

# FROM SUSTAINABILITY TO CONSUMERISM

The contradictions of the U.S. second-hand market



# SECOND-HAND SHOPPING: FROM AFFORDABLE TO TRENDY, THANKS TO SOCIAL MEDIA GLAMOR AROUND THRIFTING

## Affordability is the main driver: thrifting due to limited budgets



Second-hand clothing has not always been a trendy option, with individuals resorting to charity shops and thrift stores due to limited budgets

## Second-hand as a sustainable lifestyle choice



- However, thrifting has evolved from an economic necessity to a sustainable lifestyle choice, as **environmental awareness increased** during the **pandemic**
- For example, **Farfetch**, which has been selling pre-owned clothing since 2010, saw a **151% YOY increase in pre-owned views in 2020**
- **Online marketplaces** have also **facilitated consumer participation** in the **circular economy**, enabling the buying and selling of second-hand items

## Hunting for a bargain while still being sustainable



As life returned to normal post-COVID and **inflation soared in the U.S.**, consumers became **price-sensitive** and started thrifting to **hunt for bargains**

## Looking for unique items and being part of the trend



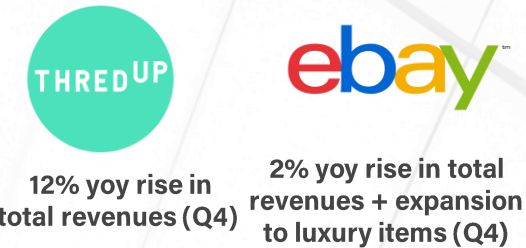
- Recently, **influencers showcasing unique and vintage** finds have popularized second-hand shopping, **making it a trend** among younger generations
- Since then, resale has expanded to categories such as electronics and home items, with U.S. resale spending reaching an estimated **USD 188.5 billion in 2023**

# INCREASED DEMAND ATTRACTED NEW RESALE ENTRANTS AND INVESTORS, PROMPTING BRANDS TO CREATE THEIR OWN RESALE PROGRAMS

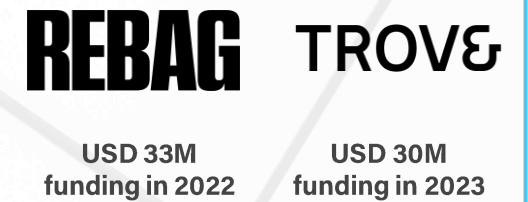
- Increased demand has led to a **surge of new entrants** and the **expansion of existing marketplaces in the U.S.**
- **Investors** are increasingly **targeting recommerce startups**, particularly in the following three areas:
  - **Managed marketplaces** (e.g., StockX or Trove)
  - **Enabling tools** such as product authentication for collectors (GOAT) and second-hand product discovery for power resellers (Flyp)
  - **Unique marketplaces for new categories**, such as FloorFound selling D2C furniture returns or Queen of Raw selling brands' excess fabric inventory
- **Established retail and fashion brands** are also quickly launching resale programs. In fact, the number of **branded apparel recommerce** businesses increased from **9 in 2020** to **163 in 2023**

## RE-COMMERCE INDUSTRY GROWTH

### EXPANSION OF MARKETPLACES IN 2023



### INVESTORS PURSUING RECOMMERCE



### GIANT BRANDS LAUNCHING RESALE PROGRAMS IN THE U.S.




# DESPITE THE INCREASING SECOND-HAND MARKET GROWTH, MAJOR BRANDS WITH RESALE PROGRAMS ARE STRUGGLING WITH PROFITABILITY

- Despite the growing demand for second-hand, **major brands** that have introduced resale programs are facing **profitability challenges**
- Brands with resale programs **aim for second-hand sales to reach 10%** or more of their annual revenue
- However, even the brands making significant marketing investments only generate **up to 5% of their revenue** from second-hand clothing, while those with minimal marketing efforts generate almost none
- These brands face challenges with **reduced profit margins**, as resale programs incur **significant operational costs for collecting, cleaning, repairing, and reselling used items**
- For resale to have more impact, businesses need to increase the volume of used products they offer. For example, H&M produces around 3 billion items annually but has fewer than **30,000 listings on its resale platform**

