

Scaling circular business models: strategic paths of second-hand fashion retail

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Abstract

Purpose – The purpose of this study is to explore the process of scaling second-hand fashion and how different strategic paths develop over time. This is theoretically grounded in two distinct scaling logics synthesised from the literature: a process that includes strategies for organisational growth (breadth-scaling) and a process that influences change in formal and informal institutions (depth-scaling).

Design/methodology/approach – The paper presents a process-based study based on the growth of a second-hand fashion retail organisation over 20 years. Qualitative materials such as interviews, observations and documents were collected and analysed.

Findings – The findings illustrate how a circular business model (CBM) can make use of a mix of strategies aiming for both organisational growth and impacting practices and habits within the fashion industry. Strategies building on breadth-scaling logic are found to be a prerequisite for engaging with depth-scaling strategies since they contribute to necessary resources and confidence, while depth-scaling secures future scaling opportunities by changing the conditions for scale.

Originality/value – The study contributes to the relatively scant literature on the process of scaling CBMs by exploring how different strategic paths unfold over time. The process-based approach, in combination with the two scaling logics, gives new insights into how CBMs go from niche to mainstream and thus influence the transition to a circular economy (CE).

Keywords Circular business model, Second-hand, Scalability, Fashion retailing

Paper type Research paper

1. Introduction

Circular economy (CE) in recent years has been promoted as the answer to how sustainable development can be accomplished for products, companies and regions (European Environment Agency, 2019; Kirchherr *et al.*, 2017). By changing the take-make-discard system of today to “an industrial economy that is restorative or regenerative by intention and design” (Ellen MacArthur Foundation, 2013, p. 14), problems with pollution and waste are expected to be solved. The transition to a circular economic system will require a large systems change where not only business principles need to change but also political frameworks, as well as people’s habits and attitudes (Kirchherr *et al.*, 2017).

In this context, second-hand retail can play a vital role by, for example, prolonging the use-life of products and activating the unused products that are already in consumers’ wardrobes. These types of business models (e.g. resale) are fundamental to a CE as they keep resources at their highest value for as long as possible (Lüdeke-Freund *et al.*, 2019). Other circular business

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I would like to express my sincere thanks to the respondents in the organisation and its partners for the openness with which they have shared both time and knowledge.



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models (CBMs) currently in use in the textile and fashion industry build on renting, repairing and/or remaking (Ellen MacArthur Foundation, 2021). Compared to these, second-hand represents the highest growth potential (BoF and McKinsey, 2021) and has even grown faster in recent years than fast fashion (Zanjirani Farahani *et al.*, 2021). Seen in this light, second-hand resale of fashion products currently represents the CBM with the highest potential of moving the fashion industry closer to a CE and an interesting case to study.

The transition to a CE needs scalable CBMs that can extend beyond their niches and make circular consumption mainstream (Ellen MacArthur Foundation, 2017; European Environment Agency, 2019). While many local small-scale initiatives may strengthen the system by making it more resilient (Westley *et al.*, 2014), they do not challenge the status quo and contribute to changing the system at large. Achieving systems change requires scalable CBMs that are economically sustainable (Werning and Spinler, 2020) while also contributing to sustainable environmental and social value creation (Ferasso *et al.*, 2020). However, much is still unknown when it comes to the processes of scaling such models.

Business model scalability is generally described as a business model characteristic (or configuration) that allows the organisation to “increase levels of value creation and appropriation when the number of users and customers increases and their needs change, but without adding proportionate extra resources” (Zhang *et al.*, 2015, p. 268). In some literature, this translates to a fixed characteristic where business models either have high or low scalability potential (Acquier *et al.*, 2019; Zhang *et al.*, 2015). Other studies (Blundel and Lyon, 2015; Nielsen and Lund, 2018) emphasise flexibility and adaptability as characteristics of scalable business models, which indicates that it is a dynamic characteristic that changes over time. In other words, a business model with low scalability potential can effectively scale if it can be adapted to new or emerging opportunities. The process of scaling can thus take different paths and include different types of strategies over time (Bocken *et al.*, 2016).

CBM scalability is not merely a question of developing strategies for expanding the organisation’s profit and size. The dual mission of CBMs, to both thrive as a company and displace linear consumption to change the socio-economic system towards circularity, asks for a wider perspective. However, relatively little attention has been given to this wider perspective of the process of scaling CBMs as part of a larger system where policies, organisations and consumers interact. Even though some recent examples can be found (Han *et al.*, 2023; Sandberg and Hultberg, 2021), these are mainly cross-sectional and do not follow the development over an extended period. There is also a lack of elaboration on the complexity and range of strategies within organisations. Han *et al.* (2023), for example, find three strategic approaches to scaling, referring to both organisational growth and impacting environmental values. These approaches concern an organisation’s general approach and do not further elaborate on the strategic paths within organisations.

