) (Bell et al., 2022). Bell et al. (2022) explain that purposive sampling does not allow the findings to be generalized to the population, due to the fact that units are not selected on a random basis. However, they further explain that the researcher can ensure some variety by choosing units that have different key characteristics. This is ensured in this thesis through the selection of companies. The interviewed companies come from two different industries and have different characteristics, such as differing product characteristics and target consumers.

Furthermore, when using purposive sampling, the researcher needs to have clear criteria of the sampled units (Bell et al., 2022). For this thesis, the criteria includes that the company must be a retailing company that has the ability to engage with a second-hand market, which excludes companies selling consumable goods. Furthermore, as the aim is to analyze existing companies that have or could pursue the phenomenon of interest, companies that only pursue second-hand business are also excluded. Moreover, although companies that have not yet pursued this phenomenon were of interest, companies that have were preferred due to the possibility of them answering both research questions. Due to this preference/criteria, some availability constraints were both expected and experienced, which could affect sample size and saturation. Theoretical saturation refers to the idea of sampling until a category has been

saturated with data (Bell et al., 2022). Unlike the misbelief that theoretical saturation refers to a sense of déjà vu, it instead means that no new data provides new insights to the theory or the categories (Bell et al., 2022). Due to the availability constraint, the initial aim was to conduct 5 interviews (the sample size), which was met and provided theoretical saturation to a large extent. However, possible additional interviews were welcomed to ensure a higher degree of theoretical saturation.

Table 6 presents the sample of interviews, including the company, the overall industry in which the company is active, the respondents name and job title, date and duration of the interview, the language used, the context of the interview and lastly whether or not the company has pursued the phenomenon yet. The interviews are listed in chronological order. Information that could be perceived as sensitive, such as company name and the interviewee's name and job title, have been approved to be disclosed by each interviewee during the interviews.

Table 6

Interview respondents

Company	Industry	Name and Job Title	Date and Time	Interview Language	Online or In Person	Pursuing Second-hand
Mio	Furniture	Adam Trevik, Store Manager	2024-03-07, 50 min	Swedish	Online	No
Polarn O. Pyret	Clothing	Martina Wernemar, Product and Brand Director	2024-03-14, 60 min	Swedish	Online	Yes
(Sustain by) Oscar Jacobson	Clothing	Ludvig Bengelsdorff, Store Manager	2024-03-14, 60 min	Swedish	In Person	Yes
Houdini	Clothing	Helena Reis, Customer Support	2024-03-14, 50 min	Swedish	Online	Yes
Lindex	Clothing	Ida Hördegårdh, Business Innovation Lead	2024-04-08, 60 min	Swedish	Online	Yes

3.3. Data Analysis

Within qualitative research, the researcher analyzes the data, finds general themes and the meaning of the data is then interpreted by the researcher (Creswell & Creswell, 2018). Thematic analysis is a common method for analyzing data when conducting qualitative research (Bell et al., 2022). Bell et al. (2022) argue that thematic analysis has similarities with the method grounded theory, however it does not require the theoretical commitment of theory development as in grounded theory. For this reason, as an abductive approach is used, thematic analysis is the most suitable method for analyzing the data. Furthermore, another reason for using thematic analysis is that it is a flexible method that can be used for many types of data including the rich and complex data generated by qualitative interviewing (Bell et al., 2022).

Thematic analysis includes coding and then finding themes in the codes. Coding means that the researcher interprets the data and finds features, instances and patterns that are then classified and labeled into a code (Eriksson & Kovalainen, 2016). Themes could be viewed as a group of codes and builds on the initial codes identified in the transcripts (Bell et al., 2022). They represent patterns and meanings identified in the data and relate to the research focus of the study (Bell et al., 2022). When establishing a theme one could look for repetition, metaphors, theory-related material etc. (Bell et al., 2022). According to Bell et al. (2022) repetition is the most common criteria, however, the repetition must still be considered relevant to the research focus to be labeled a theme. Themes and codes that were not considered relevant in terms of the research focus and the research questions were therefore disregarded.

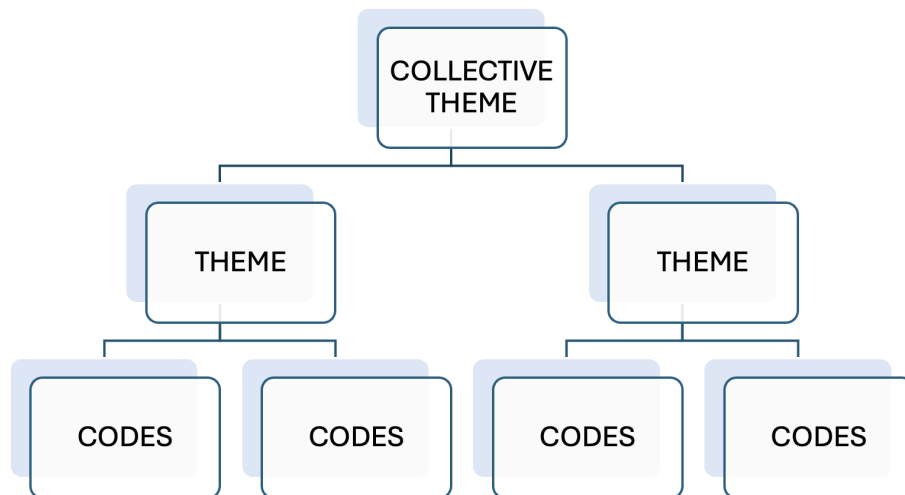
As this dissertation takes on an abductive approach, an abductive logic was used when sensitizing concepts. This means that the researcher makes use of existing research to analyze and describe the empirical data and its meanings (Eriksson & Kovalainen, 2016). In addition, the analytical technique of Pattern Matching was used, which refers to finding patterns in the empirical data and then comparing them to the existing theory (Eriksson & Kovalainen, 2016). When conducting a multiple-case study one must first start by analyzing each case individually (Eriksson & Kovalainen, 2016). As thematic analysis is used, each case (company) and its corresponding interview transcript was thematically coded to gain insights from the individual experience and opinions of each single company. With the theoretical framework and the interview guides as a background, the initial codes, made up of whole or part or sentences and/or paragraphs, were easily found in the transcripts. Themes were then found from the initial codes, based on the criteria mentioned in the above paragraph.

The following step was a cross-case analysis, which refers to a comparison of the cases to find similarities and differences across cases as well as in contrast to the existing theory (Eriksson & Kovalainen, 2016). This was done through both comparing the themes across cases and through finding new themes, labeled here as collective themes, for the cases collectively and comparing these to the compiled literature review, i.e. the theoretical framework. By using this analytical technique, insights from each individual company as well

as collectively can be highlighted, which allows for comparison both among cases as well as with previous research. The software NVivo was used for the thematic coding process, and a visual representation of the process is displayed in figure 2.

Figure 2

Thematic coding process



3.4. Research Quality

As qualitative and quantitative research differ, some suggest that they should be measured based on different quality criteria (Bell et al., 2022). Bell et al. (2022) provide 4 types of criteria to measure the quality of a qualitative study; Credibility, Transferability, Dependability and Confirmability. These criteria measure the trustworthiness of the research and they all parallel the criteria used within quantitative research (Bell et al., 2022). Each of them will be discussed in this section of the chapter.

Credibility refers to how believable the findings are, and parallels the quality criteria ‘internal validity’ often used for quantitative research (Bell et al., 2022). A technique to ensure credibility is ‘respondent validation’ which according to Bell et al. (2022) is done by confirming the findings with the members of the social world who were studied, in this case the interviewees from each company. The parts of the interviews that were deemed important to answer the research questions were sent to the interviewees to make sure that the information was understood correctly. The transcripts and codings were essential to ensure this part of the process, to not send unnecessary parts of the interviews back to the interviewees.

Transferability aims to measure if the findings can be applied in other contexts and parallels ‘external validity’ (Bell et al., 2022). Bell et al. (2022) argue that the often contextual uniqueness of qualitative findings tend to pose an empirical issue, hence qualitative

researchers are encouraged to provide a ‘thick description’. They go on explaining that this refers to the researcher providing rich details, so that judgment can be done if the findings can be transferred to another context (Bell et al., 2022). Transparency of the process along with quotes and relevant details of each case are presented to ensure that the reader can judge whether the findings can be transferred.

Dependability considers the time aspect and aims to measure if the findings can be applied at other times, and parallels the criteria ‘reliability’ (Bell et al., 2022). In practice, this means that the entire research process, from problem formulation to data analysis, can be reviewed by others (Bell et al., 2022). Every document, including for example brainstorming-documents, a list of possible interviewees etc., could be reviewed by the supervisors and fellow thesis-researchers if they wished to do so. Furthermore, the thesis was continuously reviewed and peer-reviewed by supervisors and other thesis-researchers, to increase dependability.

Confirmability refers to objectivity and if the researcher’s values have interfered with the research, and parallels ‘objectivity’ (Bell et al., 2022). Bell et al. (2022) argue that within business research complete objectivity is impossible, however it should be apparent that the research and its outcome is not overly affected by the researcher’s values or theoretical inclinations. They further argue that the confirmability can be ensured through auditors, and the peer-reviews and supervisor-reviews of the thesis were therefore essential to detect possible bias. Self-reflection and critical re-readings were also necessary to avoid unnecessary subjectivity and bias.

3.5. Limitations

As mentioned earlier in this chapter, both the nature of the methodology and the sampling entail limitations for the outcome of this study. It is acknowledged that the data collection method affects both generalizability and comparability. Firstly, as the majority of the cases are clothing companies, generalizability of the findings are limited. On the other hand, this provides a richer understanding for this specific industry. The sample size, which was affected by the time- and availability constraint, could also be deemed limiting for the generalizability of the findings, especially within industries other than clothing. Secondly, the interviewees have different roles within the companies, which could affect the comparability. This could be viewed as limiting due to differences in for example perspectives and pre-existing knowledge of the research topic. Then again, the different perspectives could also bring richness to the data, making the findings more nuanced.

4. Results

In this chapter the empirical findings from the interviews are presented. When consolidating the results the theoretical framework was used to determine the relevant themes, and then later on the collective themes. The chapter is presented firstly by research question, then by collective theme and then by individual theme. To get a better understanding of the researched companies, some information about them is presented in table 7. Although some of the companies operate in several countries and have launched different second-hand models in other countries, only their Swedish second-hand businesses are considered henceforth.