## EXAMPLE OF BRANDS STRUGGLING WITH RESALE PROFITS

**WORN WEAR**  
patagonia




**W's Slim Jeans**  
Dark Denim  
\$32 - \$40 \$99

**Women's Re-Tool Snap-T® Pullover**  
Kastanos Brown - Biscuit X-Dye  
\$65 - \$73 \$119

**Women's Los Gatos Vest**  
Pampas Tan  
\$52 - \$57 \$109

**Patagonia**  
Patagonia Inc., which has a long-running and reputable resale program called **Worn Wear** in the U.S., generates **less than 1% of its total revenue** annually

**RENEW**



**Washed Organic Linen Delave Jacket**  
\$75

**Tencel Stretch Rib Pant**  
\$55

**Organic Linen Jacket**  
\$95

**Eileen Fisher**  
Eileen Fisher Inc., which started resale in 2009, has **collected only 2 million** items through its take-back scheme — **a mere ~5% of its total production**

# BRANDS WITH RESALE PROGRAMS FACE SKEPTICISM AND GREENWASHING CLAIMS FOR RELYING ON RESALE WHILE NEGLECTING WIDER SUSTAINABILITY ISSUES

- Resale-focused brands often receive criticism for prioritizing resale as their main sustainability strategy, **overlooking broader environmental concerns**
- Indeed, many brands choose to establish a resale program to advocate for a circular economy without addressing pressing sustainability concerns:
  - **Producing large quantities of goods**, far exceeding market demand
  - **Heavily relying on fossil fuels** to produce items, especially in fashion and electronics
  - **Sourcing raw materials** from regions with **poor environmental and labor standards**
  - Using **harmful chemicals and non-biodegradable materials** in products
- Launching resale programs without addressing these sustainability issues is seen by consumers as **greenwashing** and a **marketing scheme**, leading to a loss of trust in these brands

## EXAMPLE OF BRANDS CRITICIZED FOR GREENWASHING

### Shein's new resale programme won't make it any more sustainable

Vogue Business

Shein launched its resale program, "Shein Exchange", in the U.S. amid **criticism that circularity can't fix its exploitative, overproducing** business model, which churns out 35,000 to 100,000 items daily

### Lululemon's reliance on fossil fuels undermines sustainability claims, report finds

Vogue Business

Lululemon is expanding its trade-in program to the U.S. to support sustainability, but critics argue it **needs to eliminate fossil fuels from its supply chain first**

### Why Zara Can Never Be Sustainable

FG Conscious Fashion

Zara is criticized for **using synthetic materials like polyester, nylon, and acrylic**, which take centuries to biodegrade and release harmful microplastics



# COMPANIES ARE ENHANCING THEIR RESALE PROGRAMS WITH ACTIONS ALONG THE ENTIRETY OF THEIR VALUE CHAIN

To improve their sustainability credentials, brands are addressing various stages of their value chains through a range of strategies:

## ENHANCING TRANSPARENCY



REI publishes detailed annual stewardship reports, which include information on **their material sourcing, recycling program, resource savings, and environmental impact**



## CREATING DURABLE PRODUCTS



Levi Strauss designs with secondary consumers in mind, focusing on both **material durability and timeless appeal**. The brand integrates the concept of **'great future vintage'**



## DESIGNING A CREATIVE BUSINESS MODEL



On top of its resale program, URBN created **Nuuly rent**, a branded program from Urban Outfitters that **allows fashion-forward subscribers to rent 6 styles for USD 98**



## LOCALIZING SUPPLY CHAIN



IKEA's Buy Back & Resell service **encourages customers to sell their used furniture locally**, which is then resold in the "as-is" section of the nearest store



