Exploring the Current and Future Potential of Fashion Rental and Resale in the UK - A Case Study on ACS Clothing

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Introduction

As throwaway culture has become a contentious issue in fashion consumers are embracing brands that aim to reduce waste and protect the environment (Mintel, 2021a). This has meant that the shift towards the development of closed looped systems has become a priority. There is an urgent need to transform this industry, which for too long has profited from a linear take-make-dispose model. The State of Fashion 2022 report, one of the largest and most authoritative overviews of the industry, highlights the necessity for the industry to start acting upon its sustainability ambitions in order to deliver on COP26. Within this report, analysis supported by global firm McKinsey and Company highlights key themes that fashion businesses must tackle in the coming years. In particular, the report considers the need for circularity in the fashion system to reduce its environmental impact. Essentially what this means is, in a closed-loop fashion system, textile waste is recycled into new textile products to ensure that the materials are able to remain in constant circulation (Business of Fashion, 2022). In addition, a closed-loop fashion system seeks to extend the lifecycle of fashion garments before the materials are recycled via the use of innovative circular business models. These circular business models ensure that fashion brands and retailers are able to increase their revenue without the production of new clothes and essentially, should decouple revenue from production and use of natural resources (Ellen McArthur Foundation, 2021).

Introducing Circular Business Models

As sustainability becomes a dominant consumer priority, these circular business models including rental, resale, repair and remaking represent significant opportunities for growth (Ellen McCarthur Foundation, 2021). The consumers seeking to make use of these models are ultimately becoming increasingly knowledgeable about the impact of their consumption decisions and are seeking transparency, innovation and accountability from the fashion businesses they interact with (Mintel, 2021b). As they look to adapt their lifestyles and consumption practices into ones that support circularity, they expect fashion brands and retailers to follow suit. These fashion consumers are proactive and informed. They have access to sustainable fashion media, such as the newly launched Calendar Magazine. They can tap into ethical fashion podcasts that explore sustainability in fashion such as the Common Threads podcast hosted by sustainable stylist Alice Cruickshank and Ruth MacGilp, the Communication and Content Manager of Fashion Revolution, a global organisation campaigning for systemic change in the fashion industry, widely known for their “Who Made my Clothes” campaign. They can ‘shop their values’ on apps like Reunion, helping them to find sustainable options from multiple fashion websites at once and access fashion in new and personalised ways including pre-owned, re-worked and rental. Digital platforms like Provenance, born out of frustration for how little we know about the things we buy also seeks to help fashion consumers in making positive choices through better information on the social and environmental impact of fashion product. Their blockchain technology helps identify suppliers and processes in an interactive product timeline. Some fashion brands have even began leveraging digital product passports which can be embedded in items to support after-use activities such as resale and recycling (Business of Fashion, 2022). Fashion consumers are also being encouraged to digitise their wardrobes with apps like Save Your Wardrobe, which seeks to make consumers more aware of their after-purchase behaviour.
It is clear that there is substantial consumer appetite for making better more informed fashion choices, for finding new, circular ways to access fashion product and for extending the lifecycle of fashion garments. The Ellen McArthur Foundation, an international charity launched in 2010 with the aim of accelerating the transition to the circular economy, suggest that through business models such as fashion rental, resale, repair and remaking, or a combination of these, there is great potential for fashion brands and retailers to reduce greenhouse gas emissions, pollution, and biodiversity impacts. Their report on redefining growth via circular business models suggests that rental, resale, repair and remaking are already worth more than USD 73 billion, and growing, with several rental and resale platforms including Depop, Rent the Runway, Verstiaire Collective, and ThredUP reaching billion-dollar valuations. They further suggest in the same report that despite the global Covid-19 pandemic, these business models have the potential to grow from 3.5% of the global fashion market to 23% by 2030, becoming a USD 700 billion opportunity (Ellen McCarthur Foundation, 2021).

