



POLICY BRIEF

Mistra Sustainable Consumption is a research programme that aims to stimulate a transition to sustainable consumption by generating in-depth knowledge on how niche sustainable consumption practices can become mainstream in the areas of food, vacation and furnishing. The programme examines sustainable consumption practices and develops roadmaps for how they can be scaled up from niche to mainstream by policy makers, business, civil society organizations and citizen-consumers.

This brief is part of a series that summarizes results from our research in an accessible way. The research is part of Mistra Sustainable Consumption that is funded by Mistra – The Swedish foundation for strategic environmental research. However it is the authors of the brief who are responsible for the content and conclusions.

Read more about Mistra Sustainable Consumption at our webpage:
<https://www.sustainableconsumption.se/>

Business models for sustainable consumption – Inspirational examples from the furniture and home textiles sectors



Summary

This business brief sheds light on how producers and service providers design, offer and deliver products and services for sustainable consumption practices through diverse innovative business models. The focus of this brief is on the home furnishings industry.

The goal of this business brief is to inspire companies to engage in the design, implementation, and scaling up of business models for sustainable consumption in the furnishings sector and beyond.

To achieve this, we discuss the major challenges new business models for sustainable consumption face, and present inspirational examples from companies and organizations that have found ways to overcome these challenges.

We conclude this business brief with signs of hope that stem from trends we have observed in our work with business models for sustainable consumption that point in the direction of accelerated innovation and success of such business models.

Business models for sustainable consumption

1. Circular business models
2. Access-over-ownership business models
3. Sharing business models

Key messages

- It is still challenging to successfully implement business models for sustainable consumption, but early adopters are starting to find ways to overcome the major challenges.
- An array of mutually reinforcing trends are starting to change consumer perception and behavior in ways that make business models for sustainable consumption both more acceptable and more interesting.
- Both established companies and start-ups are competing to identify the "right" business models for the dawning era of sustainable consumption.

Business models for sustainable consumption are business models that create significant positive (or significantly reduced negative) impacts for the environment and society, through changes in the way the organization creates, delivers and captures value (see Mistra business brief #1). While resource efficiency and circularity in production have been of interest to practitioners for many decades, fundamental changes to doing business (i.e. business model innovation) remain scarce.

Challenges for business models for sustainable consumption

Organizational challenges

The biggest challenges to the implementation of new business models often come from within the organization. Internal resistance to change, lack of understanding, short-term focus, and organizational structures can all hinder the implementation of new business models.

Technical challenges

Nowadays, many consumer products are not built for longevity and reuse. A re-focusing on these characteristics can require new expertise and new processes and materials. In the furniture industry, for example, refurbishing is often limited to office furniture, which is built with higher requirements for durability. The bulk of furniture produced for private consumers does not easily lend itself to reuse and refurbishing.

Financial challenges

Start-up businesses in particular face financial challenges regarding high capital requirements for building the physical infrastructure and organizational capabilities needed to successfully implement a new sustainable business model. Leasing/rental business models, for example, require high investments up-front but, because payments are spread over time, only generate a small amount income at first. Likewise, innovative refurbishment and repair services are less automated and standardized in the beginning and require high investment in making these processes more efficient before profits can be generated.

Value chain challenges

Developing a business model that departs from today's common linear supply-chains

may require complex networks of actors. Identifying partners, developing capabilities, and allocating responsibilities among actors are significant challenges for any one actor.

Consumer challenges

Consumer preferences for newness pose a challenge to sustainable business models. In general, the frequency of renewal for most product categories has increased over recent decades. Even in "conservative" consumption categories such as home furnishings, fashion- and replacement cycles are shortening, which leads to an increased feeling of redundancy for used – though fully functional – items. Furthermore, a general preference among consumers for ownership of goods can be observed, which hinders a number of innovative business models that build on shared (re)use.

Regulatory challenges

Often beyond the control of individual organizations are regulatory challenges, such as policies favoring traditional linear business models. In the furniture industry, for example, the lack of Extended Producer Responsibility policies for bulky waste is a barrier to the success of sustainable business models, as it favors traditional linear consumption-to-disposal processes rather than rewarding producers that aim to take responsibility for the entire lifecycle of their products.

Inspirational examples from producers of furnishings

With this business brief, we provide examples of business models that have had early successes in overcoming some of the challenges that business models for sustainable consumption face. Based on the underlying research that this brief builds upon, these examples come from the home furnishings industry. The examples come from different fields of business model innovation: circular business models, access-over-ownership business models, and sharing business models.

Circular business models

Circular business models seek to close material loops through reuse, repair, refurbishing, remanufacturing, and recycling. Several companies have taken to implement such business models in their operations. Challenges these companies have overcome

are primarily of technical and value-chain nature. Producers such as the Dutch furniture company Vitsoe and the Swedish producer Albin i Hyssna design and build their furniture with longevity in mind, using reusable materials and manufacture to repair. The Italian children's furniture producer Arcadia Design, the Dutch furniture producer Vitsoe, and the Dutch professional furniture producer Gispén develop modular furniture to facilitate multiple uses over the growing-up period of a child or the changing needs in a home or workplace. In Sweden, Sajkla, a start-up that emerged from a publicly-funded environmental project, sells refurbished office furniture.

