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Educational **Cases**

From consumer habits to new tech: how to harness resale

Harnessing resale: insights from consumer behavior and technological integration.

Resale markets are gaining momentum as a key component of the shift towards a circular economy, by extending the lifespan of clothing and reducing textile waste. The ThredUp Annual Resale Report 2024 forecasts the global resale market to reach $350 billion by 2028. In 2023, resale grew fifteen times faster than traditional retail, driven by changing consumer attitudes towards sustainability and the economic benefits of second-hand shopping. Resale offers a valuable tool to counter the environmental and social impacts of the fashion industry's linear model, which leads to significant overconsumption and textile waste.
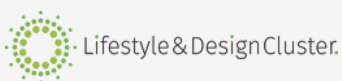
This article explores recent research based on a systematic literature review on consumer behaviour in the global resale market, identifying key motivators and barriers. It further presents actionable strategies and technological solutions to enhance the fashion resale market. Given Denmark's strong emphasis on resale, Danish businesses can draw inspiration from these global market trends.

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Key findings

→ Resale is hitting a wave. Economic benefits, environmental concerns, and the uniqueness of items are key factors driving engagement in second-hand fashion shopping.

→ Barriers to resale market growth. Concerns about hygiene, quality, loss of social status, and trust issues are significant barriers to the growth of the resale market.

→ Strategies to overcome barriers and emphasize motivators. Finding the arguments and motivators for scaling of the fashion resale market while addressing solutions to overcome the barriers.

Danish resale market

According to the Recycling Index 2023 (DBA, 2023), second-hand shopping has become increasingly popular in Denmark. In 2023, four out of five Danes (80%) engaged in second-hand shopping, up from 76% in 2022 and 63% in 2016. On average, a Dane purchased 15 items in 2023, an increase of two items from the previous year. The percentage of participants who both sold and bought second-hand items also rose significantly, from 63% in 2017 to 80% in 2023 (DBA, 2023).

"Things for the home" emerged as the top category in 2023, followed by "Clothes and accessories," which accounted for 41% of transactions. In Denmark, online marketplaces are the primary channels for buying second-hand items, with 84% of survey participants using these platforms, surpassing second-hand and vintage stores. Notably, half of the sellers indicated that they resold items they had previously bought second-hand, with the majority of these items falling under the "clothes and shoes" category.
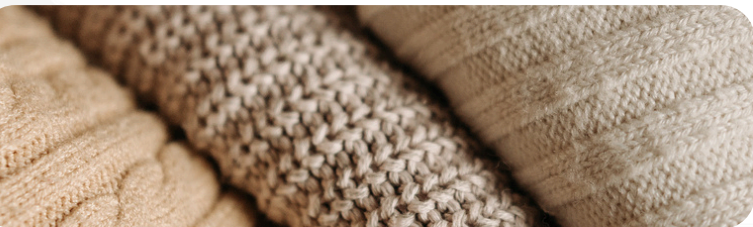
Understanding Consumer Behavior in Resale

Economic Benefits: Economic advantages are a primary motivator for consumers purchasing second-hand fashion. The appeal of second-hand clothing primarily lies in its favorable price-value ratio, offering significant savings, as noted by Joung & Park-Poaps (2013). Cultural factors also influence this trend; Xu et al. (2014) found that American consumers generally perceive greater economic and experiential value in buying second-hand clothing compared to Chinese consumers. This disparity is largely attributable to the availability of low-cost new clothing in China, which diminishes the perceived economic benefits of second-hand purchases and reduces the appeal of treasure hunting at thrift stores.

Environmental Awareness: Climate awareness is a significant motivator for second-hand clothing consumption, as highlighted in most reviewed studies. Resale is highlighted as a behavior motivated by environmental concerns, aimed at reducing textile waste rather than disposing of it (Joung & Park-Poaps, 2013; Pera & Ferrulli, 2023). Several studies underscore the positive impact of climate consciousness on attitudes towards second-hand shopping (Ek Styvén & Mariani, 2020; Jain et al., 2022). In Spain, parental environmental awareness plays a pivotal role in fostering a positive attitude towards purchasing second-hand perinatal and infant clothing (Peña-Vinces et al., 2020).

Popular resale platforms:

-> Vinted (Lithuania) - A leading platform known for its user-friendly interface, catering to a wide range of fashion items, from luxury to mainstream.