Table 7

The researched companies

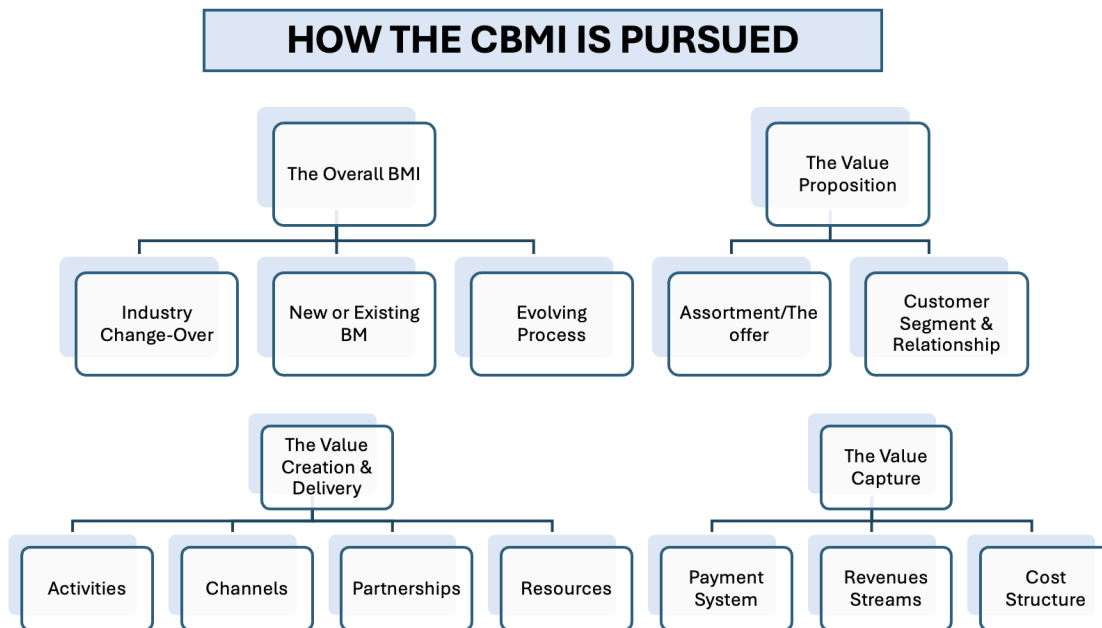
Company	Industry	Description
Mio	Furniture	Swedish retailer of furniture and home decoration
Polarn O. Pyret	Clothing	Swedish clothing brand for children
(Sustain by) Oscar Jacobson	Clothing	Swedish clothing brand for men Oscar Jacobson is the company and Sustain by Oscar Jacobson is the second-hand concept
Houdini	Clothing	Swedish clothing brand for outdoor clothes
Lindex	Clothing	Swedish clothing brand for women and children

4.1. How the CBMI is Pursued

In this first part of the chapter, the empirical findings showing how the companies have gone about this specific phenomenon are presented. As Mio currently does not pursue the phenomenon, the main focus of this part of the chapter is on the other companies, namely Lindex, Polarn O. Pyret, Houdini and Oscar Jacobson. However, comments from Mio concerning some main points on how they would have gone about will be incorporated when appropriate. This section is structured by the collective themes as headlines and all the themes and their connections are presented in figure 3.

Figure 3

Themes for how the CBMI is pursued



4.1.1. The Overall BMI

Out of the five companies interviewed, four of them are currently engaging with a second-hand business and they all work within the clothing industry. The other company, Mio, does not pursue a second-hand initiative and is active within the furniture industry. All the respondents working in the clothing industry agreed that there is an ongoing shift within their industry related to sustainability and second-hand. Ida at Lindex explains that an awareness concerning the necessity of this sustainability change has permeated the entire industry. Ludvig at Oscar Jacobson agrees stating that:

“I think it will, in the future, become a “hygiene factor” for most clothing companies to in some way incorporate their sales on the second-hand market as well” -Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

But the start of the change-over in the clothing industry was quite recent. Ludvig says that the phenomenon started spreading in the industry ca 2020, and that Oscar Jacobson started their second-hand business ca 2021. Lindex started working on their second-hand business in 2019 but launched the project in 2021 as well. Polarn O. Pyret had a previous function on their website which launched ca 2010, that enabled their customers to buy and sell the brand’s products, however without the company’s involvement in the actual purchase. Their current form of second-hand business (which will be the one further referred to) was launched in 2020. Houdini launched their second-hand business in 2013. For the furniture industry, the situation is a bit different. Adam at Mio explains that, at least in the Swedish market, the

number of companies pursuing this phenomenon is very limited, almost nonexistent, with the exception of IKEA.

Furthermore, while Lindex views their second-hand business as a new business model, Helena at Houdini and Martina at Polarn O. Pyret argue that their businesses are integrated in the existing/previous business model. Oscar Jacobson is the only company that has chosen to re-brand this part of their business, calling the concept Sustain by Oscar Jacobson. Adam at Mio says that if they were to introduce a second-hand business, he thinks a re-branding would be necessary, both to clarify what the customers are buying and to steer their expectations of the products. Ludvig says that the Sustain-concept has its own business model, but that it has similarities with the original business model of the company:

“The way I run the store is really according to some kind of business model, even if it is much smaller than (the one of) the large company. [...] because if you see the unit separately, there is probably a different business model, if you were to break it down to the whole, it would be difficult to see that there are so many differences” -Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

Many of the respondents also said that the second-hand business has grown step-by-step over time and it has been an exploration. Martina, for example, says that they have slowly grown into this new model. Ida at Lindex stresses the importance of this:

“We think that is the absolute best way to go; to start, explore and take it step by step” -Ida Hördegårdh, Business Innovation Lead, Lindex

4.1.2. The Value Proposition

This section will discuss the findings related to the value management term value proposition, referring to the BM canvas components value proposition, customer segments and customer relationships. Ida at Lindex says that the value proposition (the individual component, i.e. the offer) is very similar in the new business model, as it refers to the same products but that they are being sold once again. She also adds that one difference is the addition that the offer is a more sustainable alternative. However, the products offered in the companies' second-hand businesses differ from that of the original business since not all products are included in the new offer. Although Lindex sells clothing for both women and children, the only segment covered in their Swedish second-hand business is the latter. Furthermore, the companies all said that underwear is not included in the second-hand assortment for hygiene reasons. Other specific product categories have also been excluded for various reasons. Ludvig at Oscar Jacobson says that sometimes they have to reject garments that are in too bad condition, but he also states that clothing is easier to salvage than, for example, leather products. Martina at Polarn O. Pyret mentions that they exclude swimwear due to them not being able to guarantee the UPF (Ultraviolet Protection Factor) of the clothes after they have been worn. She also

informs that they exclude accessories since it is such a broad category and they have not found a solution on how to display this category in store yet.

An addition in the second-hand business model is the fact that it allows customers not only to purchase clothing but also to sell their previously owned items back to the company. Consequently, the business proposition encompasses not only the products available for purchase but also the service of facilitating customers' resale transactions. Ida at Lindex states that it is important to view this as two separate parts of the second-hand business, she says:

“It's still 2 separate parts of the business model, the customer relationship you have when you want to get garments back [...] is different than when they (the customers) buy second-hand, so it doesn't have to happen at the same time so you can't mix these messages too much” -Ida Hördegårdh, Business Innovation Lead, Lindex

As Ida implied in the quote above, the customer relationship also changes and she thinks that the customer relationship becomes even more important as the customer is not only the buyer but also the supplier. Both she and Ludvig argue that you get a much closer relationship with the customer and that you need to connect with the customers differently.

In terms of the customer segment, many of the respondents view the second-hand business as a way of attracting new customers. Helena at Houdini believes that it can attract a more sustainability conscious customer and Ludvig thinks that they can reach the more price sensitive shoppers. However, they did not specifically express if they viewed this as a change of customer segment, but rather as an opportunity with the business. Ida, on the other hand, explicitly said:

“We have the same customer group as a target group, as we see it” -Ida Hördegårdh, Business Innovation Lead, Lindex

4.1.3. The Value Creation and Delivery

In terms of the value creation and delivery, some key activities remain the same as before while others have changed. Companies like Oscar Jacobson and Houdini have not changed the design or production of their newly produced products as a result of the second-hand business. Polarn O. Pyret, on the other hand, has decided to adapt their designs to make the garments easier to recognize when they enter the second-hand loop again. However, the respondents were clear that there is no production for the second-hand business per se, as the business is based on reuse, which Helena at Houdini stresses by saying:

“We don't produce “reuse”, it's just something that happens because we design things that last a long time. It's [...] kind of a subtle difference there, but it's not like we're going to create a “reuse” collection, because that's not how we do it. We create what we have and then they

become long, faithful servants that last for 15 or 20 years” -Helena Reis, Customer Support, Houdini.

An additional activity for all the companies is the assessment of the clothes that loop back into their second-hand. Ludvig at Oscar Jacobson informs that the staff in the Sustain-store must check all garments in order to assess the condition, hence making what he describes as a “visual inspection”. Oscar Jacobson and Houdini explicitly state that they have the possibility to both wash and repair products and that these are new activities. Other companies such as Lindex do not include this in the current second-hand model, but Ida says that they are exploring ways of including product reconditioning in the future. For Oscar Jacobson and Houdini, these new activities also entail new or developed partnerships with dry cleaners and tailor shops. Furthermore, Ludvig mentions that the Sustain-store in Gothenburg also works together with artists and a vintage furniture store for the interior design of the store, which is *“unheard of in the ordinary store”*.

The second-hand business also entails a new supplier as mentioned in the previous section where the customer, or the company itself, is the supplier of the products which is true for all the interviewed companies. This creates a supply constraint that differs from the original business as Ludvig confirms that the second-hand business is dependent on people handing in garments. Ida further explains by saying:

“Depending on what you have put on the market in the first loop and produced, [...] you are your own supplier” -Ida Hördegårdh, Business Innovation Lead, Lindex

Although stock-keeping is a familiar activity for the companies, the second-hand business entails that they must have enough warehousing space to also fit these new products according to the respondents. The fact that they may not receive the right products for the current season also increases the pressure on their warehousing resources as these products may need to be stored until for example winter or summer come. Ida states that the second-hand business requires new ways of thinking in terms of stock-keeping.

In order to receive clothes for the second-hand segment the company must have a take-back system. Ida explains that they take advantage of their ordinary return flow to enable customers to send clothes. Customers have the possibility to send clothes to Oscar Jacobson as well, however they use a new system for this which was created specifically for the second-hand. They also offer physical hand-in of clothes which Houdini and Polarn O. Pyret also do, however this is the only take-back system for the latter companies.

Houdini, Lindex and Polarn O. Pyret display the second-hand products together with the ordinary assortment in the existing stores. Houdini and Polarn O. Pyret offer second-hand in all their stores while Lindex only offers it in selected stores. Martina specifically argued that when using the same store space as the ordinary assortment, they have to re-design the store to fit the second-hand products:

“Stores have had to think differently, so they have had to re-plan the space in the store”
-Martina Wernemar, Product and Brand Director, Polarn O. Pyret

Oscar Jacobson differs from the other companies a bit as they have separate second-hand stores. They use both physical and online channels to sell the products but so does Houdini, however Houdini only sells parts of their second-hand assortment online for now. Both companies' second-hand market is integrated in their usual online channels, i.e. it is displayed on the same website as the ordinary assortment. Lindex tried a similar concept as Oscar Jacobson and opened a time limited second-hand pop-up store in Gothenburg to gain new insights, however this store is now closed.

