Findings and Evaluation Report #02.

Digital and social trends in customer-facing services

April 2024

THE DIGITAL ERA OF SOCIAL ENTERPRISES

rreuse

Co-funded by the European Union

Acknowledgements

This report is a deliverable under the project "The digital era of social enterprises: trends and opportunities within the circular economy (DigiSocCirc)", co-funded by the European Social Fund Plus (ESF+) Programme of the European Union. The 12-month project aims to help social enterprises active in the circular economy to embrace digitalisation in order to support and scale up the invaluable social and environmental impact they make. It addresses the main trends, threats, and opportunities for digitalisation within the reuse and repair field.

The project consortium, led by RREUSE, is composed of individual social enterprises as well as regional and national networks of social enterprises active in reuse, repair, and recycling from across the European Union, namely:

Partners:

- Re-Use Austria
- Ateliere Fără Frontiere (AFF, Romania)
- Humana Nova (Croatia)
- Branchevereniging Kringloopbedrijven Nederland (BKN, The Netherlands)
- Re-Use Deutschland (Germany)
- Kierrätyskeskus (Finland)

Associate partners:

- Asociación Española de Recuperadores de Economía Social y Solidaria (AERESS, Spain)
- ENVIE (France)
- Emmaüs Europe

The preparation of this report has required the dedication, time and expertise of all partners of the DigiSocCirc project.

Contents

1. Executive Summary

To adapt to recent digital trends and evolving customer behaviours, social enterprises active in the reuse sector have embarked on the process to digitalise their customer-facing services, such as e-commerce and online maps of their stores, to varying degrees. Such digitalisation offers a myriad of benefits, including the provision of a high-quality online experience to their consumer base and the scaling up of operations and reach of social enterprises in local, regional and national markets. These digital solutions also complement the default physical stores and services that social enterprises have relied on since the beginning of their existence, for instance, by directing customers to their physical shops or donation points which they may otherwise not be aware of, and vice versa.

The digitalisation of customer-facing services comes with a number of fundamental challenges, such as the lack of digital skills in the workforce and insufficient internal capacity or resources to operate these digital platforms as desired. Nevertheless, many social enterprises from the RREUSE network have developed and implemented digital platforms, including those designed by themselves, which can be potentially replicated across Europe. It is vital that these organisations work together within a network of social enterprises as well as form partnerships with mainstream businesses to increase their chances of a successful digital transformation.

2. Introduction

The insights of this DigiSocCirc project report are based on an initial literature review, in-depth case studies on skills and social impact of customer-facing services, and the input of project partners, i.e. 9 organisations from the RREUSE network, in an online workshop that took place on the 7th of March 2024. In this workshop, project partners discussed the social and digital trends concerning the digitalisation of their customer-facing services as well as the challenges and opportunities they face.

The digitalisation of customer-facing services refers to using digital technology and online platforms for activities involving interactions with customers. This report focuses on this digitalisation within social enterprises active in reuse and repair, in particular, the e-commerce platforms for selling second-hand items and, secondly, online maps and locator apps. These are the main digital tools currently used to deliver and enhance services to customers in the sector.

This report aims to identify the different social and digital trends perceived in the digitalisation of customer-facing services of social enterprises active in the reuse sector, as well as the challenges and opportunities associated with these emerging trends. It also highlights the lessons learnt by social enterprises that have successfully digitalised their customer-facing activities, sharing their experiences and insights with organisations that are transitioning to a digital setting or intend to further develop this aspect of their business.

3. Current trends in customer-facing services

a. Second-hand e-commerce

Globally, e-commerce, the buying and selling of goods and services over the internet, has grown dramatically. Within the European Union, 69% of the population aged between 16 and 74 reported buying or ordering goods and services online in 2022[1], compared to 55% in 2012[2]. While these trends reflect primarily the sale of new products, this shift in consumer behaviour towards buying goods and services online has also profoundly impacted the sales of second-hand goods.

[1] Eurostat (2023) E-commerce statistics for individuals. (Available here).
[2] European University Institute (2024) Implications of the Digital Transformation on Different Social Groups. (Available here).

Traditionally, social enterprises active in the reuse sector have been operating physical shops where they sell second-hand products to customers. However, they are increasingly looking into online sales to adapt to changing customer behaviours and unleash greater market opportunities. The COVID-19 pandemic has also intensified the importance of online retail, where lockdown measures resulted in the closure of physical stores, affected retail sales and put many social enterprises in precarious situations. Nevertheless, while online sales bring about a big market opportunity, they also come with challenges as these organisations deal with unique objects at an often lower market price.

i. Digital and social trends in second-hand e-commerce

From the perspective of social enterprises, having an e-commerce platform presents multiple benefits. Most of the social enterprises in the DigCircSoc project found that they can reach new customer demographics and geographically wider audiences by selling their second-hand and/or upcycled goods on e-commerce platforms. For example, they find that through e-commerce, they can better appeal to the younger and/or climate-conscious demographic who are often digital natives and prefer to own second-hand or vintage items. It also enables them to increase business sales beyond their physical shops on a local or regional scale to a national or even transnational scale.