## LEVERAGING AI TECHNOLOGY



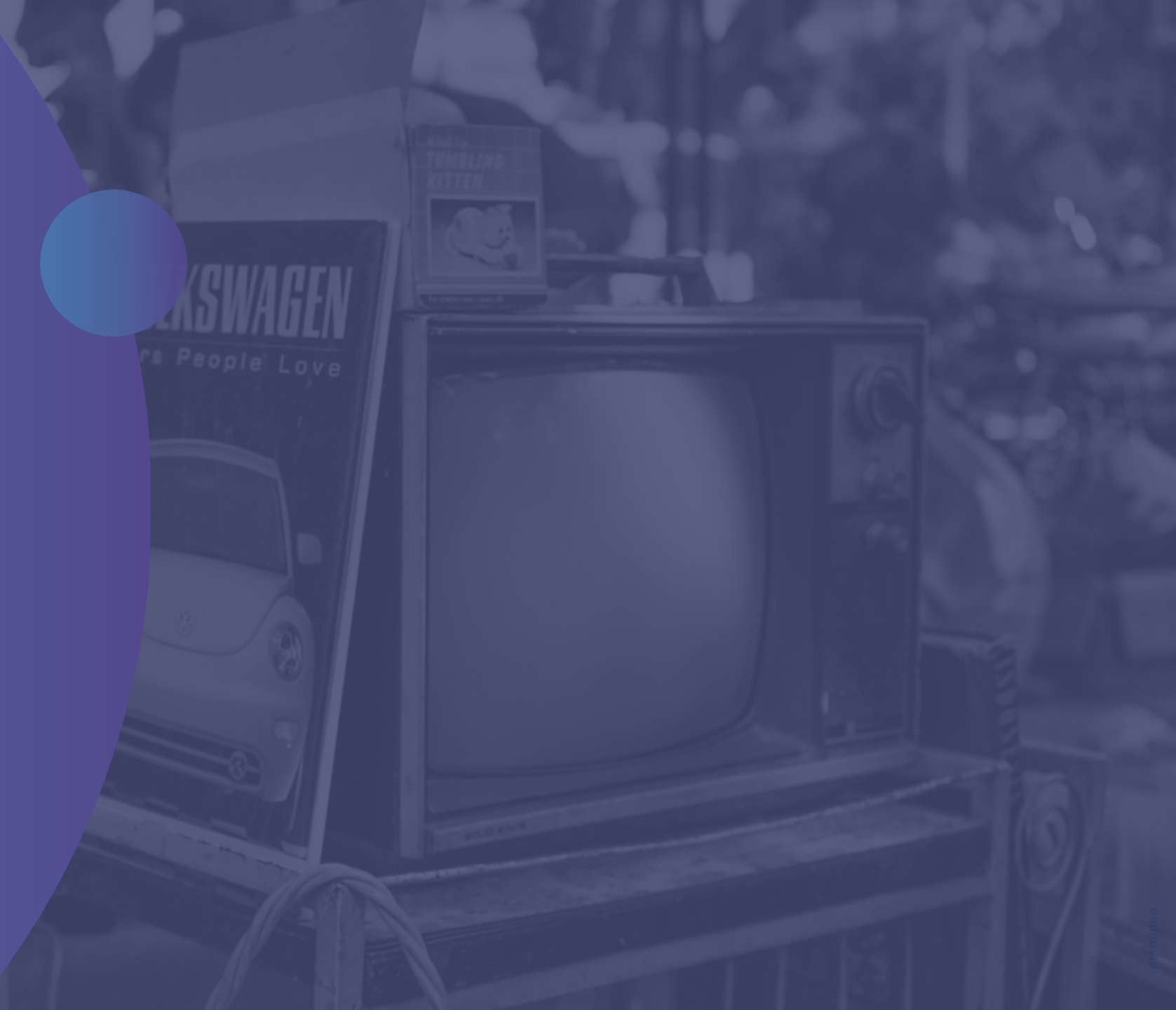
The RealReal uses **AI and machine learning to streamline the listing process and authenticate luxury goods** while dynamically **optimizing their pricing**