In the UK, ACS (Advanced Clothing Solutions) are a fashion rental, repair and resale fulfilment centre aiming to accelerate and enhance the adoption of rental and resale business models within the fashion industry. Ultimately, they take care of the entire reverse logistics process enabling fashion brands and retailers to enter the circular economy. ACS work with fashion brands, retailers and fashion rental platforms to extend the lifecycle of fashion garments and reduce overall industry impact. They enhance the capabilities of their partners by facilitating fashion rental, repairing damaged returns and facilitating resale via garment refurbishment. First established in 1997, the company originally specialised in the rental of highland wear to the Scottish market. Drawing on this wealth of experience they have successfully expanded the business in the wake of fashion market opportunities. Today they operate from a 200,000 square feet purpose-built facility with state-of-the-art garment handling technology. They have around 3 million items of stock currently on site with capacity to increase, and they process 400,000 orders per year across menswear, womenswear, and babywear. Their highly skilled team clean 45,000 garments per week and ensure 1400 jackets go through their steam tunnel every hour. In addition, they are now able to eliminate 99.8% of viruses on clothing via their pioneering Ozone cleaning method (ACS, 2022).

This case study explores ACS’s strategic route into the fashion rental and resale revolution reflecting on a complex mix of challenges and opportunities.

**The Business Case of ACS**

The brand story of ACS can be found on the company website (ACS, 2022). They outline that since launching in 1997, their business has expanded while their operations, expertise, and passion for what they do remains the same. After perfecting their innovative and scalable fulfilment solution for the traditional men’s formal hire market, they are proud to enable the shift towards access over ownership. The Business of Fashion, State of Fashion, 2019 report predicted this trend towards the end of ownership in fashion, in the same way Spotify and Netflix disrupted established markets and developed new access models in their respective market segments. In fashion however, the end of ownership and the shift to ‘access’ extends the product lifecycle while still offering consumers the ‘newness’ they have come to expect (Business of Fashion, 2019).

ACS have successfully designed a flexible step-by-step onboarding process that enables brands to benefit from an additional source of revenue (ACS, 2022). While the company have worked hard to simplify routes into the circular economy for established fashion brands and retailers, the journey to establishing themselves as the UK fulfilment partner of choice in new fashion markets that are scaling at pace, has required strategic agility, market sensitivity, and the development of new business, branding, marketing and digital communication strategies. In addition, operations and processes have been innovated allowing ACS to authentically transform their core business model and re-position...
themselves as a company fully committed to sustainability. They are now operating as a Carbon Neutral business and have committed to achieving net zero carbon emissions by 2025 (ACS, 2022). They have created a brand culture where every decision made is influenced by their desire to reduce environmental impact and continue to work with multiple 3rd party sustainability experts who look at every aspect of the business, calculate their current CO2 emissions and identify ways to reduce them. Multiple projects are undertaken every year to reduce energy, water usage, and waste. As a result, the business recently received £950,000 in Scottish Enterprise grant funding to make its innovative business even more sustainable, creating 147 new permanent jobs and accelerating its path to becoming a net zero company (Scottish Enterprise, 2021).

**Becoming the UK’s largest 3PL Provider for Fashion Rental and Resale**

To achieve their success in servicing fashion rental and resale across menswear, womenswear and babywear, ACS have embedded a robust, evidence-based management approach to enhance business planning, decision making and organisational development; a fundamental management skill that leads to de-risked growth, improved operational efficiency and enhanced business productivity. Environmental scanning, which assesses the internal, micro, and macro-operating business environment by collating and utilising information about occasions, patterns, trends, and relationships within an organisation’s internal and external environment remains an ongoing activity. This has supported their ability to assess and monitor the potential for ACS’s circular fashion services. It has also allowed them to enhance their competitive position. Evidence from their e-scanning processes has supported their service and process design, reduced any likelihood of ‘product failure’, and continually informed downstream change management. ACS have spent time evaluating their internal value chain including organisational structure, business systems, workflows, core competencies and service portfolio, previous performance, marketing activities, mission and corporate aspirations allowing them to identify strengths and weaknesses and enhance the company culture. With regards to their business processes, they have mapped key data sources at different stages in the value chain. In partnership with the University of the West of Scotland, ACS also carried out extensive market research assessing market potential for both the fashion rental and resale markets. This involved evaluating consumer behaviour and attitudes towards circular fashion offerings such as subscription-based rental services. From here they have explored current and future challenges linked to consumer adoption with regards to B2C and peer to peer fashion rental and resale. They continue to evaluate the legal and political changes in this space in terms of policy commitment to the environment as it has long been suggested that Government should make fashion retailers take responsibility for the waste they create (House of Commons, Environmental Audit Committee, 2019).

