What an Accelerating Secondhand Market Means for Fashion Brands and Retailers

BCG Powered by Vestiaire Collective
The secondhand apparel, footwear, and accessories market is estimated to be worth $100 to $120 billion.

We estimate that the global secondhand market accounts for 3% to 5% of the broader market.

<table>
<thead>
<tr>
<th></th>
<th>Buying</th>
<th>Selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Z</td>
<td>31</td>
<td>44</td>
</tr>
<tr>
<td>Millennials</td>
<td>27</td>
<td>37</td>
</tr>
<tr>
<td>Others</td>
<td>17</td>
<td>26</td>
</tr>
</tbody>
</table>

Gen Z consumers are the most likely to buy and sell secondhand (% of luxury consumers who have bought or sold secondhand goods in the past 12 months)

Sources: Euromonitor and BCG (2022 market sizing); Altagamma; BCG-Altagamma True Luxury Global Consumer Insight Survey, 2021; BCG analysis.
Resale items make up 25% of secondhand buyers’ closets today

Share of purchases by channel in customers’ closets
(% of items owned among secondhand buyers)

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional retail</th>
<th>Secondhand</th>
<th>Rental and subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>74</td>
<td>21</td>
<td>5</td>
</tr>
<tr>
<td>2022</td>
<td>69</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>2023F</td>
<td>67</td>
<td>27</td>
<td>6</td>
</tr>
</tbody>
</table>

Share of secondhand product categories by number of articles purchased
(% of item type purchased based on the total number of secondhand purchases annually)

<table>
<thead>
<tr>
<th>Total articles purchased</th>
<th>Accessories</th>
<th>Bags</th>
<th>Clothing</th>
<th>Jewelry</th>
<th>Shoes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–2</td>
<td>35</td>
<td>23</td>
<td>25</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>3–5</td>
<td>32</td>
<td>18</td>
<td>22</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>6–15</td>
<td>34</td>
<td>21</td>
<td>20</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>16–30</td>
<td>41</td>
<td>40</td>
<td>17</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>31–50</td>
<td>45</td>
<td>19</td>
<td>18</td>
<td>14</td>
<td>8</td>
</tr>
<tr>
<td>51+</td>
<td>40</td>
<td>19</td>
<td>17</td>
<td>12</td>
<td>9</td>
</tr>
</tbody>
</table>

Sources: Vestiaire Collective survey results and proprietary data, BCG analysis.
Note: Because of rounding, numbers do not always sum to 100.
Despite some headwinds, the secondhand fashion market is poised to grow

<table>
<thead>
<tr>
<th>Tailwinds</th>
<th>Headwinds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic climate</strong></td>
<td>· Given the likelihood of a global economic downturn, consumers are likely to focus on affordability, possibly turning to their wardrobes as an additional income source</td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>· Consumers and companies are endeavoring to become more sustainable</td>
</tr>
<tr>
<td><strong>Consumer and shopping habits</strong></td>
<td>· The broad shift to e-commerce and online platforms is making it easier to buy and sell secondhand · Resale-ownership models are gaining acceptance · Younger generations are increasingly interested in secondhand consumption, suggesting that the trend has staying power · Consumers are reacting to the scarcity that brands and retailers generate via limited collections</td>
</tr>
<tr>
<td><strong>Supply</strong></td>
<td>· Demand is outpacing supply</td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>· The presence of additional active players on the market is driving up customer acquisition and marketing costs and creating a higher-competition environment</td>
</tr>
</tbody>
</table>

Sources: Vestiaire Collective survey results and proprietary data; BCG analysis.
The demand for secondhand fashion is driven by multiple factors beyond value