Apart from expanding the customer base, e-commerce can also complement their in-person sales, where online customers discover and visit the physical shops of these organisations or where physical shops serve as a pick-up point for online customers, thus increasing footfall in these shops. Some customers also come across the work of these social enterprises through their online shop, which raises their profile and further highlights their importance in the social circular economy to the public.

While e-commerce can increase sales and diversify income sources for these organisations, its sales impact differs according to the type of the product. Some second-hand products such as books and electronic and electrical equipment are reportedly easier to sell online compared to other items such as clothes or upcycled goods. A possible reason is that customers can obtain online product information for books and electrical equipment more easily and thus make purchasing decisions more confidently. Furthermore, social enterprises are unlike large clothing brands which often offer a free return service, resulting in customers buying clothes with the knowledge that they can send them back for a refund. Such return services are infeasible for social enterprise operations- and cost-wise, and are thus usually not offered.

Besides placing their second-hand products on an e-commerce platform, social enterprises have also invested efforts in making their e-commerce platforms user-friendly and visually attractive. Like their commercial counterparts, they collaborate with delivery companies to offer customers the convenience of having their orders shipped to a pick-up point or to their address. They have also implemented other digital tools to help market and improve their sales. These tools include search engine optimisation[3] and search engine advertising[4], which help to improve the chances of the social enterprises' online shops appearing in top search results, thereby directing more traffic towards them.

However, unlike commercial businesses, these social enterprises sell almost exclusively unique, second-hand and/or upcycled products and therefore, found that it is important for them to provide product descriptions on their online listings as their customers often enquire about the items and their origins. The process of listing and describing unique products is often laborious and thus, some enterprises have implemented the use of AI to carry this out. Interestingly, they found that these AI tools work particularly well with books as they have ISBN codes that allow their easy identification, while they work less well for upcycled goods, which are very unique and often from combined materials.

These social enterprises have also found that it is also important to have close collaboration between the physical shop team, logistical team and e-commerce team, to ensure that the items sold online are dispatched from sorting centres or physical shops to customers. At the same time, items sold in the physical shops have to be removed from the online

---

[3] The improvement of one's website to align better with the algorithm of search engines.
[4] A form of online advertising where businesses pay to have their ads displayed high up in the search results.

shop, and vice versa, which is very difficult and the reason why most social enterprises have separate stock for online and physical sales. They are also working towards providing the teams involved with a good knowledge of both shops, so that they address customers' queries about the other shop and inform them about the possibility and advantages of shopping there, to reinforce both online and physical sales.

E-commerce platforms require greater financial resources to run as they have higher operating costs such as shipping expenses, supply and logistic costs and marketing costs. As such, social enterprises can only list items that are above a threshold price on their e-commerce platforms, leaving the cheaper ones for their physical shops. They also have to offer a wide variety of product types and a large enough selection for each category to continually draw in customers and compete better with commercial businesses. Thus, these organisations stress the importance of receiving sufficient amounts of quality donations for the long-term sustainability and profitability of their e-commerce. As social enterprises are typically the only actors in the market that prioritise local reuse and respect the waste hierarchy, all donations should be channelled towards them and not purely commercial second-hand retailers, as per RREUSE's guiding principle[5].

Despite its benefits, e-commerce sales still represent a relatively small proportion of the total retail sales of these social enterprises. Most of them still rely heavily on in-person or business-to-business sales and they continue to face challenges in expanding their e-commerce sales (see next section). However, the proportion represented by e-commerce is growing and is expected to grow even further in future.

Box 1: Kierrätyskeskus develops their online store with an automated storage system

Kierrätyskeskus, the Helsinki metropolitan area reuse centre, has operated their e-commerce business successfully for the past 8 years. It features a product catalogue of 40,000 items and a daily addition of 1,000 new products, with around 5,000 daily users visiting their online store.
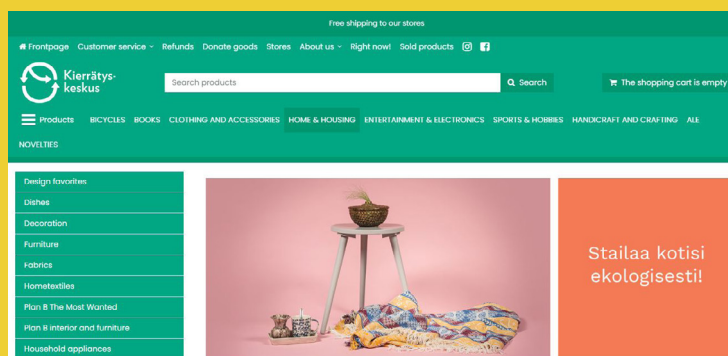
A screenshot of the online shop

Tornado automated storage system
(Photo credits: Kierrätyskeskus)

The online store operates within a sorting centre, and all its functions, such as order processing, product staging, photography and storage, take place within an approximately 1000 m2 warehouse. They have also implemented the Tornado automated storage system[6], and intend to completely transfer and store their books, which makes up half of their inventory, using this system. This computer-controlled system allows them to store their items in a selected location within the system efficiently with minimal loss of space and to automatically select the stored items that were purchased and need to be removed. This speeds up the logistical processes of storing new items and dispatching sold items for their online store.