The above market research was essential groundwork due to the nature and newness of fashion rental and resale markets in the UK. This allowed ACS to develop a contextualised market reporting process able to provide ongoing information relating to the fashion rental and resale market and maintain their first mover advantage (relative to the UK). ACS were then able to develop and implement a new business and marketing strategy that identified and prioritised target groups. This market-led strategic approach to business development made sure they were able to improve customer engagement, better target lucrative opportunities and accelerate business growth. The strategy sought to enhance customer engagement, develop awareness, and inform potential partners in what was then relatively ‘unknown’ territory. The innovative services that ACS are offering were new to the UK fashion marketplace at that time. Their marketing communication planning was then underpinned by rigorous branding, communication, and digital audits. They conducted brand assessments in relation to their brand mission, vision, values, value proposition, tone of voice, and brand culture. They carried out research in terms of the communications support required by their B2B clients and carried out early test targeting. This involved gathering early customer feedback. They reviewed their entire online
presence identifying opportunities to apply the latest digital transformational technologies in the future to enhance user experience and satisfy partner expectations.

The ACS corporate website was fully redesigned to ensure their online presence aligns with their redefined business and marketing objectives. A digital audit led to the development of a detailed website spec, new site maps and website wireframes, the development of new website copy and full consideration of user experience. ACS also developed video content allowing you to visualise the ACS fashion rental and repair processes in action. These changes improved customer experience and the user journey and allowed ACS to improve their use of user analytics, increased traffic to the site, improved their SERPS ranking, reduced bounce rates, and increased conversions. Client information packs have also been created to aid the acquisition of new clients and support marketing communications. Press releases have been published highlighting new client success stories. Communications have included thought leadership pieces on the rental and resale markets, positioning ACS as an enabler, as well as good news stories such as their recent £2.5M equity investment. This has raised brand awareness amongst the target audience. The company’s success has resulted in not only business growth but new positions emerging within the business. Recently, senior positions in business development, operations and marketing management have been filled.

In terms of their facility, they have fitted the entire facility in Smart LED lights and developed a biodiversity bubble around the facility complete with bee- hives, wildflowers, a wormery and vegetable patch – engaging the local community in the process. They have redesigned their hangers to reduce breakages and introduced EV car charging points. They now recycle their wastewater back into the cleaning process while by-product from their cleaning machines is used to make building bricks. They also continue to upskill their textile care team to meet demands; late last year the team upskilled in cashmere care. They have developed an in house SQA centre offering SVQ qualifications in logistics, textile care, and warehousing and continue to host sustainable fashion conferences.

The Potential of Fashion Rental Business Models

In April 2021, Hélène Smits and Gwen Cunningham, who led the Switching Gear project at Circle Economy, released an article written for Fashion United on building the business case for fashion rental models. It was part of a series of articles published on the topic of rental and resale business models supported by PWC. They examined the financial feasibility of fashion rental models, claiming one of the main barriers to the adoption of a rental model is the lack of clear evidence on the financial viability (Smits and Cunningham, 2021). According to their report and in alignment with the 2019 analysis by Accenture and Fashion for Good titled ‘The Future of Circular Fashion,’ the product as a service model has great financial potential. It is suggested here that both one- off rentals and rental subscription models can be profitable. For one off rentals, they suggested that as logistics are often recognised as a key challenge, centralising distribution for brands enables operational efficiency and cost reductions. For subscription models they suggest it is key to build a model that is attractive and convenient enough to acquire and keep followers, without eroding margins (Smits and Cunningham, 2021). There are two other big considerations highlighted within their article that apply to both one-off rentals and rental subscriptions. Firstly, for brands looking to test rental models they must focus on reducing the processing time per garment including sorting cleaning and stock management which in turn, will reduce variable costs (Smits and Cunningham, 2021). This recognises that generally, fashion brands have traditional ecommerce platforms and supply chains, designed to facilitate the purchase of goods as opposed to the complexities of rental. Secondly, they suggest that the number of times that you can rent out an item has a direct influence on the profitability of your model. As such profitability is suggested to become dependent on the versatility and quality of the items; garments designed to be durable will therefore drive the greatest financial potential (Smits and Cunningham, 2021). Partnering
with ACS in this sense allows fashion brands to trial rental via centralising the distribution of their rental offering and letting them take care of the logistics. It also massively reduces their processing time per garment. In addition, their Ozone cleaning technology in the form of an eco-friendly ozone sanitisation chamber sanitisises up to 30,000 garments at any one time to a medical-grade standard, a method also suggested to enhance product longevity. The average item of clothing can be rented 8 times in ‘like-new’ condition, however many of the items processed at ACS far exceed the average 8x rental lifespan (ACS, 2022). The ACS service includes warehousing, order management, RFID integration, advanced eco-friendly cleaning and sanitisation, textile care and repair, picking, packing and dispatch (ACS, 2022). As such you can scale a rental operation successfully when partnering with ACS without the investments needed to operate and build a purpose-built facility like theirs. Adoption of this flexible framework is suggested to result in increased ROI, secure management of inventory, extended brand reach and improved brand sustainability credentials with the reassurance of local and ethical processes at ACS (ACS, 2022).