Given that the process of scaling a CBM develops over time (Köhler *et al.*, 2022) and includes different paths, this study has been designed with a process approach. The purpose is to empirically and contextually describe how a CBM in the fashion industry can scale its operations along different strategic paths, aiming for both organisational growth and systems change (i.e. a more circular fashion industry). The aim is to understand how the process unfolds over time, seen from the organisation’s perspective, where events and decisions form different strategic paths. Based on this, the following research questions were formulated: *How does the process of scaling a CBM develop over time? What types of strategic paths are formed and how do they change?*

To answer the research questions, an in-depth single case study of a second-hand fashion retail organisation’s scaling process over 20 years has been conducted.

The next section of this paper introduces strategies for scaling and the theoretical background for this study. This is followed by the methods section describing the material collection and analysis process. The findings are then illustrated by presenting strategic

paths from the case. The findings are then discussed, and propositions for how CBMs develop and deal with different types of scaling logic are put forward. Lastly, the paper is concluded by presenting contributions, limitations and future research.

2. Theoretical background

The concept of scaling an organisation or business model differs between different research streams. In management literature, the process of scaling is seen from an economic perspective where the organisations start small and grow by using strategies such as replication and diffusion to expand in size and turnover (Nielsen and Lund, 2018; von Krogh and Cusumano, 2001; Zhang *et al.*, 2015). Literature focusing on social innovation applies a wider definition of scaling based on the dual mission of these organisations, i.e. expanding the impact of a social endeavour while also maintaining economic profitability (Blundel and Lyon, 2015; Ciambotti *et al.*, 2023). For example, Moore *et al.* (2015) found that organisations can use a range of strategies for scaling the impact of social innovations, from impacting more people to changing the institutional roots that stand in the way of scale. Thus, scaling is not only about the focal organisation but also about changing a system. This is in line with the goal of scaling CBMs (i.e. transitioning to a new socio-economic system).

In this paper, these streams of literature are combined for a wider range of strategies and a more comprehensive definition of business model scaling. This can be summarised in two themes. Breadth-scaling, which refers to strategies focusing on the organisation and activities increasing its turnover and geographic reach, and depth-scaling, which refers to strategies aiming for cultural and institutional change (Hermans *et al.*, 2016; Moore *et al.*, 2015; Westley *et al.*, 2014).

2.1 Breadth-scaling

Strategies that focus on scaling the organisation's turnover and geographic reach are referred to as breadth-scaling or scaling out (Hermans *et al.*, 2016; Lam *et al.*, 2020; Moore *et al.*, 2015). These types of scaling strategies are the foremost focus in management literature, where strategies that build on efficiency in internal and external processes are discussed as advantageous for scaling business models in terms of the number of markets and customers served (Hultberg and Pal, 2021). The logic behind these scaling strategies is that by efficiently growing the number of customers or beneficiaries served by the organisation, revenues (and impact) will increase. If done efficiently, the output will increase exponentially, while resources used per unit produced (or customer served) will decrease (Pal and Gander, 2018; Stampfl *et al.*, 2013). This can be done by replicating or diffusing the business model (or specific units) to new geographical areas or new customer segments.

These strategies aim to develop more efficient routines and processes, for example, by centralisation or adopting a franchising strategy. Centralisation and standardisation of tasks can reduce the overhead cost as the organisation needs to cater to more customers (André and Pache, 2014; von Krogh and Cusumano, 2001), while franchising reduces the need to raise internal capital before expanding to a new region (Gillis and Castrogiovanni, 2012; Winter and Szulanski, 2001). Even though the focus of the strategies often relates to efficiency in internal processes, collaborations and strategic partners are also suggested as a viable path for efficient breadth-scaling (Bocken *et al.*, 2016). Partnerships can, for example, give access to resources and knowledge that the organisation needs but without the investments involved in developing the resources and capabilities internally (Nielsen and Lund, 2018).

Second-hand retail is already an established business model and has seen steady growth in the last decades (Guiot and Roux, 2010; Zanjirani Farahani *et al.*, 2021). Even so, second-

hand is considered a niche market mostly consisting of disparate small-scale initiatives such as flea markets, swapping, peer-to-peer platforms, online marketplaces, second-hand stores and brands with resale initiatives on the side (Sweet *et al.*, 2019). To impact more people with their circular fashion offer, it is suggested that CBMs such as these would need to scale out by increasing their market penetration and geographical reach (Coscieme *et al.*, 2022; Ellen MacArthur Foundation, 2017; European Environment Agency, 2019). However, many second-hand fashion initiatives struggle with profitability (Persson and Hinton, 2023). A major challenge is the high product variety, which requires time-consuming manual handling, leading to low efficiency and high labour costs (Hultberg and Pal, 2023). This also relates to unstable supply and demand and the challenges in knowing how to best capture the potential value of second-hand items (Appelgren, 2019). Hedegård (2023) argues that overcoming such challenges requires tailored knowledge and processes and greater flexibility compared to mainstream retail.