[5] See principle 4 of RREUSE Guiding Principles on textiles collection and management. (Available here).
[6] Tornado Lift System. (More information here).

ii. Challenges and opportunities in second-hand e-commerce

Challenges

Social enterprises, who are accustomed to years of selling products through traditional brick-and-mortar shops and business-to-business sales, can experience great difficulty in shifting towards e-commerce. Their workforce is often not digitally skilled, and social enterprises face financial and human resources constraints due to the large turnover of employees. This can result in a lack of investment towards providing sufficient training to develop basic digital skills, as well as developing their e-commerce platform.

It also remains a slow process for social enterprises to list their products online as each of them is unique. Conversely, displaying the items in their physical shops is easier and more familiar. The fact that second-hand items are sold at a low price also makes the balance of financial return against time and effort investment heavier on the investment side, which further adds to the inertia of adapting to e-commerce.

Moreover, a limiting factor for the expansion of e-commerce sales is the amount of quality items donated to social enterprises. When donations are limited compared to the demand for reuse items in a specific geographic area, there is little value in having an online shop as these organisations can likely sell all these items in their physical shops. This makes it difficult for social enterprises to compete against bigger players in the commercial sector, which usually offer a much larger variety across different product categories, as well as host multiple vendors selling their goods and services.

Some enterprises, such as Ateliere Fără Frontiere (AFF) in Romania, sell customisable upcycled products online and often engage in several rounds of communications with their clients in developing the products. In such cases, it is difficult to sell products online as a ready-made item, as clients may prefer these products customised according to their specifications rather than buying pre-made items.

Thus, an ambition to overcome these challenges and a mindset shift is required for social enterprise e-commerce sales to thrive. In particular, e-commerce should be recognised as a necessity to strengthen one's brand image, grow business sales and adapt to changing customer behaviours, rather than an investment with scarce returns.

Opportunities

The most efficient way for social enterprises to unlock the opportunities of having a presence on the online second-hand market and reuse more products is to recognise that they need to join forces, which is also an opportunity in itself. Being part of a larger network where they can learn from each other as well as build capacity and expertise in their e-commerce businesses is a key success factor. For instance, a regional or national network of social enterprises can help develop a common online platform for their members to sell their products, along with guidance and training on how to operate their shops within this platform. This not only reduces the costs for each enterprise but also allows members to observe how shops from other members are run, identify common challenges and exchange best practices. This system is implemented by several national networks of social enterprises within the RREUSE network, for example, Branchevereniging Kringloop Nederland (BKN)'s online shop, OnlineKringlopen (see Box 2).

Another major opportunity is for social enterprises to collaborate with popular online marketplaces to increase their sales. For example, BKN member organisations sell their second-hand books on bol.com, an online marketplace for both new and used products for customers in the Netherlands and Belgium. Faircado, an extension to search browsers that shows second-hand alternatives to products in online searches, is another potential partner. Such collaborations increase the chances of the online shops or second-hand products of enterprises appearing in online searches, thereby channelling more customers towards them.

Box 2: Branchevereniging Kringloop Nederland launches a national online reuse shop

Branchevereniging Kringloop Nederland (BKN) is a network representing approximately 65 organisations with 250 thrift stores in the Netherlands. In 2022, they set up their online shop, OnlineKringlopen.nl, and offered digital training and technical support to their members. This initiative is designed to be accessible for disadvantaged individuals distanced from the labour market, who may not be digitally skilled, for example, by providing a ready-to-use webshop and direct access to the web application for listing products.

All BKN members have an account created for them on the basis that they would only pay a fee if they have sold their products. Upon activation, their thrift store(s) have their online shop within the platform and can upload and sell without limits.

On Onlinekringlopen.nl customers can access a wider range of products from various second-hand shops across the country. By using product categories and other filters, customers can easily find their desired products from multiple BKN members simultaneously and enjoy the convenience of the collection and delivery services offered.
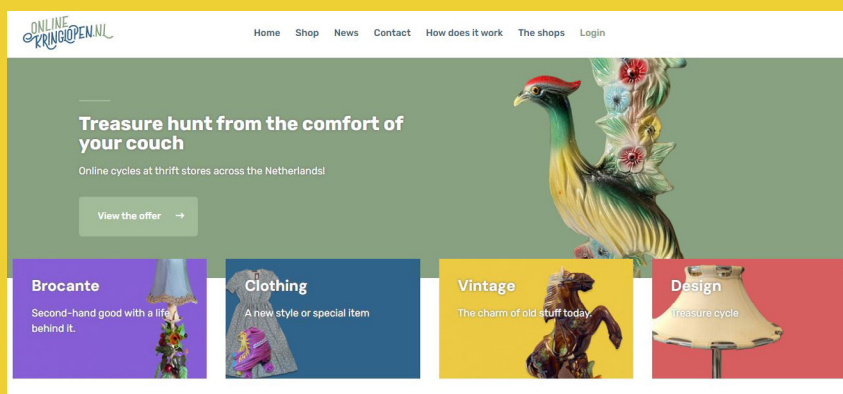
A screenshot of the online shop

Social enterprises can also make use of their social media platforms as a marketing tool for their e-commerce. For example, they could leverage the use of storytelling through their social media account, where they describe selected products with background stories of people working with these products. This would imbue a personal and human touch to the products they sell and add a socially responsible dimension to their online retail experience, drawing in customers in a way that is not always achieved by commercial actors. Social media advertising, a form of digital advertising that delivers paid ads to a target audience on social media platforms, could also be a potential avenue to further draw users to their e-commerce platforms.