Developing Strategic B2B Partnerships

Central to ACS’s success has been the development of strategic B2B partnerships with fashion rental brands such as Hirestreet, My Wardrobe HQ, Endless Wardrobe, Bundlee and Rotaro and with established fashion retailers including Asos, Whistles and Next. More recently they have partnered with whitelabel tech platforms to scale the potential of subscription rental in the UK market. The success of these fashion rental, repair and resale endeavours is frequently touted in the press including in Elle, Cosmopolitan, Marie Claire, Vogue, Harpers Bizarre, Glamour, Highsnobiety, The Independent, The Guardian and The Financial times. Awareness of circular fashion business models has been driven by high profile media coverage as well as various documentaries highlighting the environmental impact of fast fashion (Mintel, 2020a). Popularity has also been increased via celebrity culture with TV presenter Laura Whitmore presenting the 2021 Love Island Final in a Rotate Birger Christensen floral dress from ACS partner, Rotaro. In recent times major UK department stores have also entered the fashion rental and resale revolution. Iconic department store Harrods recently partnered with rental platform My Wardrobe HQ to offer its customers the opportunity to rent fashion both online from MWHQ’s website as well as from a dedicated pop-up at Harrods’ Knightsbridge store (Hughes, 2021). This follows a successful pop up in Kensington’s Harvey Nichols and a stint at Liberty London in February 2020 (Dirvanauskas, 2020). The My Wardrobe HQ website soft launched in mid-November 2019. At the British Fashion Awards the following month, hosted by the British Fashion Council, My Wardrobe HQ dressed 100 fashion influencers with a combined global following of 12 million (Dirvanauskas, 2020). MWHQ, one of the first brands to offer a rental and resale model combined, lists 500+ designers including luxury brands Chanel and Alexander McQueen and cult brands Off-white and Ganni.

Partnering with Fashion-Tech Platforms

In 2021, ACS partnered with US Fashion-Tech Platform Caastle to introduce monthly clothing subscriptions to the UK market via established brands and retailers. Covid 19 lockdowns and the temporary demise of occasion wear, prompted rental platforms to start exploring different revenue streams (Dirvanauskas, 2021). As a result, several platforms have launched white-label services, offering the use of their technology to the wider market, so brands and retailers that do not have their own rental infrastructure can offer it as an option (Dirvanauskas, 2021). Caastle leverages ACS’s reverse logistics and distribution centre to offer UK retailers a turnkey subscription rental solution complete with white-label front-end technology, IT integration, and end-to-end order management and fulfilment (inclusive of cleaning, sanitisation, and repairs). Partnering with Caastle allows retailers to integrate a Clothing as a Service (CaaS), rental fashion subscription offering alongside their existing traditional ecommerce model quickly (ACS, 2022). Moss Bros, a long-standing partner of ACS, was the
first UK retailer to launch their fashion subscription service, Moss Box, on CaaStle’s rental technology platform (ACS, 2021).

ACS’s partnership with Caastle also launched LK Bennett’s subscription service, LK Borrowed, the first unlimited subscription clothing rental service exclusively for women (ACS, 2022). For a £79 per month fee, members receive 2 items in their first box and can make unlimited exchanges with free shipping both ways and complimentary eco-friendly laundering (ACS, 2022). This offers a powerful value proposition for both the consumer and retailer as it enables consumers to experience the brand in a compelling new way and attracts digitally native customers (ACS, 2022). In a press release on 16th November 2021, Marks and Spencer also announced the launch of its first clothing rental trial with ACS partner, Hirestreet. The press release reads ‘from today, customers can rent M&S clothing on the UK’s leading rental website, Hirestreet – including its new season M&S X GHOST dresses. Hirestreet is operated by the Zoa Group, which M&S has invested in through its Founders Factory Joint Venture accelerator programme. This announcement supports M&S’s commitment to drive the circular economy as part of its Plan A target to become a Scope 3 net zero business by 2040’ (Marks and Spencer, 2021).