-> Vestiaire Collective (France) - Specializes in luxury and designer second-hand fashion, ensuring authenticity and high-quality standards.

-> Depop (UK) - Known for its appeal among younger demographics and for offering trendy, unique fashion items.

-> ThredUp (US) One of the largest online thrift stores, offering a wide range of second-hand clothing and accessories.

-> Poshmark (US) Functions similarly to a social network, allowing users to buy and sell new or used items, including fashion and home decor.

-> Plum (CH) Focuses on high-end fashion resale.

-> Secoo (CH). Known for luxury items, including second-hand fashion (The Ethos).

ref. (Cross-Border Commerce Europe) (FashionListings)

Understanding Consumer Behavior in Resale

Fashionability and Uniqueness: The enjoyment of second-hand shopping comes from the thrill of finding exclusive and luxury items at affordable prices (Liu et al., 2023; McNeill & Venter, 2019). Style-conscious shoppers seek the feeling of uniqueness by finding cool products (Hur, 2020; Ferraro et al., 2016). For fashion-engaged females, thrift stores offer a means to express individuality, fashion identity, and the desire to stand out (McNeill & Venter, 2019). In China, the perceived uniqueness of second-hand clothes, particularly vintage styles, resonates strongly with younger generations (Liang & Xu, 2018).

Barriers to Resale Market Growth

Despite the growing interest, several barriers hinder the expansion of the resale market.

Hygienic concerns: are a primary barrier for consumers considering second-hand clothing purchases, according to recent studies. Liu et al. (2023) highlight perceptions of uncleanliness due to clothes being previously owned, which affects consumer willingness to buy. Kim et al. (2023) found that hygienic concerns are more pronounced in C2C platforms. Xu et al. (2014) noted higher hygienic concerns among Chinese consumers compared to their American counterparts. However, blockchain technology shows promise in alleviating these concerns; Jain et al. (2022) found that participants expressed greater intent to use online second-hand platforms equipped with blockchain to address hygiene worries.

Quality concerns: present a significant barrier for consumers considering second-hand clothing purchases. Recent research highlights perceptions of lower quality associated with second-hand clothes, which can discourage potential buyers. In the UK, poor product quality ranks among the top reasons non-second-hand consumers avoid such purchases (Hur, 2020). Similarly, resale platforms in China face challenges with quality inconsistencies and counterfeit items (Liu et al., 2023).

Social Risks: Concerns about social status can deter consumers from engaging in second-hand shopping, as they fear potential negative perceptions associated with wearing pre-owned items. Studies in New Zealand and the UK have identified a fear of appearing low-income or cheap as a significant reason for avoiding second-hand purchases (McNeill & Venter, 2019; Hur, 2020). This concern is particularly pronounced in China, where historical contexts of limited access to new fashion products for all but the wealthy contribute to heightened social stigma (Liang & Xu, 2018; Liu et al., 2023; Xu et al., 2014).

Trust Issues: Trust poses a significant barrier for consumers considering second-hand clothing purchases, as highlighted in recent studies. Liu et al. (2023) noted concerns about trust stemming from information asymmetries and ineffective credibility systems on online platforms. Kim et al. (2021) found that overall trust in circular fashion services correlates positively with consumer attitudes towards these platforms.

Strategies to Overcome Barriers and Emphasize Motivators

Educating consumers and highlighting economic benefits.

To promote growth in the resale market, it is essential to adopt strategies that address existing barriers and capitalize on motivators. These strategies include enhancing the user experience, educating consumers, ensuring product quality, and fostering a sense of community.

Highlighting the significant cost savings for consumers when purchasing second-hand items compared to new ones is crucial. Using targeted marketing campaigns to showcase the affordability and value of high-quality second-hand clothing can emphasize the price-value ratio effectively. Educational campaigns should inform consumers about the environmental benefits of purchasing second-hand clothing, such as reducing waste and conserving resources, and address misconceptions regarding hygiene, quality, and social stigma associated with second-hand clothing.

Ensuring product quality and building trust.

Ensuring that all second-hand products meet high standards of cleanliness and durability is vital for quality assurance. Implementing robust authentication processes, especially for high-end brands, assures buyers of the quality and authenticity of their purchases. Creating a sense of community among consumers who participate in resale markets can be achieved through community-building activities and forums. Implementing rating systems and encouraging user reviews build trust among buyers and sellers. Providing comprehensive product details, including condition, usage, and care instructions, is essential for building consumer trust and interest. Encouraging sellers to give detailed descriptions and photos of the items enhances transparency and buyer confidence.