As for streamlining operations and maintenance of the online shop, the use of technology, such as AI, can potentially speed up product listing processes as well as improve sales by identifying sales trends. Suitable AI tools can be trained with information from a catalogue of previously sold items and subsequently be used to identify similar products to be listed on the front pages of the e-commerce platforms. At the same time, these tools can be used to record sales of items across a time period and identify seasonal trends, which can help make strategic decisions on which items to sell depending on the time of the year. As these AI tools are more user-friendly and require less skill to manage than the conventional digital tools, they can be used by insertion employees in product listing tasks, albeit with some guidance.

Selling items in bulk is another strategy that can be used for online sales. For instance, Kierrätyskeskus[7] offers a bag of items that are intended for use as materials, including for crafts such as sewing or rug weaving. This reduces the effort needed for listing items on the online shop, especially those of a low price, saving time and human resources.

[7] Kierrätyskeskus online shop. (More information here).

In light of strong competition from large commercial players, social enterprises can leverage their existing quality labels to differentiate themselves from other second-hand shops. For instance, BKN has developed the 100% Kringloop quality mark and awards the label to its members who have demonstrated that they manage employees and materials in a professional, safe and responsible manner. This includes offering work opportunities to disadvantaged individuals distanced from the labour market and responsibly processing unsold goods. Such quality marks highlight the social and environmental values represented in their products, which may further motivate customers to preferentially buy their products over those in commercial shops, especially those who also sell second-hand products. A number of RREUSE members have introduced such quality standard systems, including the Solid'R and electroREV labels by Ressources (Belgium) and the eponymous label by FairWertung (Germany).

Cooperation with commercial businesses is another way to support e-commerce. For example, private companies can donate quality unsold products to social enterprises to be sold in their online shops. This could boost the enterprises' e-commerce sales, enhance the businesses' corporate social responsibility, as well as address the issue of limited donations received by enterprises.

Although e-commerce is not the mainstay of most social enterprises' business models, it remains increasingly important and necessary, in light of evolving consumer trends and strong competition posed by ubiquitous commercial e-commerce shops. By pooling together resources, sharing technological solutions and strategic partnerships, social enterprises can potentially address the pertinent obstacles limiting their e-commerce growth. Most importantly, social enterprises should exchange best practices and learn from one another. Such synergies would enable an accelerated level of growth and development that would otherwise not be possible.

Box 3: Kringwinkel's auction website for second-hand items

Kringwinkel is a network of social enterprises active in reuse in the Belgium region of Flanders. Apart from physical stores, they have an online shop and a separate auction website where they place second-hand products across different product categories for online bidding. The auctions take place for two weeks and each item has a countdown timer to indicate the end of the auction period as well as the current highest bid placed on it.

Customers have the choice to enter a maximum bid or directly raise a bid higher than the current one through a button. They can also adjust their maximum bid within the auction period. Upon a successful bid, they can choose to either pick up the item at a collection point or have it shipped to their address. This initiative helps Kringwinkel to achieve a higher profit margin for their second-hand items, whose proceeds will then go towards their social employment programme.
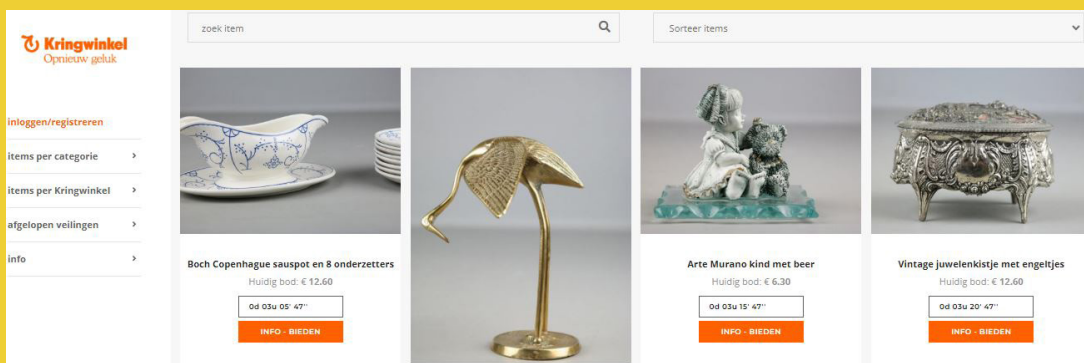
A screenshot of Kringwinkel's auction website

b. Maps and locator apps

Digital maps are interactive digital representations of geographical areas used to locate second-hand stores and donation points of social enterprises. These maps can be accessible through various digital platforms, including web browsers and mobile apps, and provide location-related information. Locator apps are software applications designed to determine and share real-time geographical locations to provide users with accurate and up-to-date information about the specific whereabouts of the services provided by social enterprises.