4.1.4. The Value Capture

Houdini, Lindex and Polarn O. Pyret all use the payment process where they pay the customers right away for the clothes they hand in, hence the companies own the second-hand products. Oscar Jacobson on the other hand sells on commission, meaning that the customer who sells back his/her products also owns them until they are resold and gets paid only then. Ludvig at Oscar Jacobson explains by saying:

“When the last garment is sold, [...] then we contact the customer and the customer can come back and then choose what they want back; 60% in a gift card that can be used everywhere in all stores or 40% in cash” -Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

Despite the payment process they all pay the customer for handing in clothes, either in gift cards/vouchers or in cash. However, that is not the only new cost that the second-hand business entails according to the respondents. The cost structure differs as explained by Ida at Lindex and Ludvig confirms by exemplifying some of the new costs:

“As far as the cost structure is concerned, what we call take back or reverse logistics, this is where the cost structure is very different. And then it's the same costs really from when the product is ready for sale again, then it's very similar” -Ida Hördegårdh, Business Innovation Lead, Lindex

“That you accept second-hand, there are costs that are not there (in the original BM), these dry cleaners and that you have to clean the clothes and all that, there are differences after all, but they are quite small differences” -Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

In terms of revenue, the second-hand results in a new revenue stream for all companies, however Ida at Lindex argues that it is very similar to the original business model. Some of the companies also discussed that it entails new ways of pricing. Ludvig states that they have a more flexible pricing than in ordinary stores and Martina says that second-hand entails new

price points, which affect pricing strategy and assortment in terms of campaigns/sales and entry-level ranges etc. They explicitly said:

“There we have quite free rein after all, if you think about pricing and so on, we set the prices ourselves and we can also be quite flexible in our pricing” -Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

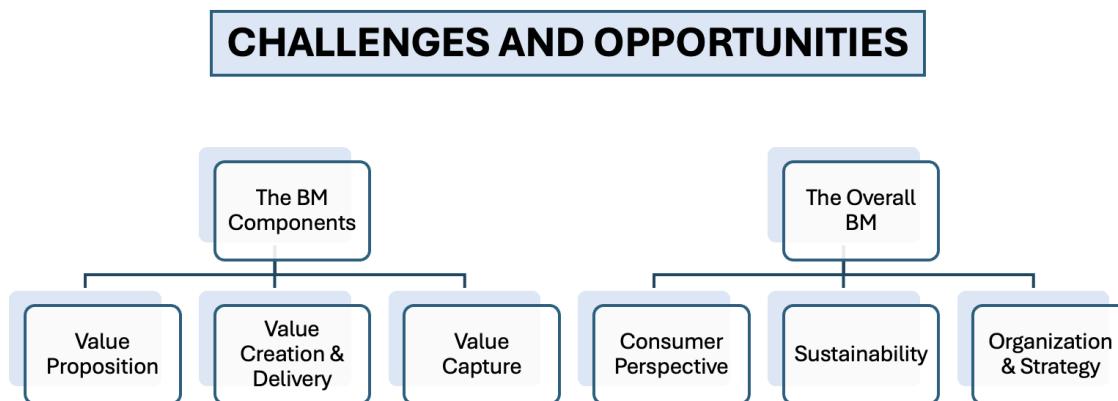
“You can't have pricing just like that, there are structures you work with, and when you suddenly get second-hand in the store, there will be completely new price points for similar products and there we have had to start looking and thinking from the customer's perspective” -Martina Wernemar, Product and Brand Director, Polarn O. Pyret

4.2. The Challenges and Opportunities

The results concerning the challenges and opportunities of the phenomenon will be presented in this section, using the two collective themes as headlines. The initial codes together with the BM canvas and the main areas for value management helped determine the first three themes. Three other themes were then also detected, the consumer perspective, sustainability and organization & strategy, which have been consolidated under the collective theme “The Overall BM”. Figure 4 visualizes all themes and their connection.

Figure 4

Themes for the challenges and opportunities



4.2.1. Challenges and Opportunities within the BM Components

In terms of the value proposition, simplicity in the service appeared as both a challenge and an opportunity. Helena at Houdini and Ida at Lindex both mentioned the need for enough simplicity of the service as a possible challenge and they discussed that customers need to feel that the service of the second-hand process is simple enough. Helena says that:

“[...] then people have to have the energy (for the second-hand process) also” -Helena Reis, Customer Support, Houdini

Ida further stresses that it is much easier to buy newly produced clothes, in terms of the customer finding the products he/she is looking for and is in need of, hence there is a challenge to make the service as easy as it is with newly produced products. On the other hand, Martina at Polarn O. Pyret says that the smooth solution that their service provides for parents is the USP (Unique Selling Point), hence she viewed it as more of an opportunity than a challenge. Ludvig at Oscar Jacobson mentions:

“I think the biggest key point to make it work is for the customer to feel that you gain from it, i.e. to offer a good enough service for the customer so that the customer can just feel that it's just a matter of dumping the clothes and leaving, and then not having to think about it”
-Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

Another challenge is that not all products are suitable for second-hand. Ida exemplifies by stating the fact that Lindex has a big assortment and is a strong player within underwear which is something that she states is not suited for a second-hand business. Adam at Mio also discusses this matter, saying that hygiene products may not be suitable for second-hand and he mentions pillows, duvets, bed linen and bed mattresses as examples of products that could be harder to sell on a second-hand market for a furniture company.

The main point of opportunity in relation to the value proposition is that the second-hand market can attract new customers which four of the companies agreed with. Martina mentions that some of their customers only buy newly produced clothes and some only second-hand. Ludvig discusses the possibility of attracting female customers via their second-hand store but also the more price sensitive ones. Helena adds the possibility of appealing the more sustainability conscious shopper but also agrees with the Ludvig's latter argument by saying:

“It is a great way to attract new customers who may not have the ability to buy our products at full price since they cost quite a bit” -Helena Reis, Customer Support, Houdini

Another opportunity is that the second-hand provides a “new” and broader assortment. Helena mentions that the second-hand business entails a diversity of products and says that another opportunity that then arises is increased customer satisfaction as the shoppers can make great findings. Ludvig agrees that it creates an exciting assortment:

“You can go into the store one day and then you go in the next day and it looks completely different, there are completely different things there and the dynamics of the assortment is one of the most fun parts and actually one of the USPs, in my opinion. So it's quite unusual, I think, that there is so much change on a weekly basis in a store, so basically I'm really only positive about it” - Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

The last opportunities within this area relate to a closer customer relationship. Firstly, Ida says that with the second-hand business they can retrieve valuable customer insights. Ludvig mentions that they get a more personal customer contact which he thinks is positive and he

says that the closer relationship also increases the customer retention. All findings within the area of value proposition are summarized in table 8.

Table 8

Challenges and opportunities in relation to the value proposition

VALUE PROPOSITION The offer, customer segments, customer relationships	
Challenges	Opportunities
Enough simplicity of the service	Attract new customers
All products not suitable for second-hand	New and broader product assortment
	Attract customers through service simplicity
	Customer insights
	More personal customer contact
	Customer retention & satisfaction

No opportunities were mentioned in relation to value creation and delivery, however many challenges were discussed and stock-keeping is a challenge mentioned by several respondents. Helena at Houdini says that if they suddenly would retrieve a lot of products the stock-keeping would be a challenge, however as for now they do not have such an issue. Ludvig at Oscar Jacobson agrees that high levels of stock could become an issue and both Ida at Lindex and Martina at Polarn O. Pyret agree. Ida mentions the fact that within the clothing industry many products are based on season, hence retrieving products in the “wrong” season retains challenges with stock-keeping. Both Helena and Martina agree that the season-based products are challenging and Martina included that it results in tied up capital.

Moreover, products retrieved via the second-hand business are different from their usual newly produced products. The normal supply is batched which means that the same sweater would have the same EAN-code. With the second-hand business each product is a unique SKU (stock keeping unit) and hence each product needs an individual EAN-code and has unique characteristics which entails many challenges, as explained by the respondents. Helena says that it is challenging to streamline repairs when each product has its own unique characteristics. In this regard, stock-keeping is once again mentioned as a challenge:

“I think that it is the logistics industry that has the big headache of how to handle these loose products with storage locations and storage” -Martina Wernemar, Product and Brand Director, Polarn O. Pyret

The uniqueness of each product is also an issue in terms of systems and the data flow. Their ERP-systems are not adapted for this kind of business, hence managing and tracking these

products are difficult according to Martina and Ida. Martina says that generating many EAN-codes for the unique products in an effective way is challenging and puts a lot of pressure on the information flow and systems, something that Ida agrees with. Helena also agrees and stresses that there is a lack of systems overall for the second-hand business, also including for example payment solutions for this type of service. They all emphasize this challenge by saying:

“There is no technical support for all these things that we want to do in our company, so that is a huge challenge” -Helena Reis, Customer Support, Houdini

“Today there are no ERP-systems, you have to adapt. The ERP-systems in the fashion industry are based on the second type, i.e. the linear business model” -Ida Hördegårdh, Business Innovation Lead, Lindex

“Those are the challenges, how do you sort of manage to convert each unique piece of clothing into our systems and flows, because they're basically not built for that, so this is probably one of the challenges” -Martina Wernemar, Product and Brand Director, Polarn O. Pyret

Another challenge mentioned by four of the respondents is the uncertain supply that the second-hand entails. Ludvig says that the supply is almost random and Martina agrees stating they have no control of the product flow. Martina and Ida confirms by stating:

“You don't know what you will get, it is up to the customers” -Ida Hördegårdh, Business Innovation Lead, Lindex

“One day it may be a mother who comes in with 4 IKEA bags and suddenly the second-hand area becomes full and then maybe a few weeks go by when nothing arrives, you have no control over how much goods arrive and when they arrive” -Martina Wernemar, Product and Brand Director, Polarn O. Pyret

In the same sense, getting enough products could also be an issue according to Helena. Ludvig agrees saying that they need to make people aware of their business in order to retrieve enough clothes. He mentions that with the current supply they would not be able to fill up the store with only second-hand clothes.

Helena says that quality is an important factor for second-hand. She states that they do not struggle with the quality of their products but acknowledged that it can pose a challenge. Furthermore, she mentions that their second-hand is also proof of their quality. Martina further stresses the need for good quality in order to have a second-hand business. Adam partly agrees with Martina and Helena but also says that as long as the products can be used in a safe way and are valuable for a customer, the products can still be sold second-hand. He argues that it is up to the customer to decide the value (in this case price) of the product. Martina underlines her opinion by stating:

“You can't sell second-hand if you don't have a product that can maintain good quality, I think it's the key to successful second-hand. Because if you produce products that can barely withstand being washed once, it may not look particularly attractive to those who will buy (the product) the second time. So good quality, that is what you are forced to be able to deliver if you are to have a successful second-hand business” -Martina Wernemar, Product and Brand Director, Polarn O. Pyret

Lastly, Adam and Ludvig brought up the fact that the increased handling of products can be challenging. In relation to value creation and delivery they mention that increased resources are needed for the second-hand. Ludvig says that it entails increased labor and he exemplifies by stating that e-com requires taking photographs and writing information about each individual product that they receive. Adam explains that newly produced furnitures are sold in boxes but for a second-hand the furniture would be assembled already, which would challenge their way of working:

“When you sell a new product, you have a display copy in the store, then you sell everything in a package, so you don't have any handling. For a second-hand item, [...] then you've handled it, you've unpacked it, you've assembled it, drove it to the customer, picked it up at the customer's and then it has to be priced again, [...] it has to be taken care of” -Adam Trevik, Store Manager, Mio

All the challenges related to the value creation and delivery are summarized in table 9 below.