2.2 Depth-scaling

Depth-scaling goes beyond the idea of scalability found in most literature dealing with technical innovations and monetary gains. Instead, it is suggested that to achieve systems-level change, institutional structures, values and beliefs need to be included in the scaling efforts (Moore *et al.*, 2015). Such scaling strategies are different “in that they suggest a reconsideration of how initiatives create impact” (Lam *et al.*, 2020, p. 16). Moore *et al.* (2015) find two underpinning logics for strategies connected to depth-scaling. One relates to the adoption of innovation by “impacting cultural roots” and the other aims to impact “higher levels of institutions” by influencing systemic roots that transcend specific geographical locations. That is, the first aims to change informal institutions (e.g. people’s habits) and the other aims to change formal institutions (e.g. legal frameworks and policy).

2.2.1 Changing habits and culture. The idea that strategies for changing cultural roots can be part of a strategic path to scale a business model builds on the logic that a “durable change has been achieved only when people’s hearts and minds, their values and cultural practices, and the quality of relationships they have, are transformed” (Moore *et al.*, 2015, p. 74). By deliberately reframing existing narratives through norms and values, a more favourable environment for scale can be created. Moore *et al.* (2015) suggest that this can be done by using stories for co-creating or sharing ideas. This type of depth-scaling is often local or community-oriented (Bauwens *et al.*, 2020). Such strategies include providing members with a broader range of services (Bauwens *et al.*, 2020) or focusing on learning (Moore *et al.*, 2015). Moore *et al.* (2015) especially emphasise sharing knowledge and working with communities to build a shared mindset across partners and participants.

In second-hand fashion retail, consumers are identified as key strategic partners since they act as both customers and suppliers (Gopalakrishnan and Matthews, 2018). Increasing consumers’ acceptance and participation when it comes to circular consumption practices will therefore be crucial. A change in attitudes towards secondhand, and awareness of the environmental impacts of the fashion industry, is already seen as contributing to the general growth of the market (Guiot and Roux, 2010; Valor *et al.*, 2022). Valor *et al.* (2022), for example, find that shifting customers’ views of second-hand garments from stigmatising to positive drives market expansion. According to the study, consumers’ values and habits can change by “discursively targeting the negative ideas associated with second-hand garments” (p. 85). Retailers who understand customers’ motivations for shopping second-hand (and stigmas) could therefore grow the market by developing strategies for changing customers’ attitudes (Tangri and Yu, 2023). Second-hand retailers can, for example, communicate the benefits concerning environmental value, affordability and self-expression, as well as address

potential concerns such as garment cleanliness (Ferraro *et al.*, 2016; Guiot and Roux, 2010). Ferraro *et al.* (2016) also suggest increasing store presence on the high street and focusing on fashion as strategies for scaling secondhand through changing customer values.

2.2.2 Changing the rules of the game. The need to form and implement strategies that impact “higher levels of institutions” (Moore *et al.*, 2015, p. 79) builds on the argument that this will change the rules of the game (Moore *et al.*, 2015; Westley *et al.*, 2014). Identifying opportunities and barriers within institutional structures and taking advantage of them (e.g. by changing them or adapting to them) can lead to changes in the environment in which the organisation operates. If successful, these strategies have the power to improve the conditions not only for one organisation but for all organisations with similar business models. This can, for example, include activities such as changing regulatory frameworks by influencing higher levels of government through lobbying and advocacy (Bloom and Chatterji, 2009; Hermans *et al.*, 2016). It can also refer to broader institutional or systemic barriers (Westley *et al.*, 2014), for e.g. operating rules and industry practices and the strategies involved with influencing these and/or transferring positive practices to higher institutional levels (Hermans *et al.*, 2016; Moore *et al.*, 2015).

In a fashion CBM context, regulatory frameworks (e.g. taxes and waste management) have been identified as a barrier by the industry (Coscieme *et al.*, 2022; Global Fashion Agenda, 2019), but other industrial practices and policies also stand in the way of large systems change. The design process is, for example, often identified as something that needs to change for fashion products to easier be part of circular resource flows (Ellen MacArthur Foundation, 2021; Global Fashion Agenda, 2019). This means that common design practices and skills that are taught at design schools and practiced in the industry need to be adjusted to fit into a more sustainable fashion system (Coscieme *et al.*, 2022; Niinimäki and Hassi, 2011). An example of this is how designers can develop standardised practices to make new designs out of second-hand garments possible at scale and not as craft projects (Pal *et al.*, 2021).

3. Methods

Following Mintzberg (1977), this study defines strategy as a “pattern in a stream of decisions” (p. 28). Thus, strategies can be both deliberately planned and emergent. Since strategic paths develop over time (Mintzberg, 1977), they need to be tracked over time and in their empirical context (Pettigrew, 1997). A process-based approach was therefore used. Process research concerns the understanding of “how things evolve over time and why they evolve in this way” (Langley, 1999, p. 692). Given the lack of earlier longitudinal studies dealing with the concept of scaling in a CBM context, a process-based approach to a single case was applied.

Since the purpose is to explore and bring insight into a phenomenon that is not yet fully understood, a single in-depth case study was preferred (Flyvbjerg, 2006). However, choosing this approach has meant a conscious trade-off with concern for external validity “in favour of demonstrated, empirical richness, explanatory power, and internal consistency” (MacKay and Chia, 2013, p. 213). To strengthen confidence in the conclusions and overall research validity, tactics such as triangulation between multiple material sources and respondent validation were used (Flick, 2007; Stake, 1995).