The use of maps and locator apps presents multiple opportunities and benefits for social enterprises. The maps can help facilitate potential partnerships amongst social enterprises active in the circular economy and the private and public sector, enable and encourage collaboration between social enterprises in different regions, as well as inform customers of the locations of shops and donation spots. This can increase both the online traffic towards online webshops of social enterprises, as well as the number of customers visiting their physical stores.

In the present landscape of social enterprises within the project consortium, digital maps emerge as the dominant tool for illustrating the locations and density of shops across different geographic areas. Locator apps are another way of representing geographical data but they are less frequently used as they require different technology and more extensive development, typically at a higher investment cost. While both aspects were discussed, the report emphasises the greater significance of digital maps in the context of digitalising customer-facing services.

i. Digital and social trends in maps and locator apps

To ensure that their maps are useful to the online user, social enterprises in the DigCircSoc project highlighted the necessity to provide correct and up-to-date information, including basic information (e.g. the name and location of the social enterprise) on their maps and locator apps. In addition, these organisations describe their activities, the product streams they collect or sell (e.g. textiles, furniture, etc.), the quality standards of their products and the services provided, such as reuse and repair. Providing such information helps to raise awareness of the existence of these social enterprises and enables the end user to choose which organisation to engage with, either by physically visiting reuse shops or digitally connecting with them through online shops or their contact points.

A common and successful practice to gain an online presence and be easily discovered, is to be listed on Google Maps. These social enterprises have found it to be a useful tool and the primary platform which consumers utilise to search for second-hand shops in their region or while travelling. They also strive to update the information on these shop listings on a regular basis and include frequently used keywords (e.g. ''second-hand'' and the ''name of the city'') so that their shops appear in the search tab easily. In fact, some organisations have used Google Maps to create a unique map of their shops or facilities, such as Humana Nova (see Box 4).

Nevertheless, a search on Google, the search engine linked to Google Maps, does not differentiate between commercial and social second-hand businesses. For this reason, having an exclusive map for members of a network organisation on a regional or national level provides the opportunity to highlight specifically social enterprises and showcase the quality labels that these organisations have acquired (see Box 5).

Box 4: Humana Nova uses a map to promote donation points across Croatia

The social cooperative Humana Nova creates employment for people with disabilities and socially excluded people, through the production and sale of quality, innovative textile products made from ecological and recycled fabrics.

They have created a Google map with pinpoints of all the 15 locations where individuals or companies can donate items to social enterprises across Croatia. All locations are public utility sites or private businesses that Humana Nova partners with, and the social enterprises are in charge of the maintenance and management of these operations.
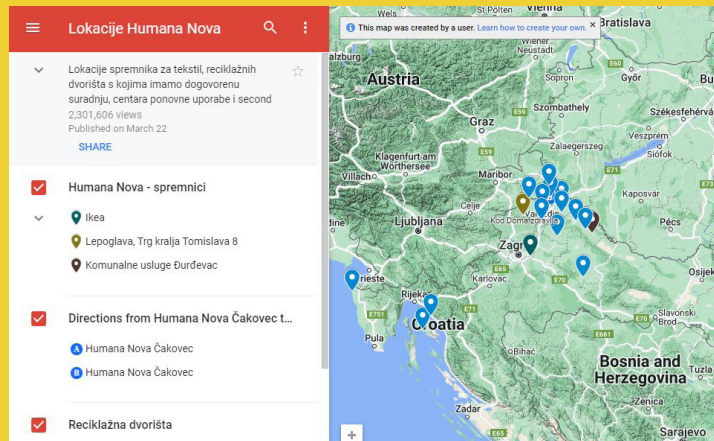

A screenshot of the donation points

Box 5: Branchevereniging Kringloop Nederland members' map

The national social enterprise network, Branchevereniging Kringloop Nederland (BKN), keeps growing each year with more thrift organisations joining the association. The number of thrift stores they represent are also growing, through new members and expansion of current members. BKN has a map of all member stores across the country.

BKN has developed its quality label for second-hand stores run by its members. The member map allows them to highlight their thrifty shops as high-quality stores with a social purpose and to distinguish their organisation from other second-hand stores.