<table>
<thead>
<tr>
<th>Drivers to buy</th>
<th>Current trend (compared to 2020 survey)</th>
<th>Most important for</th>
<th>Impact of driver on select product category (relative to all-category average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordability and value</td>
<td><img src="checkmark" alt="→" /></td>
<td>Handbags and backpacks (earrings and bracelets)</td>
<td>1.3x</td>
</tr>
<tr>
<td>Variety of choice and uniqueness</td>
<td><img src="arrow" alt="→" /></td>
<td>Apparel (tops and bottoms)</td>
<td>1.2x</td>
</tr>
<tr>
<td>Sustainability</td>
<td><img src="arrow" alt="↑" /></td>
<td>Outerwear (jackets and coats)</td>
<td>1.5x</td>
</tr>
<tr>
<td>Thrill of the hunt</td>
<td><img src="arrow" alt="↑" /></td>
<td>Shoes (sneakers and formal)</td>
<td>1.5x</td>
</tr>
<tr>
<td></td>
<td><img src="arrow" alt="↑" /></td>
<td>Apparel (tops and bottoms)</td>
<td>1.5x</td>
</tr>
<tr>
<td></td>
<td><img src="arrow" alt="↑" /></td>
<td>Occasional jewelry (sets and necklaces)</td>
<td>1.5x</td>
</tr>
<tr>
<td></td>
<td><img src="arrow" alt="↑" /></td>
<td>Watches (casual and luxury)</td>
<td>1.5x</td>
</tr>
</tbody>
</table>

Sources: Vestiaire Collective survey results and proprietary data; BCG analysis.
Secondhand buyers are increasingly interested in becoming sellers

<table>
<thead>
<tr>
<th>Drivers to sell</th>
<th>Current trend (compared to 2020 survey)</th>
<th>Barriers to sell</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Wardrobe detox</td>
<td>60% of sellers are looking to make room in their closets</td>
<td><strong>1</strong> Lack of time</td>
</tr>
<tr>
<td><strong>2</strong> Earnings</td>
<td>60% of sellers are motivated to recover the residual value of their items, either to spend it on secondhand goods (39%), firsthand goods (20%), or on other goods and services (39%)</td>
<td><strong>2</strong> Altruism</td>
</tr>
<tr>
<td><strong>3</strong> Sustainability</td>
<td>40% of sellers view their participation in the resale market as a way to drive sustainable fashion</td>
<td><strong>3</strong> Indecision</td>
</tr>
</tbody>
</table>

Sources: Vestiaire Collective survey results and proprietary data; BCG analysis.
Successful fashion brands are winning in the firsthand and secondhand markets

The top 14 brands on Vestiaire Collective by items sold in 2022 (unranked)
- Chanel
- Hermès
- Gucci
- Saint Laurent
- Dior
- Christian Louboutin
- Celine
- Fendi
- Louis Vuitton
- Valentino
- Prada
- Balenciaga
- Dolce & Gabbana
- Burberry

The five fastest-growing brands on Vestiaire Collective (brands with the highest progression in the ranking in 2022 vs. 2020)
- Nike
- Versace
- Jacquemus
- Max Mara
- Polo Ralph Lauren

The secondhand market has a positive impact on customer lifetime value and generates interest in the firsthand market

59% of customers either discovered a brand or bought it for the first time secondhand

Brands have the opportunity to increase their reach to new customers by participating in the secondhand market

Sources: Vestiaire Collective survey results and proprietary data; BCG analysis.
Brands and retailers have a variety of ways to embrace the secondhand market.

**MARKETPLACE SCOPE**

**Own channels or white-label solution**
- (less reach and more capex)

**Secondhand platforms**
- (more reach and less capex)

**ADJACENT BENEFIT**

**BUY BACK**
- (more control)

**CONSIGNMENT MODEL**

**SELF LISTING**
- (less control)

**SOURCING MODEL**

**Model 1:** Trade-in and resale models available on the brand or retailer’s direct channels

**Model 2:** Partnership with secondhand fashion and luxury platforms

**Model 3A:** Consignment desk

**Model 3B:** Circular collaboration

**Model 3C:** Data partnership

Sources: Vestiaire Collective; BCG analysis.
Model 1: The brand or retailer collects secondhand items from customers and offers direct resale options online and in stores

**Execution possibilities**
- Brand or retailer can handle the logistics directly
- Develop a specific platform or a specific page on owned website, both of which can be managed with white-label solutions
- Provide a voucher or discount on first and secondhand products to incentivize sellers