# INITIALLY LABELED AS A SUSTAINABLE AND BUDGET-FRIENDLY SUBSTITUTE FOR TRADITIONAL RETAIL, THE RESALE INDUSTRY IS NOW FACING FINANCIAL AND ENVIRONMENTAL CHALLENGES

- **Re-commerce**, which includes the buying and selling of second-hand items, has been seen as a **sustainable solution to the growing problem of waste**.
- Recently, the **rise of thrifting as a social media trend in the U.S.** has seen influencers glamorizing their thrifting experiences, thereby **fueling market growth** and **triggering changes in consumption** behaviors
- This growth supported the resale industry's expansion to different categories, such as electronics and home items, with U.S. resale spending reaching an estimated **USD 188.5 billion in 2023**
- **Brands, such as Patagonia and Ikea, have capitalized on this popularity** by launching or extending their resale programs in the U.S. to **enhance their sustainability credentials and generate additional revenue**
- However, **branded resale programs** have not been without **significant obstacles**:
  - Creating a resale program demands **significant investments** in logistics, technology, and customer service. Second-hand items necessitate thorough **inspection, cleaning, occasional repairs before resale, re-packaging, and shipping** adding labor and cost that can **diminish anticipated profit margins**
  - Consumers are growing **skeptical of major brands' sustainability claims**, suspecting that these **initiatives prioritize marketing over genuine environmental impact**. This skepticism can harm brand credibility and discourage potential customers
- To address these challenges, companies are implementing several strategies focusing on **transparency, sustainable sourcing, durability over quantity, localizing their supply chain, and leveraging AI to optimize their operations**

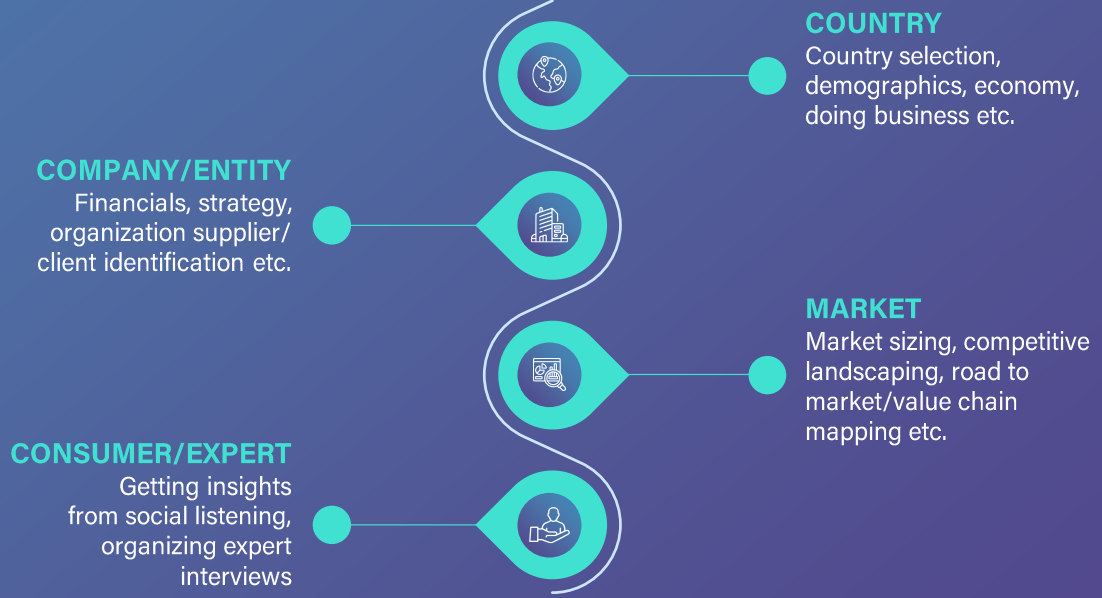
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# THREE TYPES OF SUPPORT



# COMBINATION OF APPROACHES



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