3.1 Case selection

The organisation was selected from an earlier study of 12 CBM initiatives in the fashion industry. The selection was information-oriented (Flyvbjerg, 2006) and based on the following three criteria: (1) it should have operated a CBM for a substantial period of time, (2)

it should be engaged in a wide range of scaling strategies, and (3) it should allow access to rich data.

A secondhand retail organisation was selected to fit these criteria. Firstly, it is one of few larger commercial second-hand retail organisations that have been around for more than 20 years. During this time, it has gone through the process of scaling from a single store with limited impact to an international multichannel retail operation. Secondly, it was the most diverse in terms of scaling strategies (e.g. evidence of both breadth- and depth-scaling can be found). This gives a broader perspective on the scaling process, which is important for this study. Finally, the organisation has communicated openly about its activities on its blog and social media already from the start. This provides access to rich data from varied sources from which their development can be mapped and analysed.

The organisation is owned by founders who are also engaged in other entrepreneurial ventures within the used goods industry. They took ownership of their first vintage and secondhand store in 2002 and have since expanded to two additional European markets, e-commerce and production facilities in India. Previously, they supplied vintage and secondhand garments to retail stores but did not run one themselves. The retail organisation is commonly referred to as being born-circular. It has always followed the principles of retaining the value of used garments by reselling them to a new customer, thus prolonging their useful life.

3.2 Material

The study builds on material collected from both primary and secondary sources. The collection followed an iterative process between collection and analysis. As detailed in Table 1, the primary sources were six semi-structured interviews and five occasions of observations in stores, which also included unstructured interviews. These were collected between May 2020 and May 2023. Secondary sources include the organisation's blog, social media accounts and publicly available interviews on YouTube and Spotify (podcasts). Additionally, a structured search in a full-text media database (Retriever Research) was carried out. This resulted in 153 articles covering areas such as the opening and closing of stores, the buying process, collaborations, goals and impacting the industry.

<i>Material type</i>	<i>Organisational role</i>	<i>Count</i>	<i>Duration (hh:mm)</i>	<i>Documentation type</i>
Organisation blog posts	n/a	210	n/a	Electronic documents
Social media posts (Instagram and Facebook)	n/a	1,857	n/a	Electronic documents
Magazine articles and press releases	n/a	153	n/a	Electronic documents
Publicly available interviews and webinars (podcasts and YouTube)	Co-founder	7	04:25	Transcripts of key sections and audio
	Former employee	1	01:00	Transcripts of key sections and audio
Semi-structured interviews	Co-founder	2	02:10	Transcript and notes
	Associate Director, 2nd market	1	02:20	Transcript
	Manager, Partner A	2	01:00	Transcripts
Observations and unstructured interviews	Manager, Partner B	1	00:20	Transcript
	Retail stores (4) and staff (6)	5	02:10	Field notes

Table 1.
Summary of collected material

Source(s): Author's own creation/work

3.3 Analysis

The analysis can be described as a process of synthesis, where material was added in an iterative progression to create an increasingly rich synthesis of the strategic paths to scale. After collecting and familiarising with the material, the first step was to code and sort events, activities and decisions in a chronological list. From this, a visual map with a clear timeline was created to gain a better overview, as suggested by Langley (1999), and the findings were triangulated across the different material sources. Analysing the material chronologically helped to identify patterns in the streams of events. These patterns represented periods of change or overarching strategies.

Thick narrative descriptions of the patterns were synthesised based on details from the different sources (Langley, 1999; Lincoln and Guba, 1985). Materials from the blog and social media provided a good basis for identifying events and activities that could be connected to a strategy in the timeline. The different interview data gave more in-depth insights into why certain strategies were pursued.

After the first round of synthesis, a second interview with the co-founder and the manager from Partner A, as well as interviews with the associate director and the manager from Partner B, were carried out. These interviews served to collect additional material and to verify conclusions and assumptions made in the first synthesis round. Questions were asked, for example, about gaps in the timeline or events that had only been corroborated in one other source. The interview transcripts and notes were then coded and compared against the chronological list and narrative descriptions. Following this approach, the synthesis was updated continuously as new material was added and analysed. This required going between the material collection, coding, generating descriptions and conclusions and verification.

The theoretical background of depth- and breadth-scaling strategies provided a guide when collecting materials. Once the synthesis had taken shape, it also provided a structure for identifying patterns and overarching strategies, as well as ad hoc activities (which were sorted out). By revisiting the material and the extant literature, strategies were coded as either building on breadth- or depth-scaling logic. Strategies were coded as breadth-scaling if the main objective was expansion and efficiency improvements to increase turnover or reach more people in more locations. For example, the opening of new stores was mentioned in terms of reaching more customers in order to increase sales and gain better rotation of inventory. Strategies were coded as depth-scaling if they were referred to in terms of wanting to impact habits and culture, legal frameworks or industrial practices. This could, for example, be activities that aimed to teach stakeholders outside the focal organisation how to work with used garments as input to new manufacturing. The aim was deduced both from how the strategies were presented in external communication and in the interviews (e.g. using wordings such as *changing the landscape of fashion*, *being part of a larger conversation* or *changing the way things can be made*).