**Benefits and limitations**
- Strong control over product, price, and image
- Visibility into customer data
- Limited customer reach and volumes
- Risk of cannibalization if platform is on the brand’s website
- Inventory risks
- Resource-intensive if in house and requires coordination with a third party if outsourced

**Key customers**
- Lovers of the brand or retailer
- Authenticity-conscious consumers
- Consumers interested in product and brand assortment
- Young consumers interested in the latest trends and collection drops
- Mature consumers with disposable income
- Those looking to spend their regained value
- Secondhand trialists

**Examples**
- Lululemon LikeNew
- WornWear
- COS Resell
- Isabel Marant Vintage

Sources: Vestiaire Collective; press search; BCG analysis.
Model 2: The brand or retailer partners with an online resale platform to sell officially approved secondhand items

**Execution possibilities**
- Brand or retailer approaches its audience to source secondhand items
- Offers a voucher or discount to firsthand catalogue upfront to attract sellers
- Preowned products can be listed on a dedicated page of the online resale platform and/or on the brand or retailer’s website
- Buy-back or consignment models are possible

**Benefits and limitations**
- Great customer reach and recruitment possibilities, thanks to the awareness of and traffic on platforms
- Gains in customer loyalty, as top clients are invited to resell and incentivized to buy new items
- Light coordination (outsourced)
- Level of control over product, price, and image, as well as visibility into customer data (varies depending on the contract)

**Key customers**
- Authenticity-conscious consumers
- Consumers interested in product and brand assortment
- Young consumers interested in the latest trends and collection drops
- Secondhand trialists

**Examples**
- Burberry x TheRealReal
- Mytheresa x Vestiaire Collective

**Sources:** Vestiaire Collective; press search; BCG analysis.

- Mytheresa offers its top customers the opportunity to resell their items on Vestiaire Collective
- Vestiaire Collective runs quality and authentication checks
- Sellers receive upfront Mytheresa store credit in exchange for listing on the platform
- Products are listed on Vestiaire Collective’s platform via a dedicated page
- Launched in June 2021
## Model 3: The brand or retailer experiments with easier alternatives before committing to a resale business

<table>
<thead>
<tr>
<th>CONSIGNMENT (A)</th>
<th>CIRCULAR COLLABORATION (B)</th>
<th>DATA PARTNERSHIP (C)</th>
</tr>
</thead>
</table>
| **Business model** | · Brand or retailer gives in-store space to a resale platform for a consignment desk  
· All brands accepted at this desk  
· Brand or retailer can offer a special additional discount on a new collection or other goods to entice participation | · Brand or retailer encourages customers to sell their branded items on the third-party platform  
· If individuals sell within a specific time frame on the external platform, they can receive store credit (though generally less preferred), a gift, special experience, or personalized offer from the original brand or retailer |
| **Advantages** | · No operational requirements or costs for the brand or retailer  
· Drives footfall to stores | · Brand or retailer can partner with a third-party resale platform that grants access to data on best sellers, prices, and customer behaviors  
· These resale platforms offer possibilities for brands and retailers to host content and adjust their merchandising strategies  
· Easy first step to entering the secondhand market |

**Sources:** Vestiaire Collective, BCG analysis.
Amid a growing resale market, fashion players should answer the following questions:

**Brand equity**
To what extent can I control my brand’s equity and image?
What am I hoping to achieve with my resale capabilities (sustainability, awareness, new business, etc.)?

**Consumer reach**
Am I trying to reach existing clients or new ones?

**Strategic horizon**
How long would it take to implement a new resale-focused business model?

**Required capabilities**
What do I need to establish a successful secondhand business?
Do I need to build new back-end operational and marketing capabilities to support my secondhand model?

**Required investment**
What level of commitment is needed financially or in terms of human capital?
How much is my brand willing to invest, and how will we secure this funding?

**Associated risk**
What are the key risks I should take into account?
How can I plan to mitigate these risks and build resilience throughout my business?

Sources: Vestiaire Collective; BCG analysis.