Users can filter labels in the map based on the desired city or specific ZIP code. They can also search based on the name of the organisation and find all the cities where the organisation is located within the Netherlands.
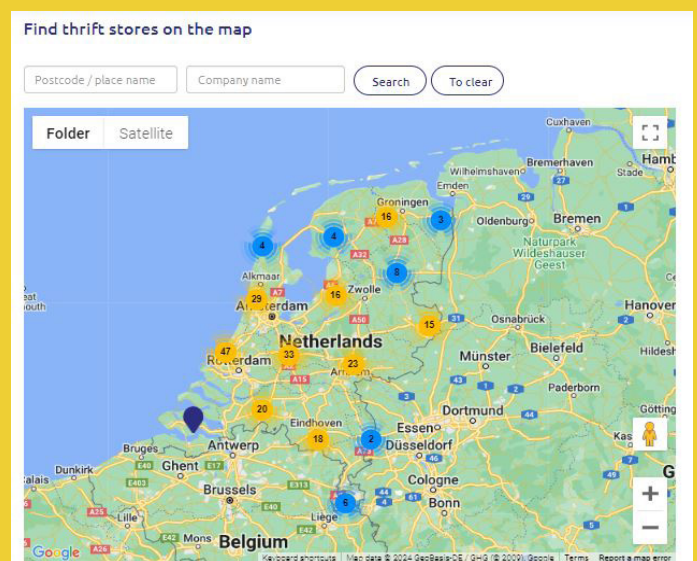
A screenshot of the members' map

Ultimately, the success of these maps relies on their outreach and user engagement. To achieve this, social enterprises endeavour to provide a significant number of data points on their maps (see Box 6), whilst ensuring that the information is frequently updated and correct. Otherwise, the maps will lose relevancy and users will turn to a different search map or information source. Secondly, these organisations connect their maps to other search engines such that it appears frequently when users perform location-related searches for second-hand products. Lastly, to increase their maps' popularity, these organisations frequently communicate their existence to the public, for example, in their physical shops or websites. This process of disseminating the maps required sustained effort, as customer patterns and behaviours take time to shift.

Box 6: WIDADO: The online marketplace for reuse products from social enterprises in Austria

The online marketplace WIDADO was created by the umbrella organisation Re-Use Austria. One of the tools of the WIDADO platform is an interactive map for finding locations to donate reusable objects to social enterprises. This tool provides the opportunity for prospective customers and businesses to find locations for donation points in their proximity. In early 2024, they had a total of 1,499 donation spots in Austria which can be distinguished between containers and drop-off locations.

The platform provides educational information and tips for users preparing to donate. For example, they inform consumers on the technical procedure of how to pack clothes for donation to ensure that the products will be accepted and inform citizens about the social and environmental benefits of donating to social enterprises.


A screenshot of the donation points

The use of maps presents multiple benefits for social enterprises. For example, RREUSE has created a map of its wider membership to exemplify the outreach and impact of social enterprises to EU institutions, national and local policy-makers (see Box 7).

Box 7: RREUSE's direct and wider social enterprise members' network

The members' map of the RREUSE network contains their direct and wider social enterprise member network, which includes over 1,000 individual social enterprises. It includes locations of headquarters and, where applicable, retail outlets, which mainly consist of second-hand stores.
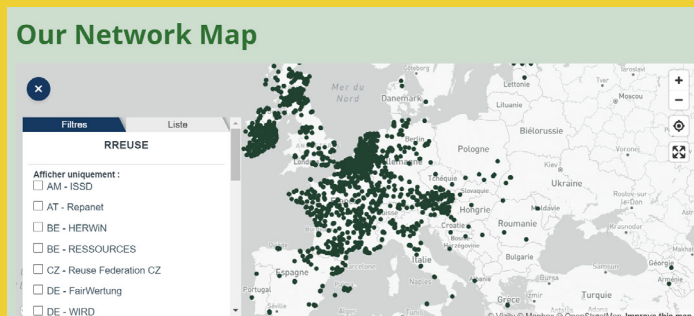
A screenshot of the members' map

In 2024, RREUSE will develop a new geospatial tool within a project 'BuySocial', funded by the SMP COSME programme of the European Commission. This tool will be based on the members' map but will contain a new interface and display a greater level of detail. The tool will aim to help identify and match social enterprise partners active in the circular economy with private sector actors, for example, to facilitate donations of used items for reuse.

Another key benefit of using maps is the acceleration of these social enterprises' access to private procurement opportunities. By having a centralised platform, where all social enterprises of a member organisation are located within a fixed geographical space, entities within the private sector easily identify potential social enterprises for business-to-business partnerships. This can be further facilitated by pertinent map features, such as the categorisation of the organisation according to the product streams they work with and the customer services they provide. Moreover, by providing an overview of the existing social enterprises on a geographical scale, these maps offer the opportunity to scale up and mainstream these partnerships, where similar collaborations can be established with member organisations across local, regional and national territories.

ii. Challenges and opportunities in maps and locator apps

Challenges

The challenges linked to developing and implementing digital maps vary depending on different local contexts, including access to funding opportunities. Currently, there is a wide range of maps available on the internet and it can be confusing for users to determine which one is the right one for them. Furthermore, while there are grants for developing such tools, there are at times no funds allocated to the continuity of the project after it has been implemented. Consequently, if these platforms are not profitable after their launch, it is challenging for them to be maintained in the long-term. The mainstream use of these tools also requires long-term efforts and internal capacity to promote the tool, which is not always available to social enterprises.