Table 9

Challenges and opportunities in relation to the value creation and delivery

VALUE CREATION AND DELIVERY Key resources, key partnerships, key activities, channels	
Challenges	Opportunities
Stock-keeping (and season-based products)	
Uncertain products supply	
Increased data flow and systems not adapted for second-hand	
Quality of product	
Increased management of products	

In terms of value capture, the respondents were quite coherent. The challenge of profitability was discussed by all companies and they all said that making second-hand profitable may be an issue. Adam at Mio says that it is hard to know if they would make any money from a second-hand business. Ludvig at Oscar Jacobson argues that an issue is the margin and it

would be challenging to become profitable if they would only rely on second-hand products. Martina at Polarn O. Pyret says that for a second-hand to be profitable you need to keep manual intervention and shipping at low levels since they reduce the margin of the product. Helena and Ida also agree that profitability is a challenge:

“You might want to get a little more, not because it should be the cash cow, but so it will be worth it, so that you can continue, it is still a business” -Helena Reis, Customer Support, Houdini

“So we have always seen this, that the changeover is necessary, but we need to find profitability and that is a prerequisite for us to be able to be long-term” -Ida Hördegårdh, Business Innovation Lead, Lindex

Some of the respondents further stress this issue by explaining that the second-hand business entails new costs. Helena and Ludvig mention repairs and laundry as two new costs that decrease the margin. The increased handling of products mentioned by Adam and Ludvig that poses a challenge for value creation and delivery also entails new costs which they view as a challenge as well. Ida also discuss this further:

“But what we need to work on is the cost side on the take back part, which we call it when we get things back so we can make those products purchasable (the take back), so that's what we focus on - the costs on that part of the business model, which is very new to us. So here it is about finding opportunities for efficiency” -Ida Hördegårdh, Business Innovation Lead, Lindex

Furthermore, Helena mentions that customers expect second-hand products to be very cheap and with possible repairs it cannot be as cheap as the customers expect. Adam further stresses by saying that you need to have a price that matches the new costs to be able to make a profit, but that price may not match with the price the customer is willing to pay for a second-hand product. Ida argues that the perceived value for a second-hand product is lower than for a newly produced product, hence the revenue per garment is lower for second-hand. Martina also agrees with the other respondents' take on price expectations:

“The expectation is that everything should be very, very cheap” -Martina Wernemar, Product and Brand Director, Polarn O. Pyret

Moreover, Ida and Ludvig argue that there is a bigger risk if the company chooses to own the products itself and pay the customer right away. Ludvig mentions that being able to pay the customer when he/she drops off the clothes would be a great service to offer but also says that it is a big risk to take. Ida agrees by stating that it is less risky to let the customer own the product and instead sell on commission.

The last challenge was only mentioned by Adam, who says that the second-hand could possibly entail some cannibalization which would negatively affect the sales of the newly

produced products. On the other hand, both Adam and Ludvig argued that an opportunity with a second-hand is that it can increase the overall sales. They say that it can attract customers to the store and then these shoppers might choose to buy both second-hand and newly produced. The summarized challenges and opportunities in relation to value capture is presented in table 10.

Table 10
Challenges and opportunities in relation to the value capture

VALUE CAPTURE Cost structure, revenue streams	
Challenges	Opportunities
Profitability	Increased overall sales
New costs	
Customer expectation on price	
Risk of ownership	
Cannibalization	

4.2.2. Challenges and Opportunities of the Overall BM

Some challenges and opportunities were also discussed during the interviews that were not deemed to relate to any of the specific components of the BM canvas, but rather the overall concept and BM. These will now be presented, starting with the ones related to the customer perspective which are summarized in table 11. As opposed to the value proposition, these challenges all relate to the customers' behavior/attitude and not to the aspired customer segment or relationship. Ida at Lindex explains that the behavior of selling clothes back to the company is new for the customers and different segments have different maturity levels in this behavior. Helena at Houdini also says that a negative attitude towards second-hand still exists which poses a challenge for the whole concept. Martina at Polarn O. Pyret argues that second-hand shopping requires planning since the assortment is not predetermined and further implies that not all customers plan far ahead which is a customer behavior not fitting for the second-hand business.

On the other hand, several respondents argue that their initiatives have been well received by the customers and that there is both an existing customer interest and an ongoing shift in the attitude towards second-hand. Ida argues that a first step in their process was to check what customer value this could bring and she says that they discovered a big interest among the consumers. Ludvig at Oscar Jacobson says that second-hand is now much more accepted in society and there is no need to persuade people to buy second-hand. He further exemplifies stating that there is a big possibility of opening more Sustain-stores as the concept has been

well received. Helena agrees saying that second-hand is more socially accepted nowadays, especially among younger consumers and it can even be perceived as “*you are doing right, that you are making a good choice*”. Martina underlines how well received their initiative has been and the ongoing shift by stating:

“We were a little taken by surprise by the fact that it was so incredibly appreciated by our customers” -Martina Wernemar, Product and Brand Director, Polarn O. Pyret

“Today, second-hand has become something that the average person really embraces, people think it's a natural thing to [...] shop second-hand, you do it because you want to, not because you might have to, and it's a change in attitude in the industry that is incredibly exciting to follow” -Martina Wernemar, Product and Brand Director, Polarn O. Pyret

Ida, Ludvig and Martina also believe that an opportunity from the consumer’s perspective is that it entails a more secure form of consumption. Ludvig says that firstly it shows the customer that he/she is buying good quality but also that the customer can relax, knowing that if he/she grows tired of the product there is a well functioning system to sell it. Martina argues that when a customer buys an expensive product from Polarn O. Pyret he/she also knows that the product can be sold back to the company again, demonstrating that second-hand contributes to a more secure consumption for the customer. Ida further explains:

“You actually have a built-in pledge because you can sell the garment back to the company that produced it” -Ida Hördegårdh, Business Innovation Lead, Lindex

Table 11

Challenges and opportunities in relation to the consumer perspective

CUSTOMER PERSPECTIVE	
Challenges	Opportunities
Customer behavior and maturity levels	The shift in the attitude & existing interest
The attitude towards second-hand	More secure consumption for customers

In table 12 below, the challenges and opportunities related to sustainability are consolidated. The only challenge was brought up by Adam at Mio who mentions that companies have to be cautious when introducing such an effort as there is a risk of greenwashing. He exemplifies by saying that some companies may only focus on the fact that it looks good while the actual result is neglected.

In light of the subject regarding sustainability the respondents were coherent in the statement that the second-hand concept entails a better use of existing resources, as stressed by Helena in the quote below. Ludvig further describes it as maximizing the value of the cloth and the garments. Martina brings up the increased awareness of Earth's limited resources and that the

need for newly produced clothes are disrupted when second-hand clothing is in good condition.

“It is a way of conserving resources” -Helena Reis, Customer Support, Houdini

Furthermore, second-hand also entails a longer product life cycle. Ludvig says that the business results in clothes being well taken care of and not scrapped. Helena states that Houdini’s goal is that their clothes are to be used until there is nothing left of the product, the clothes are not supposed to be worn a few times and then get scrapped. She means that the second-hand business is an important practice to achieve that. She stresses this by saying:

“We want the garment to be used until it is worn out, worn out, worn out - that it is not even a garment anymore but is completely used up” -Helena Reis, Customer Support, Houdini

Helena and Ludvig also argue that the phenomenon is a good way to increase the pressure on companies to act towards a more sustainable future. They state that increased competition within the second-hand market is good and they argued that if their competitors also pursue the phenomenon, the whole industry and market would gain from it. Helena says that with increased competition companies help each other, both by putting pressure on developing systems adapted for second-hand businesses but also to further drive the shift in the attitude - making second-hand more socially accepted. Ludvig brings up that Oscar Jacobson wants to lead the way and that everyone should gain from this initiative. He also acknowledges that the contribution itself entails a more sustainable clothing-industry:

“I think it's good from all points of view, so if you can somehow contribute to making the industry more sustainable, the industry is so terribly polluting as it is, it's only positive” -Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

Table 12

Challenges and opportunities in relation to sustainability

SUSTAINABILITY	
Challenges	Opportunities
Risk of greenwashing	Better use of resources
	Increased product life cycle
	Competition increases the pressure to act
	More sustainable industry

Organizational and overall strategic challenges and opportunities were also discussed during the interviews, which are summarized in table 13. The first challenge was discussed by several respondents and regards possible organizational transformations. Helena at Houdini

thinks that the phenomenon might entail larger changes for bigger companies. Ludvig at Oscar Jacobson states that they might have to make organizational changes as the concept grows. Ida at Lindex also argues that as the business model grows, they will need to adapt the organization and big changes need to be done, as underlined in the quote below. She believes it would be advantageous if the second-hand business could become an integral part of the organization.

“When it comes to the organization, we are still organized according to the linear business model, so challenges exist. We will have to find new ways to organize ourselves around this new business model. [...] As you grow with this business model, you will need to organize yourself differently” -Ida Hördegårdh, Business Innovation Lead, Lindex

Another challenge could be that the companies need to align the second-hand business and its assortment with the brand image. Adam at Mio says that customers are picky and they have certain expectations of Mio-products, and they would have to make careful assessments of what second-hand products to showcase to not harm the brand image. Ludvig agrees saying that every second-hand garment is a representative of the brand and they have to be thorough in their assessments. Adam also mentions that not all brands want to be associated with second-hand or damaged products. He thinks that could be a reason why the phenomenon is uncommon for exclusive furniture brands, and that it is easier for low-priced furniture brands:

“It is probably easier to get away with such an investment, I believe, without negatively affecting the brand” -Adam Trevik, Store Manager, Mio

The last challenges relate to balancing strategic goals. Ludvig says that as the concept grows and they open more stores, a challenge is to enable balance between a unified concept and an individual *“personality in each store”*. Ida argues that they both have strategic climate goals and profitability goals, hence need to find a way to balance these two and achieve them both simultaneously. On the other hand, she viewed this as an opportunity to achieve these strategic goals and to implement their strategy.

In terms of opportunities, all the companies believe that this initiative can increase the company’s competitive advantage and improve the brand image. Adam says that it would entail a positive connection to the brand as well as goodwill. Ludvig states that it is a way of building the brand and he is convinced that it benefits both brand and competitive advantage. Ida says that:

“(It is) a prerequisite for your long-term relevance as a brand” -Ida Hördegårdh, Business Innovation Lead, Lindex

Another opportunity brought up by Ludvig is that their second-hand business was viewed a bit like an “experimentation box”, hence the Sustain-store allows the company to try new things and experiment, which he believes is a strategic benefit:

“In addition, you have gotten an experimentation box where you can test things, and I think that [...] is probably absolutely strategic, a kind of strategic advantage” -Ludvig Bengelsdorff, Store Manager, Sustain by Oscar Jacobson

Table 13

Challenges and opportunities in relation to the organization and strategy

ORGANIZATION AND STRATEGY	
Challenges	Opportunities
Organizational changes	Increased competitive advantage and better brand image
Brand image and second-hand	Reaching strategic goals
Balancing strategic goals	Goodwill
	Room for experimenting

5. Discussion

In this chapter the empirical findings will be discussed in relation to previous research brought up in the literature review and the theoretical framework. The companies' approaches of the additional second-hand will be discussed in relation to the opportunities and challenges and previous literature. The first part will be based upon the three value management clusters, hence breaking down the approaches and opportunities and challenges using the components of the BM canvas. The latter part will discuss the BM and the BMI as a whole, moving from individual components of the BM to an analysis of the overall concept and the innovation.

5.1. The Value Management Clusters - Approaches, Opportunities and Challenges

In this part of the chapter, the findings related to each individual value management cluster will be discussed by connecting the approaches used among the companies and the challenges and opportunities. Related previous literature will also be discussed when applicable.

5.1.1. The Value Proposition - Approaches, Opportunities and Challenges

The value proposition in the second-hand BM is viewed as very similar to the one in the original BM according to the respondents, however it can still be concluded that it is not totally the same. First of all, a sustainability aspect is added but it can also be established that not all products offered in the original BM are offered in the second-hand one. This is true since the assortment cannot be predetermined as the supply is flexible and based on what the consumers provide. Moreover, all companies have also delineated which product categories are included in the second-hand. These examples display differences based on the product offer, however the service of managing customers' second-hand transactions could also be viewed as a new addition to the value proposition. This aspect was not mentioned by any of the respondents as a change of the value proposition. However, as this service is an integral part of the whole concept and something that is not offered in the companies' original BMs it can still be concluded that this is a change in the value proposition.