Connections between the different strategies were made and strategies with similar goals were grouped into paths. The final representation of the paths is presented in Section 4 (Figures 1–3). In addition to the paths, the analysis revealed that the scaling process had two distinct phases. In the first phase, scaling efforts focused on growing the individual organisation within the niche of secondhand, i.e. mainly breadth-scaling strategies were used. In the second phase, the focus had widened to also focusing on changing consumer habits and industry practices. That is, depth-scaling strategies were also formed and implemented.

From the identified paths and extant literature, propositions were then formed regarding the process of developing a combination of breadth- and depth-scaling strategies. These are discussed in Section 5.

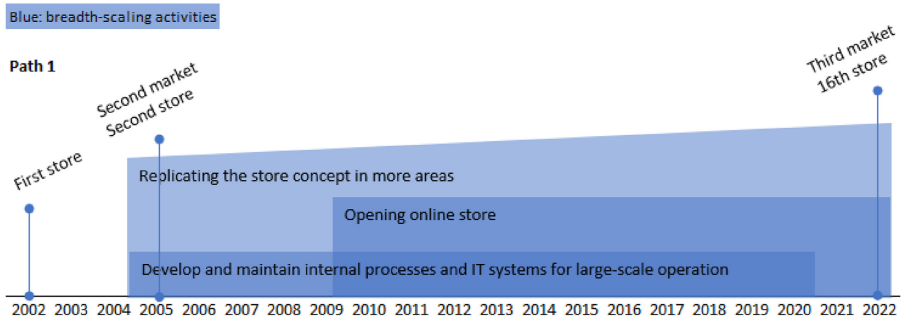


Figure 1. Milestones and activities of Path 1

Source: Author's own creation/work

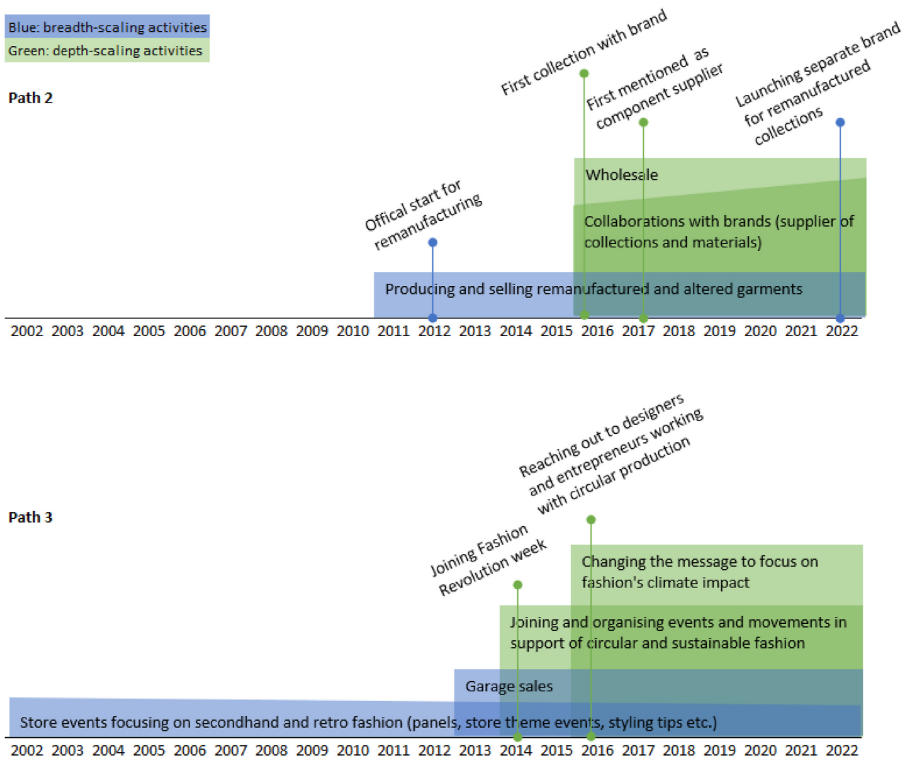


Figure 2. Milestones and activities of Paths 2 and 3

Source(s): Author's own creation/work

4. Findings

4.1 Widening the scope, from breadth- to depth-scaling

The analysis revealed four strategic paths for scaling from a niche second-hand vintage store to operating a chain of stores and collaborations with mainstream industry players (see Figures 1–3). The analysis also found that these paths developed over two phases.

Green: depth-scaling activities

Path 4



Source(s): Author's own creation/work

Figure 3.
Milestones and
activities of Path 4

In the first phase, scaling strategies are limited to the niche market of retro and vintage second-hand store. The analysis shows strategies focusing on increasing sales by replicating the concept in new locations, developing the offer and building a community around the brand. That is, the purpose is to find more customers in new markets and sell more through the existing stores. In other words, breadth-scaling was the predominant logic during this period. Their success within the niche of second-hand fashion retail is demonstrated in magazine articles where they are featured as one of the top destinations for second-hand shopping during this time.