Moreover, the maintenance of digital maps requires basic digital skills and the use of specialised software to keep all online information up-to-date. For many social enterprises where the workforce lacks skills, it is challenging for them to play a direct role in the implementation of digital tools. Hence, the use of such tools is not accessible to each individual's skill set and competencies. It may require additional funding to provide training opportunities for developing internal capacities within the organisations to perform such digital tasks.

Opportunities

Social enterprises have expressed the desire to add several features and filters to their maps as an opportunity to provide customers with a wider range of information about their organisations. Notably, an example of what the maps could show are calls for donations of items at specific times of the year or occasions, including the locations where the donations can be made.

Furthermore, there are other maps and apps already available online to promote social enterprise activities and direct customers to their physical stores and e-commerce platforms. Thus, the existing knowledge and expertise behind these successful projects and cooperation allow other organisations to replicate these digital platforms and avoid extensive research and development.

For instance, Re-Use Austria created their online platform WIDADO in collaboration with the Emmaüs France network, which has previously developed their online marketplace called Label Emmaüs. These flagship examples demonstrate digitalisation initiatives that have been successful in different national contexts and are potentially replicable across Europe, thereby promoting cross-border cooperation and the scaling up and mainstreaming of good practices.

Creating these digital platforms is a good opportunity for national networks of social enterprises to connect and share best practices. Through the online platforms, staff of different organisations can find common resources and contact points, thus promoting regional and national cooperation, as well as enhancing knowledge exchange between organisations. These centralised apps or maps, which contains information about the social enterprises, also serve as tools for network organisations to educate their employees, customers and the wider public, as well as to prepare educational and outreach materials that are disseminated across individual social enterprises and customers interested in learning about the benefits of buying social and circular. For instance, this information includes explanations of the terms often used to refer to the work carried out by social enterprises active in the circular economy.

4. Developing a future vision for customer-facing services of social enterprises

The expansion and escalating demand for e-commerce as well as digital services require a reassessment of operational strategies within social enterprises. When asked about their vision for the use of e-commerce, online maps and apps within the next decade, there is a general consensus that the use of these tools will continue to grow year after year to meet customer demands and align with digital trends.

> *Expanding online platforms is a more forward-looking approach to our business model than relying solely on physical reuse shops. Online platforms offer capacity, accessibility, and reach that would have never been possible with normal stores, helping to make a significant leap in delivering regional second-hand products to you.*
>
> *– Re-Use Austria representative, 2024*

Currently, e-commerce sales reported by the DigiSocCirc project consortium, which consists of social enterprises from the RREUSE network, range between 5% and 10% of their total retail sales. The consortium members also projected that these sales would grow by 5% to 25% for each organisation in the next decade, with the proportion varying between organisations. For this digital transition to take place, a mindset shift is required as well as the acknowledgement that time and effort must be invested to make the e-commerce side of the social enterprise's business model grow. Moreover, it is expected that these different platforms will increase digital sales as well as serve as a marketing tool that attracts new customers to the physical stores.

> *I expect every BKN member will use e-commerce, online maps and apps next to their physical reuse shops. We have seen a lot of growth in the last two years in selling online.*
>
> *- BKN representative, 2024*

For successful use of e-commerce and its growth, social enterprises need to establish a solid decision-making process as to which products to sell in physical stores and which ones are for e-commerce, taking into account the labour, potential profit and logistics. For instance, bulkier items, such as furniture, are suitable for sale in physical stores, and items with a low price are not profitable for e-commerce because of the additional expenses generated by the labour of product listing and shipping. Meanwhile, electronic equipment and textiles of a higher value tend to be more suited for e-commerce webshops, as they are associated with lower shipping costs and have a greater online demand for them, although this varies to some extent on a case-to-case basis.

Social enterprises' success in digitalising their customer-facing services and achieving widespread adoption of e-commerce, maps, and new technologies in the reuse sector has necessitated the involvement and cooperation of a wide range of stakeholders. Common solutions that meet the needs of both social enterprises and their existing and prospective customer base need to be identified and implemented to reach digital solutions.

Therefore, social enterprises have identified the need to hold regular structured exchanges to discuss digital and social trends in digitalising their reuse operations and customer-facing services. Such collaboration will help the organisations shape a future vision for a sector experiencing changes that require innovation and joint efforts to compete with traditional business models with a significant online presence of their e-commerce platforms.

> *Social enterprises should not create an online shop for one or some organisations, but a marketplace for many of them. You can look out for solutions that have already been implemented in your area of reuse and check whether you can adopt the system. When doing this, there must be experience, knowledge and understanding of the reuse sector and organisation involved with work integration. Be patient, it is a long road to success and requires a high level of attention and operational energy.*
>
> *- Re-Use Austria representative, 2024*

To mainstream social enterprises' online business, the project consortium has discussed the idea of creating a common social enterprise online shop in Europe as a way to implement their digital services across Europe. For an e-commerce platform to be successful, there have to be hundreds of products that meet consumers' needs and are being sold in large volumes online. Currently, the scale sold by local and national networks is a relatively small proportion of overall e-commerce sales. Therefore, a common platform would provide the opportunity to mainstream the e-commerce market of social enterprises by enabling the sale of a larger number of products and a wider consumer base that can increase the overall sales of reuse products in Europe. Furthermore, this platform could double up as a marketing tool to raise awareness of the wide range of activities conducted by social enterprises and highlight the existence of physical stores in different regions where customer bases are located.

a. A vision for inclusive training and work integration in the digital setting

The digitalisation of customer-facing services has raised the need for basic digital skills among social enterprises' employees. Traditionally, the work of insertion employees mainly involved physical labour in the reuse centres. However, the growing trend for e-commerce requires a wider range of skill sets. Therefore, social enterprises need to shift their mindset, and consequently adapt their operations and training opportunities (see Box 8).