The changes of the value proposition can be connected to both challenges and opportunities mentioned by the respondents. The respondents highlighted the simplicity of their service as a key benefit they can offer. However, they also acknowledged that this simplicity can be a challenge, as it's what they need to deliver to stand out from other second-hand marketplaces and make buying second-hand just as easy as buying new products. They also discussed the challenge that not all products are suited for a second-hand business and for Lindex this becomes extra evident as one of their strongest product segments is underwear. The literature

does not specifically discuss the simplicity of the service but that product characteristics can be an issue for CBMI aligns with Assmann et al.'s (2023) discussion. One opportunity that can be connected to the change in the value proposition that both the respondents and D'Adamo et al. (2022) discuss is the increased product variety.

The fact that the innovation can attract new customers is supported by D'Adamo et al. (2022) and several respondents. Some respondents argued that the second-hand would appeal to sustainability conscious consumers, which could be connected to the additional sustainability aspect in the offer. Lindex did not perceive this initiative to change the customer segment, and although none of the other companies explicitly argued for a change of customer segment, their answers related to the opportunity of attracting new customers imply a change.

Moreover, the customer relationship is also changed as the second-hand entails a closer relationship with the consumer due to the consumer now being a pillar in almost every component of the BM, as described by the respondents. This could be connected to several opportunities brought up by the respondents, for instance, the fact that the relationship becomes closer was viewed positively and was perceived to increase customer retention, which aligns with opportunities of CBMI discussed by Assmann et al. (2023).

5.1.2. The Value Creation and Delivery - Approaches, Opportunities and Challenges

Although it differs between the companies whether the design of the products changes as a result of the second-hand business, it is apparent that the companies do not produce to satisfy the supply of the second-hand market. This could be regarded as a change of the BM as no production or design of products is included as compared to their ordinary BMs. However, the production and design in the original BM are interlinked with the second-hand business. Firstly as the second-hand cannot be supplied without the initial production of goods and secondly as the newly produced products need to ensure enough quality to make it to the second-hand loop. Some respondents argued that it is crucial to deliver high quality products in order to have a second-hand business, something that aligns with the argument provided by Hvass (2015). On the other hand, another respondent argued that the customer decides the value of the products, meaning that lower quality can be accepted as long as the products have any customer value on the second-hand market.

Another change in the BM is the new activities such as assessment of second-hand products, repairs and laundry, which could be connected to the challenge of increased handling of products. Although not all companies have included every one of these operations, we can see that the second-hand business entails several new activities in general. The financial aspect of this will be discussed in the succeeding section, however it also requires the need for enough resources as well as new ways of working. This aligns with the discussions presented by D'Adamo et al. (2022) and van Loon et al. (2018), that the second-hand

business entails increased operations including quality assurance/checking, sanitation, return transport and inbound logistics.

Most of the companies exploit existing channels and streams to enable take-back and distribution, while one of them has created both new sales channels and take-back streams to pursue second-hand. In general, changes of the BM in this sense are limited, but considerations still need to be made to make room for the second-hand business. Moreover, the respondents also discuss that the second-hand affects stock-keeping and although warehousing may not be a new addition to the BM, it seems that the companies have had to come up with new ways of thinking in this matter. This could be directly related to the issues brought up by the respondents, including the challenges of high levels of stock and storing season-based products, which again aligns with the challenges of second-hand discussed by D'Adamo et al. (2022) and van Loon et al. (2018). The respondents also discussed the area of stock-keeping in terms of the uniqueness of the products, something that challenges not only warehousing but also the ERP-systems, information flows and streamlining activities. This displays a complex challenge of the phenomenon, drawing from several areas discussed in previous literature. It relates to both challenges of second-hand and stock-keeping (D'Adamo et al., 2022; van Loon et al., 2018), ICT-based challenges for CBMI (Rosa et al., 2019) and that second-hand can entail less opportunity for large-scale operations (van Loon et al., 2018).

Rosa et al. (2019) suggested that ICT-based challenges related to CBMI are paid more attention to in literature, and as the results of this thesis shows, this is a great issue for the companies pursuing this phenomenon. However, as presented in this discussion, many other challenges discussed during the interviews also regard the supply chain which is a neglected dimension of CBMI according to Rosa et al. (2019), and this suggests that more research needs to be done within this area.

As mentioned previously, the second-hand business also entails a new supplier: the customer. This is a change of the BM for all researched companies as it is an integral part of the whole concept, despite that only few of the respondents explicitly mentioned this. This new relationship with the customer results in a different supply situation, where the companies are dependent on the customers to ensure a second-hand assortment. This in turn means that the customer also decides the product selection, based upon the initial assortment provided by the company. Furthermore, it also results in a situation where the consumers are in charge of the continuous quality and standard of the products. These aspects could be connected to the challenges of uncertain supply and creating enough awareness to ensure product flow, which aligns with challenges of CBMI discussed by both Assman et al. (2023) and Chen (2020). It is apparent that the phenomenon's relation to the customer is complex. While the second-hand entails many opportunities in this matter, such as penetration of new segments, increased customer satisfaction and retention and closer customer relationship, many challenges also exist. Making the customers aware of the concept and willing to change their attitude and behavior pose challenges for the whole phenomenon. Other challenges such as if the companies retrieve enough products to maintain the second-hand or whether it is viewed

as positive for the brand image could be affected by the awareness, attitudes and behaviors. According to both the respondents and D'Adamo et al. (2022), the trend suggests that second-hand is slowly becoming a more accepted form of consumption which may result in these challenges fading away.

5.1.3. The Value Capture - Approaches, Opportunities and Challenges

Both revenue streams and cost structures are changed in the second-hand BMs as compared to the companies' original BMs, however to different degrees. The second-hand business entails a new revenue stream for all companies and some companies also argued that an opportunity within this area is increased overall sales. This is supported by many authors in previous literature. Hvass (2015) argued that a main driver for adding a second-hand is that the companies can capture the resale value and Chen (2020), Assmann et al. (2023) and Visnjic et al. (2022) all mention that BMI and CBMI can generate new revenue streams and opportunities, which is true for this type of CBMI as well.

Assmann et al. (2023) and Chen (2020) discuss the opportunity of cost reduction as a result of CBMI, however CBMI in this regard does not seem to induce cost reduction. On the contrary, the companies argued that the second-hand entail many new costs related to the reverse logistics and added activities, which rather aligns with D'Adamo et al.'s (2022) discussion that second-hand increases or generates new costs. Besides changing the cost structure, these new costs are perceived as a challenge according to the respondents and all companies discuss that profitability and margin are two main issues.

Furthermore, we can see that some companies discussed that the second-hand entail a change of pricing strategy and that it incurs new points. This could be connected to the challenge of price expectations brought up by respondents, as customers seem to believe that second-hand products should be very cheap, hence resulting in the need for a new pricing strategy. This aligns with van Loon et al.'s (2018) discussion that second-hand puts pressure on price differences between second-hand and newly produced products.

Although most of the companies have chosen to pay for the second-hand products that are being handed in right away, Sustain by Oscar Jacobson has chosen to sell on commission. As selling on commission is not part of the original BM for this company, this entails a change of the payment process in the second-hand BM. For the other companies this means that they own the second-hand products in the same way they do with their newly produced products. For Sustain by Oscar Jacobson, it instead leads to the customer being the owner of the products, which is not the case in their original BM. This could be connected to the risk of ownership discussed by the respondents from Oscar Jacobson and Lindex, who both agreed that paying the consumer when he/she hands in products is more risky for the company. On the other hand, it is apparent that this risk has an upside as it provides a beneficial service for

the customer, as explained by Ludvig. This specific risk and BM-change have not been discussed in the found literature regarding BMI, CBMI or second-hand.

Interestingly, the challenge of cannibalization was only brought up by Adam at Mio, however previous literature supports this within all areas. Bosbach et al. (2020) mention that BMI could possibly increase internal cannibalization, which is also discussed in terms of CBMI (Assmann et al., 2023; Guldmann & Huulgaard, 2020; Linder & Williander, 2017) and second-hand (van Loon et al., 2018). Whether or not this is an actual issue for this type of innovation is hard to determine as none of the companies pursuing the phenomenon mentioned it as a challenge.

It seems that while the phenomenon results in revenue opportunities for companies, new costs and profitability are complex issues. As stressed by Ida at Lindex, the companies need to find efficiency opportunities to manage the costs while at the same time, come up with pricing strategies that match the price expectations of the customer, to enable profitability. Previous literature has not discussed the dilemma of choosing what payment process to apply in an additional second-hand, however it is apparent that the researched companies have chosen to go about this differently. At the same time, both the alternatives of selling on commission and paying the customer straight away have advantages and disadvantages, which leaves the company with a strategic decision to make. Although only one company discussed the challenge of cannibalization, previous literature greatly supports this issue which suggests that companies should take this into consideration when engaging with the phenomenon.

5.2. The Overall BM and BMI

As mentioned in the previous chapter, many answers from the respondents relate to the overall concept and BM or even the overall company, rather than any specific component of the BM. These types of challenges and opportunities will now be discussed and then the overall innovation will be analyzed using the remaining concepts presented in the theoretical framework, i.e. CBM diversification vs transformation, integration of CE-practices and the four dimensions of innovation.

5.2.1. The Overall BM and Concept - Challenges and Opportunities

It is apparent that cultural determinants play a key role in the implementation of a second-hand for existing companies. Chen (2020) and Assmann et al. (2023) both discuss that company culture and dynamics are crucial elements that can determine the adoption of CBMI. This could be connected to the respondents' discussion around organizational restructuring, something that was perceived necessary for some of the companies and also a challenge. Lindex and Oscar Jacobson both stressed the need for organizational changes and Lindex emphasized the need for second-hand to become an integral part of the overall

business to ensure long-term success. Noteworthy is that Lindex and Oscar Jacobson are the only two researched companies that view their second-hands as a separate BM. This implies that when engaging with CBMI in this way, the difficulty of organizational changes and alignment are prominent when working with multiple BMs, which would be supported by Bosbach et al. (2020), Visnjic et al. (2022) and Harren et al. (2022).

Another cultural determinant includes the societal perspective. While there is an existing interest among consumers, society is still undergoing a shift related to second-hand according to the respondents. They argue that there are benefits of purchasing products second-hand for the consumers but that some are still reluctant to do so. Moreover, the phenomenon requires a new type of behavior from the customer and also a change in current ones to enable this form of consumption. Several previous researchers have discussed that customer attitude and behavior can both pose a challenge and an opportunity for CBMI (Chen, 2020; Assman et al., 2023), hence supporting these findings.