However, roughly 10–12 years after taking ownership of the first store, there is a change in the strategies that the organisation engaged in. Deliberate strategies for reaching outside the niche of second-hand fashion retail started to emerge. Changing how the fashion industry and consumers view secondhand is now part of the organisation's strategies. In a magazine interview, the co-founder is quoted as saying that they have demonstrated their ability to buy and sell used garments in volume. However, the goal now is to provide a more empowering and educational alternative to fast fashion to as many people as possible. The shift in focus and goals leads to breadth-scaling paths being complemented and enhanced with depth-scaling strategies. Where strategies in the previous phase mainly built on internal resources and capabilities, the strategies in this phase are boundary-spanning and building on partnerships and collaborations. As the organisation has grown, the strategies for scaling have thus become more diverse, and the organisation learns to use its resource base in new ways. For example, resources developed for redesigning garments for increased supply are used to develop strategies for influencing practices in the fashion industry.

The four strategic paths that were identified follow three patterns. The first, represented by Path 1, continues to build on breadth-scaling logic also in the second phase. The goal is organisational growth by geographical expansion and increasing numbers of stores. The second pattern, represented by Paths 2 and 3, evolves from breadth-scaling to a mix of breadth- and depth-scaling strategies in the second phase. The third pattern, represented by Path 4, does not rely on breadth-scaling at all. It begins in the second phase with depth-scaling logic and from the start targets change to informal institutions in the form of customer values and habits. These four paths are described in more detail below.

4.2 Path 1: focus on breadth-scaling

Path 1 combines strategies that concern how to increase the volumes sold through the organisation's outlets, including increasing the number of outlets. This path is only concerned with the traditional breadth-scaling logic of organisational growth. The central

strategies that have been coded for this path are centralised and standardised internal processes, replication of stores and opening of an online store (see [Figure 1](#) for an overview).

Centralised and standardised internal processes for analysing trends and buying patterns were early on recognised as a precondition for operating on a larger scale. Taking advantage of their central capabilities (e.g. internal know-how about the used goods industry) and developing a system that made it possible to analyse and share information on a more aggregated level was critical for being able to buy and sell at scale. As the co-founder explains it, buying volume is not a problem, and the issue is buy the right product. “As important as data is, and it is going to sound so stupidly obvious, but the fashion needs to be right” (co-founder). Their system made it possible for the head office to analyse and translate trend and sales data into attributes and categories that the pickers could use when selecting garments.

New stores and markets open by replicating the first store’s concept in new geographical locations. The strategy had a slow start where they needed to learn and experiment with the number of stores and their locations. However, over time planning new stores became more purposeful. After 20 years, they had 16 stores in three countries.

The organisation also operates an online store, which works as a complementary outlet that reaches potential customers in other regions. While e-commerce is generally seen as a highly scalable business model, the *one-of-each* challenge with used garments makes it hard to translate to the e-commerce concept. Since it requires a different skillset compared to brick-and-mortar, they needed to develop new internal capabilities and hire new expertise.

4.3 Paths 2 and 3: from a breadth-scaling to a mix of breadth- and depth-scaling

Paths 2 and 3 both start with breadth-scaling activities but gradually evolve to include a mix of breadth- and depth-scaling. The goal of Path 2 is to diversify the offer and make use of more of the collected second-hand garments that the organisation has access to. The goal of Path 3 is community building. While the paths have different goals, they follow the same development where they go from breadth-scaling to a mix of breadth- and depth-scaling (see [Figure 2](#) for details).

Path 2 took form in 2011 when the organisation started to remanufacture unsellable garments into new fashion products (e.g. bags, jeans shorts and/or skirts). The logic behind this is that when it comes to second-hand garments, “you can only sell as much as you can find” (co-founder), and many of the collected garments are not sellable in their current condition due to style, size or condition. For this to work at scale, they invested in a factory in India where they already had their sorting facilities. Five years later, the path takes a new direction. The organisation was approached by a fashion brand that wanted to sell remanufactured products in its stores. This showed a possible path leading outside the niche of second-hand and vintage to reach new customers and influence the industry towards circular practices. Because of this, the organisation started seeking out established fashion brands as well as other vintage stores to work with.

These collaborations not only lead to more potential sales through more outlets but are also viewed as a way to impact customers and mainstream fashion brands by showing them that secondhand can replace fashion products produced from virgin material. Referring to the brands’ customers, the co-founder, for example, said, “We might open their eyes up to something new. And to me, that is beautiful.”

The desire to challenge the fashion industry (e.g. changing the rules and practices) has led to different types of collaborations. The organisation offers curated collections of both secondhand and remanufactured products and works together with brands as suppliers of second-hand material for new productions. An example of this is a collaboration with a shoe manufacturer where the uppers were sourced from second-hand garments. This required new practices, and the co-founder talks about a need to change perspectives for it to work at scale.