ACS Product Renewal Service

ACS also partner with fashion retailers to repair damaged ‘non-usable’ returns recognising that only 50% of clothing returns go on to be resold (ACS, 2022). Due to lost revenues from overstock, stockouts, and returns, profit margins of the world’s leading clothing retailers decreased by an average of 40% from 2016 to 2019, further exacerbated in 2020 by the impacts the pandemic (Ellen McCarthur Foundation, 2022). In 2019, a report by Mintel suggested that almost two fifths (39%) of clothes shoppers had returned clothing within the previous year with returns spiking amongst young people and rising to 68% of young female 16-24s. This problem has continued to grow as online only retailers have grown in popularity to become one of the main places for women to purchase clothes for themselves (Mintel 2021a). These retailers benefited from the Covid19 shift to online (Mintel, 2021a). Asos for example, also must contend with the consumer trend of taking selfies with clothes and uploading them on social media before returning them. Mintel reports that 34% of women aged under 25 have worn an item of clothing and returned it afterwards (Mintel, 2019a). Asos, a partner of ACS, stands out as the most popular pureplay for buying clothes among young women (Mintel, 2020b). Mintel’s brand research shows that Asos is the most trusted online only fashion brand with consumers rating it the brand they would most recommend. This is partly due to their ability to rapidly pivot their product offering in response to lifestyle changes (Mintel, 2020b). Like Asos, a growing number of fashion retailers reported that they are struggling with excessive rates of product returns with almost a third (29%) of UK clothing consumers having bought multiple items of clothing with the intention of returning at least some of them (Mintel, 2019b). It is recognised that a significant proportion of returns are necessary and inevitable, particularly for those shopping online as sizing and fit issues are notable, alongside the inability to see garments ahead of purchase. The variation in sizes across brands is a huge consumer frustration contributing to this problem (Mintel, 2019b). Retailers like Asos have responded to the issue by introducing new terms and conditions for returns and by innovating to find ways to offset challenges such as investing in an AI powered sizing tool (Mintel, 2021b). The challenge, however, is that imposing stricter returns could erode the perception of a retailer and result in serial returners opting to shop elsewhere (Mintel, 2019a). Retailers including Next have also seen sales negatively impacted due to stock availability issues caused by the length of time taken for returns to reach its central warehouse. The retailer has therefore implemented new initiatives to make the returns process more efficient for the group and to ensure stock is available for sale again as rapidly as possible (Mintel, 2019a).

The Future For ACS
The renewal service at ACS additionally allows brands and retailers to enter the resale market. A market that is growing rapidly despite spending on new clothing having declined over the last year (Mintel, 2021b). Etsy’s acquisition of resale platform Depop for $1.6 billion on 2nd June 2021 is the perfect example of the growing interest in ‘pre-loved fashion’ (Mintel, 2021b). Fashion resale market success stories such as ThredUp in America, Verstiaire Collective in France, Lithuanias Vinted and UK based Thrift demonstrate the considerable opportunity that fashion resale represents. ACS services the fashion resale market in the UK by facilitating ‘take back’ initiatives for brands and retailers, an area of the business that will scale over the next few years. With two thirds (67%) of UK clothing consumers interested in receiving rewards for recycling their unwanted clothing, it is unsurprising that a wave of retailers are using this concept to bolster their sustainability credentials (Mintel 2019c). The 2021 Resale Report by ThredUp suggests the second hand market is projected to double in the next 5 years reaching $77 Billion. In 2021 ACS also signed a new long-term contract with Moss Bros to carry out the entire cleaning and fulfilment operations for Moss Bros Hire- the largest menswear rental contract in the UK (ACS, 2020). While the rental market has been dominated by womenswear and childrenswear to date menswear options are slowly filtering through. For ACS, this should not prove difficult – their menswear hire business pre-existed the fashion rental revolution and as such they are perfectly positioned to take on the new challenges ahead.