Second-hand from the customer's perspective can be discussed in other aspects as well. It is apparent that the companies perceived this engagement to affect brand image. While many of them argue that it can enhance brand image, some also found it to be a possible issue. It therefore seems that brand image is quite complex in this case as second-hand could possibly improve the brand image but also damage it. This could be related to the still divided perception of second-hand but also the industry or the exclusiveness of the company as stressed by Adam at Mio. This gives rise to the discussion if highly premium brands with high quality products can adopt the circular concept as it might contradict the brand image of exclusiveness and luxury. No previous research discussed the possible downside in regards to brand image, however several support that it can be enhanced (Comin et al., 2020, Assmann et al., 2023). In the same sense, the resulting change of competitive advantage that this phenomenon entails could also be affected by customer perception. Although all respondents agreed that it enhances their competitiveness, it could be argued that without customer interest they would not gain any competitive advantage from this business. However, there seems to be enough interest in second-hand as the companies all perceived the phenomenon to increase competitiveness, which aligns with previous research regarding both BMI (Bosbach et al., 2020; Westerveld et al., 2023), SBMI (Comin et al., 2020), CBMI (Assmann et al., 2023) and second-hand (D'Adamo et al., 2022).

CBMI in this regard is an initiative towards sustainability, hence there is no surprise that many of the respondents discussed the topic of sustainability during the interviews. However, only one company brought up the issue of greenwashing and said that companies need to be cautious when implementing a second-hand, something that is supported by D'Adamo et al. (2022). Interestingly, the researched companies engaging with an additional second-hand did not mention greenwashing as a challenge. Furthermore, greenwashing was the sole challenge related to sustainability discussed by the respondents. As for opportunities, we can see that second-hand entails better use of resources, which was mentioned by several respondents and aligns with Chen's (2020) discussion around second-hand. Moreover, both Chen (2020) and D'Adamo et al. (2022) mentioned that second-hand contributes to increased product life

cycles which was also discussed by the respondents as a positive result of the business. Other opportunities related to sustainability include that the phenomenon contributes to a more sustainable fashion industry and that if the competition increases, so does the pressure on the industry to act towards sustainability. Assmann et al. (2023) mention that market dynamics and competition can be determinants of CBMI and one could argue that the researched companies affect the current dynamics, further pushing the industry and the market towards the sustainable change-over.

Lastly, strategic focus was discussed by Assmann et al. (2023) as a determinant of CBMI and Bosbach et al. (2020) mentioned increased shareholder value and strategic renewal as two opportunities of BMI. These three elements could be related to three strategic opportunities of the phenomenon brought up by the respondents. Firstly, Ludvig at Oscar Jacobson mentioned that their second-hand could be perceived as an experimentation box, providing the company room for experimentation that may not be suitable in the original stores. This could be viewed as an attempt for strategic renewal, as discussed by Bosbach et al. (2020). Secondly, Adam at Mio argued that the resulting goodwill would be a positive aspect, something that might positively affect financial outcome and shareholder value as mentioned by Bosbach et al. (2020). Lastly, Ida at Lindex both discussed the challenge and the ability of reaching multiple strategic goals. While the second-hand can enable achievement of possible climate targets, the issue of profitability in this business is still prominent which challenges profit goals. In this sense, the results support Assmann et al.'s (2023) argument that strategic focus is an important determinant, even in this type of CBMI.

5.2.2. The Overall BMI - Classifying the Approaches and the Innovation

The approaches used and the innovation itself can be analyzed and classified using the theoretical framework. Firstly, we can determine whether the companies have engaged with CBM transformation or CBM diversification (Geissdoerfer et al., 2018). Lindex and Oscar Jacobson explicitly explain that their second-hand businesses entail a new BM, hence aligning with Geissdoerfer et al.'s (2018) explanation of CBM diversification. Houdini and Polarn O. Pyret do not view their second-hand businesses as new BMs, instead they argue that this part of their businesses are merged with the existing BM. This would instead mean that the innovation is rather a CBM transformation, according to Geissdoerfer et al.'s (2018) framework. It is apparent that the companies view this initiative differently, however they agreed upon the importance of the second-hand becoming an integral part of the full BM of the company in order for the innovation to be successful in the long term. With that said, the long term goal seems to be rather a BM transformation, hence making the second-hand business a part of the overall company BM.

We can further analyze the innovation based upon its way of integrating CE-practices as discussed by Pieroni et al. (2019). One could argue that the second-hand business for these types of companies is an initiative of engaging with a CE-practice (D'Adamo et al., 2022),

hence every change that the second-hand business incurs in the BM would be formed by CE. That is, if every value management cluster is changed, the innovation could be classified as Fully Circular according to the framework presented by Pieroni et al. (2019). Although the way of pursuing this BMI differs among the researched companies, it is apparent that overall all the components of the BM canvas are affected by this change and certainly all the value management clusters. One could therefore argue that the approaches used within the researched companies allow the BMI to be labeled as Fully Circular (Pieroni et al., 2019).

Lastly, the innovation can be analyzed using the different dimensions of innovation as presented in the theoretical framework and discussed by Taran et al. (2015) and Foss & Saebi (2017). Firstly the complexity and the radicality of the innovation will be discussed. These two dimensions are hard to determine as many of the respondents argued that the second-hand business did not entail many changes of the BM nor were their original BMs discussed in depth. However, when analyzing their answers and the phenomenon, it is apparent that the resulting changes are greater than the respondents might think. With that said, the analysis shows that this innovation could be considered complex as it changes several BM components (Taran et al., 2015), which is true for all researched companies. Whether it can be perceived as an incremental or radical innovation is harder to determine. Taran et al. (2015) suggest that an incremental change is an extension or improvement of the BM, while a radical change is something significantly new to the BM and its components. It is clear that some companies, such as Houdini, only view it as an extension while others, such as Lindex, perceive it to be a significant change entailing a whole new BM.

We can further analyze the innovation based on the dimension of novelty (or reach), as discussed by both Foss & Saebi (2017) and Taran et al. (2015). The novelty of the innovation in this case depends on when the company introduced the second-hand business and what the situation looks like in the specific industry. This differs for the researched companies, hence the innovation could be perceived more or less novel for the different companies. According to the respondents this phenomenon is still relatively new within the clothing industry, and especially new within the furniture industry. This means that for the researched companies pursuing the phenomenon, the innovation may be classified as "new to the industry". On the other hand, we can see that Houdini introduced their second-hand almost 10 years before the other companies hence making their innovation more prominent as "new to the industry". This means that it can also be argued that for Lindex, Oscar Jacobson and Polarn O. Pyret the innovation is merely "new to the company". If Mio would have implemented a second-hand business now, it could be viewed as "new to the industry" as the phenomenon is very unexplored within the Swedish furniture industry according to Adam.

Lastly, the innovation can be analyzed from the perspective of interdependence (original term: complexity) as discussed by Foss & Saebi (2017). Since all companies engage with second-hand of their own products, the innovation could not have taken place without their original BMs, hence the second-hand part of their businesses is highly interdependent on them producing new products as well. Moreover, the complex customer relationship that this phenomenon entails results in highly interconnected components of the second-hand BM, as

the customer is both the buyer and the supplier. Furthermore, we can see that the companies make use of their existing BM components, such as resources and channels, to enable the second-hand business. Whether or not that could be considered as interconnected components could be discussed, as this might only be considered as use of existing approaches rather than actual interdependence.

6. Conclusion

In this final chapter the thesis will be concluded. The aim is to answer the two research questions based on the findings and discussions presented in the previous chapter. Moreover, suggestions for future research will be discussed and lastly the implications of the findings.

6.1. Answering the Research Questions

The main purpose of this thesis was to gain a better understanding of the growing phenomenon in which existing companies engage with second-hand. It can be concluded that the phenomenon could be perceived as circular business model innovation (CBMI), and the aim was therefore to contribute to the literature by bridging second-hand and CBMI and help fill the found research gap. The focus of the thesis was to research the different approaches used to perform this specific type of CBMI and what the possible challenges and opportunities are, hence leading to the following two research questions:

How is CBMI pursued when engaging in an additional second-hand business within existing firms?

What challenges and opportunities are related with CBMI in the form of an additional second-hand business for an existing firm?

How existing companies go about to engage with an additional second-hand business differs among companies. Some of them choose to make a new business model (BM) while others integrate the business with the existing BM. One of the researched companies has chosen to re-brand this part of their business and to open stores made for this concept, while the others have chosen to integrate the second-hand in their ordinary stores and display it together with the ordinary assortment. With that said, whether the innovation can be perceived as radical or incremental seems to depend on the company's approach. Overall, it can be concluded that CBMI in this regard is complex, requiring multiple changes of the BM including several of its components. We can also see that it results in a quite high level of interdependence, and as of now the innovation is relatively new in the researched industries.

There are two important aspects of the second-hand value proposition, the first being that the offer or the assortment is delineated and cannot be predetermined, hence making the assortment quite uncertain to begin with. This is also connected to another important aspect which is that the customer also becomes the supplier, making the supply highly uncertain and dependent on what the customers provide. Secondly, the service of handling customers' second-hand transactions is completely new to these firms and a new addition to the value proposition. Again, we can see that the relationship with the customer is quite unique in this scenario and although the customer could be viewed as a pillar of any BM, it holds an even more important and complex position within these BMs. The customer is not only the buyer

but also the supplier, hence affecting parts of the BM it usually does not such as the cost structure, partnerships and resources.

In this case the company has no control of the supply of this business as they do not produce any products for the second-hand. On the other hand, as the researched companies only engage with their own brands in their second-hand businesses, one could argue that their initial production and design highly affect the second-hand. With that said, it is still up to the consumer to decide the assortment of the second-hand as they are the sole suppliers. This also means that the customer is in charge of keeping the products in good condition for the second-hand market. However, it is still up to the companies to make sure that their initial quality is good enough so that the products can make it to the second-hand market. On the other hand, it seems that quality is not as straightforward as implied in previous research. Second-hand products with lower quality can still have value for some customers, however whether that value is enough in terms of monetary compensation for the companies is hard to determine.

The phenomenon entails several new activities and requires further resources, something that not only affects the BM but also challenges the companies' way of working and the profitability of the business. We can see that ICT- and supply chain challenges are two main areas of challenges which are amplified in this changeover from the linear to the circular economy, and that the researched companies are still struggling with. Moreover, the financial aspect of this phenomenon is important, especially for profit-making companies, as profitability and margin are two prominent challenges of CBMI in this regard. Furthermore, we can see that the existing perceptions of second-hand play a crucial role, as the price expectations on second-hand products challenges the companies' ability to make a profit. We can also see that the consideration of the payment process is neglected in previous research, however the approaches differ among the companies and there seems to be no best practice or guidance in how to choose this. Lastly, cannibalization is a challenge both highly supported in previous literature and by the company not yet pursuing the phenomenon. Interestingly, the companies pursuing second-hand did not mention this as a challenge, which may suggest that it is not a prominent issue for CBMI in this regard.

Cultural determinants play a key role, both in terms of the organization and society. We can see that pursuing the phenomenon puts pressure on the existing company in terms of organizational structure and acceptance of this new business. It seems that it is preferred if the business becomes an integral part of the company. This is something that may be harder to achieve if the company chooses to perceive this part as a separate BM or separate part of the business from the beginning. Furthermore, yet again we can see that the customer is key. The interest for second-hand is increasing and it is becoming a more accepted form of consumption. However, a societal barrier is still in place as attitudes and behaviors exist that challenges the whole concept. Moreover, we can see that for some companies, the target customers may not find second-hand appealing or aligned with their conception of the brand, something that again shows the divided perception of second-hand. This in turn affects both the brand image and competitive advantage. In general it seems as the acceptance of

second-hand is great enough to both enhance brand image and competitiveness, but some hesitation around this fact still exists.

It may not be very surprising that the only company that mentioned greenwashing as a possible challenge was the company not yet pursuing the phenomenon. However, as this is supported in previous literature as well, it is important to mention that one has to be cautious when engaging with the phenomenon to not risk greenwashing. Furthermore, we can see that the phenomenon brings many positive things in relation to sustainability, such as increased product life cycle, better use of resources and from a sustainability perspective; positive impact on market dynamics.