He gives the example of the colour blue and says that a designer normally would select a colour swatch that the shoes should match exactly. This does not work when using secondhand. “They wanted to make a dark blue shoe. What we needed to do was to show them that dark blue could range from this dark blue to this dark blue. And the fact that they are all slightly different is actually a bonus, not a negative” (co-founder).

Another partner also discusses the need to develop new practices and says that it is a “different way of thinking and that process clashes with ours and our entire business system [...] which is both challenging and wonderful. We get to just throw everything up in the air and find new ways to work” (Manager, Partner A).

Path 3 goes through a similar change as Path 2, where they first focus on the niche market for secondhand and then reframe the narrative to challenge the mainstream fashion industry. The activities as such do not change much, as they still engage in cultural events and happenings such as live music, pop-up garage sales and theme events (e.g. fashion history and weddings). However, the message changed from focusing on the aesthetics of vintage and secondhand and historical fashion trends to the environmental benefits of secondhand and circularity. The reframed narrative builds on a depth-scaling logic where the intention is to change culture and habits through education and communication, and in this way, it scales the market for second-hand fashion. The change in discourse coincides with a general change in how second-hand fashion is portrayed in the media (Valor *et al.*, 2022).

4.4 Path 4: a depth-scaling focus

Path 4 begins in the second phase of the organisation’s development. This path builds on a depth-scaling logic, and the goal is to activate consumers to be part of the supply chain as suppliers of used garments (see Figure 3 for details). Inviting customers to participate in the supply chain is intended to increase their engagement and involvement, ultimately changing their habits. In addition, it helps solve the scalability problem of sourcing enough on-trend second-hand garments.

The strategy has gone through a few iterations and is still developing. However, it has been well met by the customers, and even though it only accounts for approximately 1% of sales, it is believed to have potential. In addition to engaging the customers to take part in circular consumption, the products provided through this channel are more adapted to the specific market. It gives the organisation access to brands and products they would not find through the normal process.

5. Discussion

The paths described above show how a CBM can employ strategies for scaling, following both breadth-scaling and depth-scaling logic. The organisation did not choose one logic over another. Instead, they both coexist within the same CBM and even the same strategic paths. However, it is not constant over time but a gradual change. Grounded in the identified paths, the following discussion results in three propositions regarding how the process of scaling evolves from a breadth-scaling focus to including depth-scaling.

In line with studies of social innovation (e.g. Moore *et al.*, 2015; Westley *et al.*, 2014), the CBM in this study did not develop depth-scaling strategies until after several years of a breadth-scaling focus. Westley *et al.* (2014) mean that organisations must build a foundation of experience, in-depth knowledge and an established reputation before they can consider any impact on a larger scale. Scaling with the goal of changing industry practices and customer habits is difficult and uncertain, and therefore, it requires that organisations first prove capable of expanding within or across niche markets. The case presented in the study also shows that the opportunities to engage in depth-scaling became more salient once the

organisation had grown and gained confidence and a reputation as a niche player. For example, the collaborations that lead to opportunities to influence other fashion brands and their practices grew from the remanufacturing capabilities. When a fashion brand approached the organisation with the idea of a collaboration, it was because they were a recognised player in the second-hand market. The resources that were developed from breadth-scaling activities could, in the second phase, be harnessed to impact customer habits and industry practice, as demonstrated by Paths 2 and 3. Based on the case organisation's development and how it aligns with other research, the following proposition is formed:

Proposition 1. Breadth-scaling strategies enhance the confidence of organisations as niche players and serve as a prerequisite for further engaging with depth-scaling strategies.

Making the transition from breadth-scaling to working with a more diverse range of scaling activities is important to scale beyond a niche. While the breadth-scaling strategies helped the organisation grow in size and geographical reach, it did not take them beyond the niche market of secondhand. To impact the mainstream fashion market, other goals and activities were needed. Customer values and habits need to change, and industry policies need to develop in support of circular flows. To develop strategies for this, a shift in perspective (from the organisation to the system) and the reframing of goals and visions were needed.

[Bauwens et al. \(2020\)](#) mean that the type of scaling strategies pursued by an organisation goes back to the organisation's mission at the founding stage. In contrast, [Moore et al. \(2015\)](#) found that organisations can change their goals and strategies after going through a phase where they learn to look at problems from a broader system's perspective. Both statements are true for the case organisation in this study. The case organisation has gone through a change in perspective. However, the founders had a strong personal interest in sustainability and conviction that the world needs a more circular fashion industry already from the start. Nevertheless, this conviction was not translated into clear goals to influence on a system level until later.

An interesting finding is the absence of a specific event that worked as a catalyst for reframing the goals and developing depth-scaling strategies. The interviewed managers cannot recall a specific event or point in time when goals were reframed. Nor does any stand out in the archive material. Even so, there is an evident change where the organisation shifts from predominantly engaging in breadth-scaling strategies during the first years of its operations to depth-scaling in the later phase.

It seems to have been several things working together that made the organisation gradually reframe their goals and strategies. For example, the tenth anniversary is mentioned as an opportunity to reflect and sketch out long-term goals. The introduction of the remanufactured collection is another activity that gave pause for new perspectives in the organisation.