It is not only furnishings producers that have started to apply circular business model logic to their business models; even service businesses are applying the concept. In the Swedish city of Eskilstuna, the 'Retuna Recycling Gallery' is a shopping mall exclusively for reused, refurbished, and recycled products, including home furnishings. Also in Sweden, the company Rekomo sells used office furniture, and the architecture company White Architects works with used furniture in interior design.

Access-over-ownership business models

Access-over-ownership business models are built around the idea of use rather than ownership, and include pay-per-use, rental and leasing models. Challenges companies in the furniture industry and elsewhere are facing here are related to consumer behavior, as well as sometimes financial challenges. However, while slow to change, consumer behavior is changing, partly building on the accelerating trend to servitize consumption.

Furniture as a service – i.e. paying a fee for a time-limited use of furniture which remains in the ownership of the service-provider – is a comparatively undeveloped business model, not least due to the bulkiness and nature of the products. Nevertheless, several companies have started to implement furniture-as-a-service models. These attempts have become somewhat more established in the business-to-business (B2B) market, while being still rather new in the business-to-consumer (B2C) market. IKEA, as the global B2C market leader, started to roll out a number of trials across several markets in 2019. Several start-ups have also tried to successfully implement this business models.

The Swedish company Beleco specializes in connecting temporary needs (e.g. events, but also temporary home/office/workspace needs) with asset providers (furniture producers and retailers). In addition, Beleco offers services such as interior design, advisers, and home stagers. Hemmlis, a small start-up from Lund (SE), focuses on the temporary need for student-room furniture and offers monthly subscription services for a complete student-room interior in various designs.

Even beyond furniture, start-up companies are exploring ways to implement the concept of 'Home as a Service' – i.e. the idea of turning the home into a service/subscription business model. The Stockholm-based company L2Go, for example, aims to bring the hotel feeling to the home by offering the service of renting out hotel-quality bed linen and bathroom textiles and replace them regularly. If successful in changing consumer behavior to accept such a service, many more components of the home might offer opportunities for subscription services and ultimately be bundled into comprehensive 'Home as a Service' bundles.

Sharing business models

Sharing, here defined as peer-to-peer exchange, has received much attention as a business model as a result of sharply increasing numbers of companies/organizations testing the concept. Consumer behavior, supply chain management, and in some instances regulatory issues are major challenge, though, that have to be overcome.

The boom in sharing business models is usually facilitated by online platforms that reduce transaction costs and thus allow for the hitherto difficult connection-making between a person/organization who has an item to give away, and another that needs the very same item. In the consumer market, early successes are platforms such as Freecycle (US), Freemi (DK, NE), or Freecycle (UK). They all have in common that they offer a free platform to connect actors that want to exchange used items such as furnishings. A similar platform for the B2B sector exists in Sweden in the company Off2Off. Their business model is to provide an internal platform/marketplace for organizations in the public sector in Sweden so that used assets can be recycled among units within the public sector.

Signs of hope: enabling business models for sustainable consumption

From our research into business models for sustainable consumption, we can identify several trends that can support their success. For one, B2B markets are further developed and show the direction for B2C markets. In the B2B market public procurers are increasingly willing to consider used or shared options, and we believe that this development will become equally true for private consumers. We can also observe the development of new companies (e.g. Sajkla) as well as newly forged cooperation (Ikea and Retuna teaming up to create an IKEA second-hand store) between different companies that help to overcome supply chain and manufacturing challenges.

The emergence of new companies and cooperations is supported by increasing awareness among policy-makers, as well as by other consumer markets (e.g. for fashion) that have pioneered new models such as second-hand markets and sharing. Lastly, an array of mutually reinforcing trends (i.e. changed perception of ownership, increased desirability for used products, increased attention by decision-makers on the need for sustainable consumption, innovation in ICT that dramatically reduce transaction costs for new market models, etc.) are starting to change consumer perception and behavior in ways that make business models for sustainable consumption both more acceptable and appealing in future markets.

Further reading

Mont, O., Lehner, M., Schoonover, H. (2021). Business models for sustainable consumption: Inspirational examples from the furniture and home textiles sectors. Mistra Sustainable Consumption, Report 1:9. KTH Royal Institute of Technology

Vitsoe: <https://www.vitsoe.com/eu/about>

Albin i Hyssna: <https://www.albinhyssna.se/en/about-us/environment-and-quality/>

Arcadia Design: <https://www.arcadiya.net/english/philosophy/>

Gispen: <https://www.gispen.com/en/circular-economy>

Sajkla: <https://sajkla.se>

Retuna: <https://www.retuna.se/english/>

Rekomo: <https://www.rekomo.se>

White Architects: <https://whitearkitekter.com/se/>

IKEA: <https://www.ikea.com/us/en/this-is-ikea/newsroom/ikea-will-test-furniture-leasing-in-30-markets-during-2020-pub1ae9e5e1>

Beleco: <https://www.beleco.com>

Hemmlis: <http://hemmlis.se>

Freecycle: <https://www.freecycle.org>

Freemi: <https://freemi.app/en/>

Freegle: <https://www.ilovefreegle.org>

Off2Off: <https://www.off2off.se/en/>

WeWork: <https://www.wework.com/>

K9 CoLiving: <https://www.k9coliving.com>

Sege Park: <https://malmo.se/Service/Var-stad-och-var-omgivning/Stadsplanering-och-strategier/Stadsutvecklingsomraden/Sege-Park.html>

Brunnshög: <https://www.lund.se/en/brunnshog/>

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Policy Brief 1.2 Mistra Sustainable Consumption

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