6.2. Suggestions for Future Research

As this thesis has mainly focused on clothing companies that are pursuing the phenomenon, an interesting take would be to include companies from this industry that have not yet engaged with second-hand. This could reveal additional challenges and opportunities not covered by the researched companies. Moreover, as the furniture industry was only represented by one company in this case, more research needs to be done to provide a more comprehensive understanding of this specific industry. To study other industries would also be of interest as this phenomenon can be applied in several contexts, such as home electronics and vehicles, which might reveal different results.

Furthermore, the aim of this dissertation was to analyze the phenomenon from the companies' perspective. However, several insights reveal that other perspectives would be interesting to research. Firstly, one suggestion for future research includes the consumers' point of view. Since the consumer becomes a crucial key player in this type of market, will this growing phenomenon change customer behaviors? Does the fact that customers can sell back products to the company to a larger extent change how well they take care of their products, for example?

Lastly, as this thesis aims to explore and describe different approaches of the phenomenon and the experienced challenges and opportunities, a suggestion for future research is to dig deeper into these findings. With that said, how companies should go about to manage the challenges is not a covered area in this dissertation but should be considered in the future to further help existing companies interested in implementing a second-hand. For example, previous research suggests that the supply chain dimension has been neglected in terms of CBMI, however the results of this thesis reveals that this is an especially challenging dimension for CBMI in this regard. Although this thesis touches upon some of these challenges, more research needs to be done to provide companies with a more comprehensive understanding and guidance in this area. This also includes the challenges regarding IT-systems, inventory management, cost structure, payments processes and efficiency opportunities.

6.3. Implications

This thesis provides both practical and theoretical implications which will be discussed in this final part of the chapter. The practical implications will be presented first, and they are mainly targeted to companies. Lastly, the theoretical implications are discussed, revealing the relevance of this thesis and its findings from a theoretical point of view.

6.3.1. Practical Implications

Assmann et al. (2023) argue that a challenge within CBMI is that companies are not yet guided how to adopt CBMs. This thesis displays how some companies have gone about engaging with this specific type of CBMI and presents some of the challenges and opportunities of the phenomenon, which could possibly guide other companies interested in pursuing the second-hand. It reveals some main considerations that need to be taken and possible approaches. Given that the pressure on companies to contribute to a more sustainable society increases, companies need to be guided on how to actively act towards the circular economy. This thesis shines light upon one approach to implement CE-practices, that can be applied not only to other companies in the fashion- and furniture industry but also in other industries so long the products are suitable for second-hand. With that said, we can also see that second-hand is growing and becoming a more attractive way of consumption, hence this dissertation highlights an attractive business opportunity and market, and provides important guidance on how to enter it. Moreover, this thesis has identified opportunities and areas of improvement for other stakeholders than companies interested in pursuing the phenomenon. This includes firms designing and producing IT-systems, where we can see that systems adapted for the circular economy are demanded.

6.3.2. Theoretical Implications

The main research gap identified was the lack of bridge between second-hand businesses and BMI/CBMI. This thesis helps fill this gap, as it bridges BMI/CBMI and second-hand and provides a foundation for this literature field. Furthermore, it shows that some areas within BMI/CBMI are more prominent within this specific type of CBMI and phenomenon, while other suggestions of opportunities and challenges are not applicable in this scenario. With that said, this thesis has identified areas where more research is needed, for example CBMI and second-hand in relation to the supply chain, profitability and cost efficiency. It also highlights important inconsistencies between empirical findings and previous research and provides clear examples when the general literature around CBMI cannot be applied in this specific scenario. An example of this is the area of cost structure, where the findings in this dissertation contradicts previous research. In conclusion, this thesis has provided an important basis and highlighted an area within literature in need of much more research.

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Appendices

The interview guides used for all interviews and the figures and tables presented in the thesis are attached in below appendices.

Appendix 1: The Interview Guides

Introduction for all interviews:

Firstly I want to introduce the topic a bit, so that we are on the same page. My thesis is about business model innovation, and more precisely the phenomenon of pursuing business model innovation through the addition of a second-hand business targeted to a company's own products. With that said, I am looking into how companies have gone about adding a second-hand business and what the main challenges and opportunities are, from a business model perspective.

Before we start I want to ask a few questions:

- Is it okay if I record this interview? The recording will only be used by me, to enable transcription and so that I can go back and listen to it again. It will be deleted once the project is finished.
- Is it okay if I write the company's name in the thesis?
- Is it okay if I write your name in the thesis or do you wish to be anonymous?
 - Is it okay if I write your title in the thesis?

For companies that have added a second-hand business:

1. What is your role?
2. Please tell me about XX's second-hand business/second-hand commitment.
 - a. When did this start?
 - b. What type of products are included in this business?
 - c. Could you please tell me a bit about this phenomenon in your industry.
3. How has XX gone about to implement this change?
 - a. Have you changed your existing business model to incorporate this change or have you created a new business model for this business?
 - b. How has or does the engagement with the second-hand business affect the business model? (What changes have been made in the business model?)
 - i. If needed, ask about value creation and value capture.
4. What were the main purposes of engaging in a second-hand business and what do you think are the main opportunities of it?
 - a. If needed, ask in the context of:
 - i. Revenue streams and financial
 - ii. Strategy
 - iii. Consumers and market
 - iv. Organization
 - v. Products

- vi. Supply chain and operations
- 5. What would you say have been or could be the main challenges instead?
 - a. If needed, ask in the context of:
 - i. Revenue streams and financial
 - ii. Strategy
 - iii. Consumers and market
 - iv. Organization
 - v. Product
 - vi. Supply chain and operations

For companies that have not added a second-hand business:

- 1. What is your role?
- 2. What do you know about this phenomenon in your industry?
- 3. Tell me a bit about your current business model.
- 4. Is a second-hand business something XX considers doing? Or has been considered.
 - a. Why/why not?
 - b. If this is something that has been considered or is planned, how have XX planned to do so?
 - c. Do you think this would work with your current business model? If so, how? Why/why not?
- 5. What do you think are the main challenges of adding a second-hand business?
 - a. If needed, ask in the context of:
 - i. Revenue streams and financial
 - ii. Strategy
 - iii. Consumers and market
 - iv. Organization
 - v. Products
 - vi. Supply chain and operations
- 6. What do you think are the main opportunities of adding a second-hand business?
 - a. If needed, ask in the context of:
 - i. Revenue streams and financial
 - ii. Strategy
 - iii. Consumers and market
 - iv. Organization
 - v. Products
 - vi. Supply chain and operations