Influences from outside the boundaries of the organisation could also have impacted the shift. For example, it coincides with a general change in how secondhand is portrayed in media ([Valor et al., 2022](#)). Alternatively, a contributing factor that fits well in time is the Rana Plaza incident, which is described as a wake-up call for the industry. Together with the founders' interests in sustainability and their convictions that the fashion industry needs to change, this could all have influenced the change in strategic paths.

Based on the discussion above, the following proposition regarding how organisations reframe their goals and visions to include depth-scaling strategies is formulated:

Proposition 2a. Changing organisations' goals for depth-scaling requires a reframing phase where the organisation and its activities are seen as part of a larger system that they can impact.

Proposition 2b. Reframing can be a gradual process, influenced by both internal and external factors, where depth-scaling becomes more salient over time.

The uncertainty in the effects of activities building on depth-scaling logic caused some tensions in the organisation, particularly between the daily operations and the more innovative elements. When resources are limited, activities connected to depth-scaling strategies can be perceived as taking resources from more tangible value-adding activities (see Ciambotti *et al.*, 2023; Moore *et al.*, 2015). Retail staff, for example, questioned why resources were spent on remanufacturing when these products did not sell as well as the second-hand garments. They were not seen as adding enough value for the space and resources required. The remanufacturing capabilities could have other values such as leading to influential collaborations, which were not reflected on by the retail staff.

Because the logic underlying depth-scaling is more ambiguous and the potential benefit to the organisation is in the future, it is not surprising that these activities are sometimes disputed internally. However, managers who wish to avoid such tensions by only focusing on more tangible breadth-scaling activities risk overlooking important depth-scaling activities that can initiate future opportunities outside the niche. Moore *et al.* (2015) suggest that management instead needs to show commitment and endurance. This is seen in the case organisation in the form of the founder's convictions. The business model also needs to be flexible to adapt to new conditions (e.g. new opportunities, size and competition). The case organisation was, for example, able to reconfigure its resources to start selling second-hand and remanufactured products wholesale in addition to their retail stores. In this way, they separated these activities from the retail organisation. Based on this, the following proposition is formed:

Proposition 3. Mixing depth- and breadth-scaling strategies can create tension in the organisation. Management commitment and flexibility in the business model aid in reducing these tensions.

6. Conclusions and implications

The four strategic paths demonstrate the importance of viewing scaling as a long-term process rather than a static business model characteristic. It also demonstrates that depth- and breadth-scaling can occur at different stages, and when combined, they contribute to the transition from niche to mainstream markets. This is an important contribution to the CE literature and practitioners since it provides empirical evidence for how a CBM can use different strategic paths and logic to scale beyond its niche, thereby contributing to the transition to a CE. Furthermore, the propositions highlight the complexity involved in developing a mix of scaling strategies in terms of resource development, the reframing of goals and internal tensions. This contributes to the limited literature on how CBM scales and provides useful practical insights for CBM entrepreneurs, managers and policymakers concerned with the transition to a CE. Likewise, the paths described in this study may inspire and inform entrepreneurs and managers who wish to expand their CBMs beyond their niches. While it does not provide a roadmap for scaling, it does provide various paths that can be tailored to the unique conditions and context of other organisations. This could also help policymakers and accelerators understand how to best support the growth of CBM start-ups.

The study provides relevant conceptual contributions by combining the more traditional perspective of scaling (e.g. breadth-scaling) with perspectives building on other logics such as impacting higher levels of institutions and people's values and habits (e.g. depth-scaling). When combined, the two perspectives capture a more comprehensive view of the scaling process, and a novel understanding of the diversity of strategic paths an

organisation can engage in to scale and influence the transition to a CE system. While earlier studies show this diversity on an organisational level, this study demonstrates the necessity to look within the organisation and, perhaps more importantly, to study the process over time.

Additionally, the paper presents a unique case of a second-hand retail organisation's scaling process. This is a significant contribution in and of itself, given that few CBMs' developments over a 20-year period have been studied.

6.1 Limitations and future research

The single case study design put limitations on the study, which indicates potential opportunities for future research. The study is limited to a single organisation in the fashion industry. This may result in context-specific limitations, and the results should therefore be interpreted with caution. Hence, while this study provides analytical transferability on an overarching level where it shows that organisations can make use of a combination of breadth- and depth-scaling strategies, it could be complemented by more cases. For example, by applying the same research approach to other CBM market segments. The propositions that have been put forward can also provide a starting point for further studies where other contexts are explored.

Additionally, while this study follows the development of the strategic paths, it does not look deeper into the way they are formed. Future research could therefore study the decision-making processes that lead to the formation of strategies for scaling both deep and broad.

Finally, the qualitative approach does not allow for measuring the effect of the different strategies or paths in financial or other quantifiable measures. This puts limitations on what can be said about the effect that different strategies have. An interesting opportunity for future studies could therefore be how the effect could be quantified, particularly when it comes to depth-scaling strategies since this is currently lacking.

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