Box 8: Branchevereniging Kringloop Nederland's Academy for digital skills and professional development

In 2024, the Branchevereniging Kringloop Nederland (BKN) Academy is launching a comprehensive initiative to enhance the digital skills and professional development of its insertion employees within the reuse sector. This includes practical coaching tools on digital skills, the sharing of best practices through online sessions between member organisations and the implementation of a structured monitoring and evaluation system. Supported by a long-term plan, these efforts aim to empower employees for success in their future career options.

To equip insertion employees with the needed skills and competencies, there needs to be changes in how employees receive individually tailored training. In particular, social enterprise's activities will need to be further professionalised. This can be done by hiring IT experts who can leverage their knowledge in the sector and adapt as well as customise training opportunities to disadvantaged individuals distanced from the labour market based on their needs and aptitudes (see Box 9).

Box 9: Ateliere Fără Frontiere creates a project to develop digital skills for insertion employees

In 2023, only 28% of Romanians aged between 16 and 74 had the minimum basic digital skills, according to the latest Eurostat report on digital skills[8]. In light of this, Ateliere Fără Frontiere (AFF) together with Société Générale Global Solution Centre partners, started a project "Digital empowerment: developing skills and professional integration for vulnerable people" through which they offer employees in the socio-professional integration programme access to basic courses related to computer use, but also to specialisation courses on proper collection, sorting and disassembly of waste electrical and electronic equipment (WEEE).

It is not imperative that all insertion employees must be trained in digital skills as the ability to uptake such skills varies from individual to individual. Nevertheless, there is a common consensus that the percentage of insertion employees who will regularly engage with digital tools is expected to increase in the future. For instance, the use of AI increases the efficiency of social enterprise operations, through tasks such as creating product descriptions on e-commerce platforms. Moreover, social enterprises design their online shops to require a low threshold of digital skills and training to make them accessible to insertion employees.

b. Digital tools to engage customers online

For an e-commerce platform to be successful and sustainable, social enterprises would have to develop a regular customer base interested in their goods to create a sustainable online business model. To achieve this, developing a visually attractive, user-friendly and informative e-commerce platform, digital maps and apps is crucial for an optimal consumer experience.

To effectively engage customers, it is necessary to personalise the users' online experience. This will foster a sense of community and provide a quality online retail experience. Social enterprises are not only selling items online but are also actively contributing to the employment of individuals distanced from the labour market, prioritising local reuse and the preservation of the waste hierarchy. Therefore, digital tools can serve as a means to tell these stories to citizens and increase consumer awareness through digital means. Showcasing the impact of social enterprises can potentially enhance customer engagement and demonstrate how their sustainable choices can go a long way in generating social and environmental benefits.

....
[8] Eurostat (2023) Digital skills in 2023: impact of education and age. (Available here).

Increasingly, consumers have an interest in living sustainable lifestyles driven by mindful purchasing practices. By implementing digital tools, social enterprises can reach a new and wider demographic that supports social and environmental goals, while also providing customers with quality goods at a lower price.

5. Conclusions

With increasing customer awareness and preference for a more sustainable lifestyle, it is an opportune moment for social enterprises to implement digital solutions to present their services and second-hand products. To expand their reach, these organisations have to adopt various marketing strategies to ensure that their websites or apps appear frequently in online searches as well as draw customers to their brand, and the social and environmental values they embody.

Partnerships with mainstream businesses present a win-win solution for this digitalisation of customer-facing services, by providing capacity building opportunities and resources to social enterprises, such as training opportunities and second-hand donations for e-commerce platforms, as well as diverting waste generated by businesses away from landfill and fulfilling their corporate social responsibility objectives. With the provision of digital and non-digital training relevant to the digitalisation process, insertion employees can also widen their repertoire of skills and improve their employability in the mainstream labour market.

Additionally, the use of AI provides an option for social enterprises to not only speed up their work processes, such as listing products online and identifying seasonal trends, but also lower the skills threshold required for employees to implement them.

Given the success stories of some social enterprises in the RREUSE network and the common ambition for digitalisation, it is important that these organisations leverage their network to identify key challenges, share expertise and best practices as well as develop joint solutions, to distribute the burden of developing and implementing digital solutions. By combining their efforts and even utilising common digital platforms, they can reach a wider geographical audience, collectively offer a broader range of second-hand products and services, and boost their overall visibility, as afforded by this strength in numbers.