Appendix 2: Figures

Figure 1

Framework 1: Circular Business Model Innovation

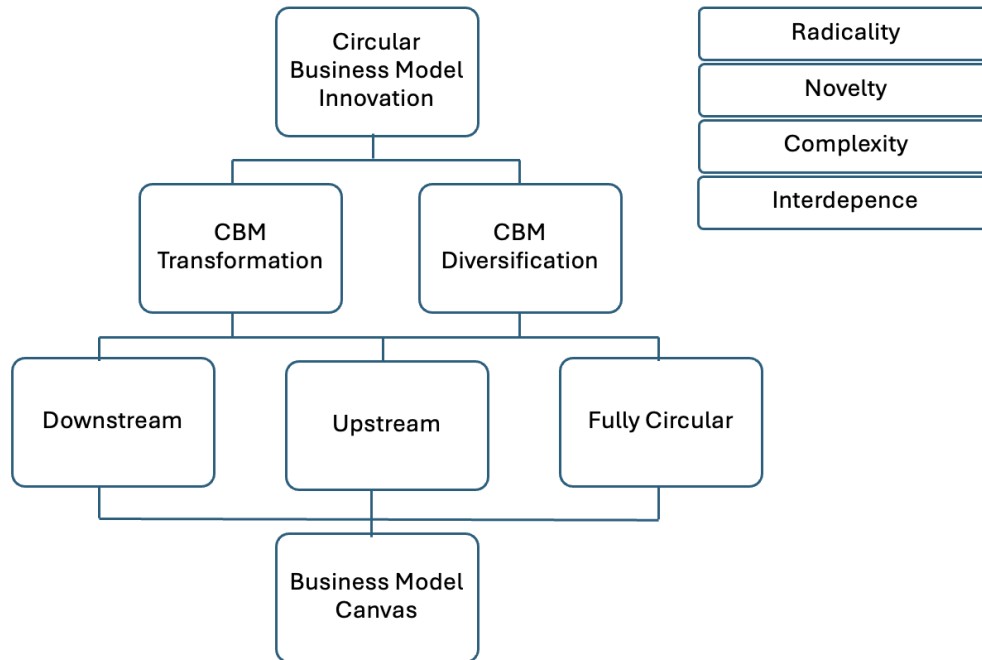


Figure 2

Thematic coding process

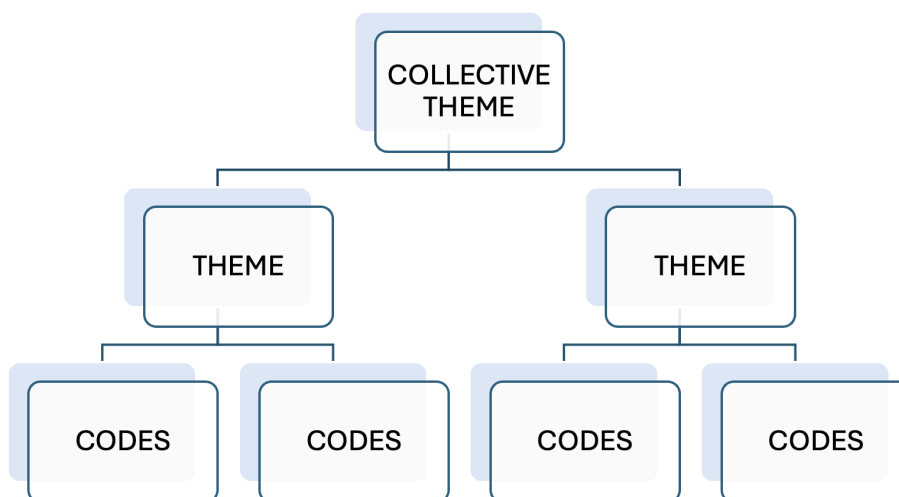


Figure 3
Themes for how the CBMI is pursued

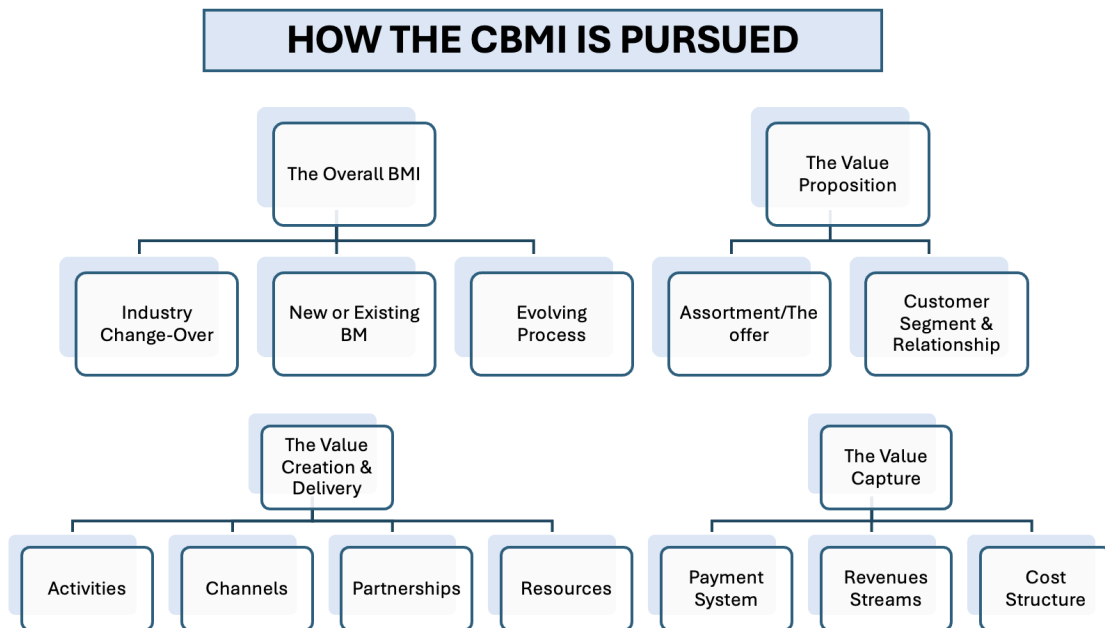
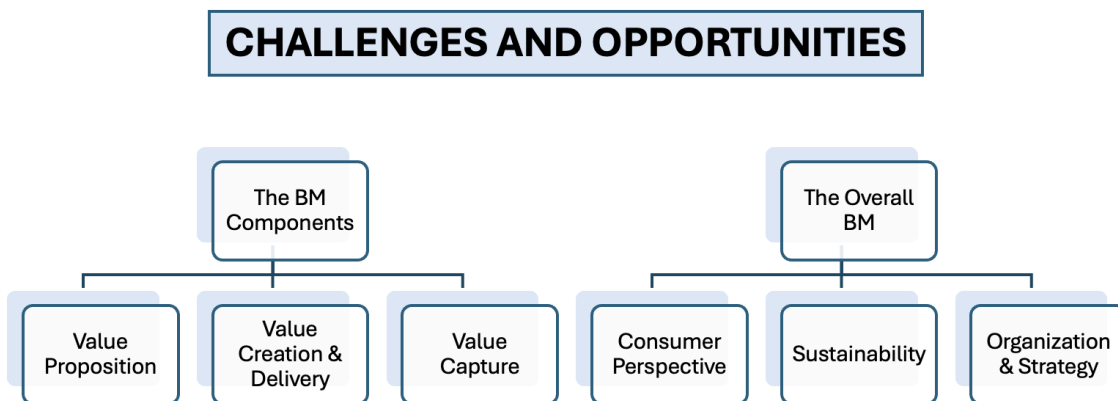


Figure 4
Themes for the challenges and opportunities



Appendix 3: Tables

Table 1

Definitions BMI

	Definition BMI
Geissdoerfer et al. (2018)	Changes in the configuration of a BM or its individual components
Taran et al. (2015)	Any change in a BM can be called a BMI
Andreini et al. (2022)	Deliberate acts by managers/entrepreneurs over time, to change the BM architecture and components in a consistent and innovative way
Foss & Saebi (2017)	Designed, novel and nontrivial changes to the key components and/or architecture of a BM

Table 2

BMI Dimensions

	Dimensions BMI
Taran et al. (2015)	<p><i>Radicality</i>: how much the innovation departs from prior BM. A radical change is something significant new to the BM and its components. An incremental change is an extension or improvement of the BM.</p> <p><i>Reach</i>: who the innovation is new to. From new to the company to new to the world</p> <p><i>Complexity</i>: how many building blocks/components are involved in the innovation. A simple innovation changes one of the components while a complex innovation changes several components.</p>
Foss & Saebi (2017)	<p><i>Complexity</i>: interdependencies of the subsystems. From modular (loosely coupled BM) to architectural (tightly interdependent subsystems) change.</p> <p><i>Novelty</i>: who the innovation is new to. New to the firm or new to the industry.</p>

Table 3*Challenges and opportunities*

	Challenges	Opportunities
BMI (including both BM transformation and BM diversification)	<p>Finding the right balance between existing and new BMs and managing the transition from a single to dual BMs is a big challenge (Bosbach et al., 2020; Visnjic et al., 2022; Harren et al., 2022)</p> <p>A new business is investment-intensive and prone to failure. Different requirements and targets of multiple BMs lead to tension; funding and resource allocation, management, measurement, expectations and mindsets, organizational infrastructure and staffing. Increased internal competition and cannibalization (Bosbach et al., 2020)</p>	<p>Increased competitiveness, enter unexploited markets, strategic renewal (Bosbach et al., 2020)</p> <p>Defend the business and gain competitive advantage (Westerveld et al., 2023)</p> <p>BM diversification can help drive growth, mitigate risks, increase competitive advantage and drive shareholder value creation (Bosbach et al., 2020)</p> <p>BM diversification can help management of inconsistent demands, increase resilience and generate new revenue streams (Visnjic et al., 2022)</p>
SBMI & CBMI	<p>Sustainability adds complexity to the BMI process (Pieroni et al., 2019)</p> <p>CBMI: Sustainability-, supply chain-, company-, ICT- and lean-based challenges (Rosa et al., 2019)</p> <p>Companies are not guided how to adopt CBMs. Customer attitude and behavior can affect adoption rate. Values, state of mind, expectations, practices, behaviors and norms on different levels can</p>	<p>Sustainability incorporated in the BM increase competitiveness and brand value (Comin et al., 2020)</p> <p>CBMI: resilient supply chains, reduced costs, increased reporting accuracy, market differentiation. Customer attitude and behavior can affect adoption rate. Increased customer loyalty and willingness to engage with the company. Values, state of mind, expectations, practices, behaviors and norms on different levels</p>

	<p>determine the adoption of CBMs. Market demand, market dynamics, strategic focus, product characteristics. Aligning investments between original BM and CBM (Assmann et al., 2023)</p> <p>CBMI: Lacking consumer interest and awareness and hesitant company culture (Chen, 2020).</p> <p>Risk of cannibalization of own market share and profits with coexisting traditional BMs and CBMs (Assmann et al., 2023; Guldmann & Huulgaard, 2020; Linder & Williander, 2017)</p>	<p>can determine the adoption of CBMs. Market demand, market dynamics, strategic focus, competitive advantage, investment opportunities, growth and revenues opportunities, cost reduction, product characteristics (Assmann et al., 2023)</p> <p>CBMI: Cost reduction, revenue generation, resilience improvement. Manage resource scarcity (Chen, 2020)</p>
Second-hand	<p>Exploiting the marketing potential without change, resulting in greenwashing. Marketing/selling costs, cost of quality assurance, sanitisations, amount on stock (D'Adamo et al., 2022)</p> <p>Increased operations; return transport, inbound logistics, quality checking and recovery. Less opportunity for large-scale operations for the added second-hand business. Cannibalization, pressure on price difference between new and second-hand products (van Loon et al., 2018)</p>	<p>Extend product life cycle and decrease usage of raw materials (Chen, 2020)</p> <p>Capture resale value (Hvass, 2015)</p> <p>Leverage growth of the second-hand market and increase competitiveness. Increased product variety, penetration of new market segments, longer product life cycle (D'Adamo et al., 2022)</p>

Table 4*Framework 2: Challenge areas*

Challenge areas	Examples
Revenue streams and financial	Risk of cannibalization Price difference pressure
BM and strategy	Tension between BMs - aligning BMs Strategic focus
Consumers and market	Consumer attitude and behavior including interest and awareness Market demands Market dynamics
Organization	Hesitant company culture Practices, values, behaviors etc.
Product	Product characteristics
Supply chain and operations	Quality assurance and checking Sanitisation and recovery Selling cost Cost of stock Return transport Inbound logistics

Table 5*Framework 3: Opportunity areas*

Opportunity areas	Examples
Revenue streams and financial	Revenue generation, e.g. capture resale value Cost reduction Investment opportunities
BM and strategy	Resilience improvement Strategic renewal Increased brand value
Consumers and market	Increased competitiveness Penetration of new market segments Leverage growth of second-hand market Market differentiation Consumer attitude and behavior Increased consumer loyalty Market demand
Organization	Practices, values, behaviors etc.
Product	Extend product life cycle Increased product variety Product characteristics
Supply chain and operation	Manage resources, e.g. scarcity and decrease usage of raw materials Resilient supply chain

Table 6*Interview respondents*

Company	Industry	Name and Job Title	Date and Time	Interview Language	Online or In Person	Pursuing Second-hand
Mio	Furniture	Adam Trevik, Store Manager	2024-03-07, 50 min	Swedish	Online	No
Polarn O. Pyret	Clothing	Martina Wernemar, Product and Brand Director	2024-03-14, 60 min	Swedish	Online	Yes
(Sustain by) Oscar Jacobson	Clothing	Ludvig Bengelsdorff, Store Manager	2024-03-14, 60 min	Swedish	In Person	Yes
Houdini	Clothing	Helena Reis, Customer Support	2024-03-14, 50 min	Swedish	Online	Yes
Lindex	Clothing	Ida Hördegårdh, Business Innovation Lead	2024-04-08, 60 min	Swedish	Online	Yes

Table 7*The researched companies*

Company	Industry	Description
Mio	Furniture	Swedish retailer of furniture and home decoration
Polarn O. Pyret	Clothing	Swedish clothing brand for children
(Sustain by) Oscar Jacobson	Clothing	Swedish clothing brand for men Oscar Jacobson is the company and Sustain by Oscar Jacobson is the second-hand concept
Houdini	Clothing	Swedish clothing brand for outdoor clothes
Lindex	Clothing	Swedish clothing brand for women and children

Table 8*Challenges and opportunities in relation to the value proposition*

VALUE PROPOSITION The offer, customer segments, customer relationships	
Challenges	Opportunities
Enough simplicity of the service	Attract new customers
All products not suitable for second-hand	New and broader product assortment
	Attract customers through service simplicity
	Customer insights
	More personal customer contact
	Customer retention & satisfaction

Table 9*Challenges and opportunities in relation to the value creation and delivery*

VALUE CREATION AND DELIVERY Key resources, key partnerships, key activities, channels	
Challenges	Opportunities
Stock-keeping (and season-based products)	
Uncertain products supply	
Increased data flow and systems not adapted for second-hand	
Quality of product	
Increased management of products	

Table 10*Challenges and opportunities in relation to the value capture*

VALUE CAPTURE Cost structure, revenue streams	
Challenges	Opportunities
Profitability	Increased overall sales
New costs	
Customer expectation on price	
Risk of ownership	
Cannibalization	

Table 11*Challenges and opportunities in relation to the consumer perspective*

CUSTOMER PERSPECTIVE	
Challenges	Opportunities
Customer behavior and maturity levels	The shift in the attitude & existing interest
The attitude towards second-hand	More secure consumption for customers

Table 12*Challenges and opportunities in relation to sustainability*

SUSTAINABILITY	
Challenges	Opportunities
Risk of greenwashing	Better use of resources
	Increased product life cycle
	Competition increases the pressure to act
	More sustainable industry

Table 13*Challenges and opportunities in relation to the organization and strategy*

ORGANIZATION AND STRATEGY	
Challenges	Opportunities
Organizational changes	Increased competitive advantage and better brand image
Brand image and second-hand	Reaching strategic goals
Balancing strategic goals	Goodwill
	Room for experimenting