Developing intuitive and visually appealing resale platforms ensures a seamless and enjoyable shopping experience. Carefully considering the advantages and challenges of C2C and C2B2C models is crucial. For C2C platforms, balancing the interests of buyers and sellers is important, while for C2B2C platforms, offering fair compensation and transparent value-added services builds buyer confidence.

Optimizing resale platforms and enhancing user experience.

Implementing loyalty programs can retain both buyers and sellers and enhance user engagement. Offering return options and clear return policies address quality concerns and boost buyer confidence. Educating consumers on proper product care extends the lifespan of clothing and aligns with circular economy principles. Promoting long-standing inventory through strategic pricing adjustments and enhanced visibility can effectively manage inventory. Implementing recommendation systems to suggest alternative items and additional products from the same seller based on consumer preferences enhances the shopping experience. Using seasonal promotions drives sales and attracts more buyers and sellers.

Resale platforms collaborating with brands to explore trends, markdown strategies, and resell returned or older stock items on the platform can enhance platform performance. Collecting and analyzing platform data identifies areas for improvement and helps understand consumer demographics and behavior. Using predictive analytics optimizes pricing strategies and boosts sales.

Implementing these strategies can effectively address the challenges and leverage the motivators to foster growth in the resale market, promoting a more sustainable fashion industry and a thriving circular economy.

Technological Integration in Resale Markets

Technological advancements are essential for scaling the resale market, offering solutions that enhance transparency and efficiency. Various technologies can be leveraged to support resale and make it more efficient.

Digital Product Passports:

Digital product passports provide detailed information about each product, ensuring authenticity and aiding in lifecycle management. These passports can include data on the materials used, manufacturing processes, and care instructions, which help in improving the value chain and condition of second-hand items.

QR Codes and Digital Twins:

QR codes and digital twins link physical products to their digital data counterparts, enhancing traceability and consumer engagement. Scanning a QR code can provide instant access to a product's history, including previous ownership, maintenance records, and any refurbishments. Digital twins, which are virtual replicas of physical products, allow consumers to interact with and explore product details online, boosting transparency and confidence in the resale process.

Data Sharing Platforms:

Platforms like MiCollect facilitate data sharing across the value chain, from production to recycling. By integrating data from various stages of a product's lifecycle, these platforms help brands track and improve product longevity. This holistic view of product data enables more efficient management of inventory, better prediction of resale values, and informed decision-making for sustainability practices.

The integration of these technologies collectively enhances transparency, trust, and efficiency in the resale market. By providing detailed product information through digital product passports, consumers can make more informed purchasing decisions. QR codes and digital twins improve traceability, making it easier for consumers to verify product authenticity and history. Data sharing platforms ensure that all stakeholders in the value chain have access to relevant information, promoting collaboration and improving overall product management. These innovations not only enable growth and sustainability of the resale market but also contribute to a more circular economy by extending the lifespan of products and reducing waste.
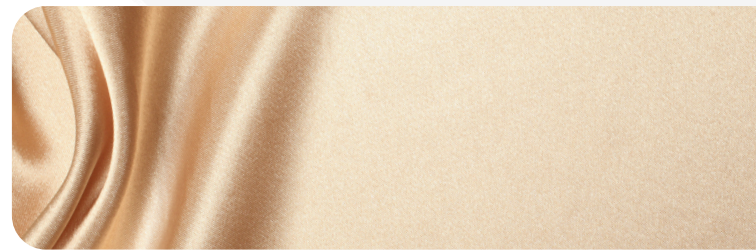
Conclusion

The fashion industry's shift towards a circular economy is crucial in addressing the environmental and social impacts of overconsumption and textile waste. The growth of the resale market, driven by economic benefits and climate awareness, highlights a significant change in consumer behaviour. However, overcoming barriers such as hygienic concerns, quality perceptions, and social stigma is essential for further expansion. Strategic initiatives by resale platforms, including consumer education, improved user experience, technological integration, and collaboration with brands, can enhance trust and participation. As the resale market continues to evolve, leveraging these strategies and technological solutions will be pivotal in promoting sustainable practices and achieving long-term success in the fashion industry.

## Reflection questions for brands, focusing on enhancing the resale market experience:

- How can technology be utilized to build consumer trust and improve the resale experience?

- What measures can be implemented to address consumer concerns about the quality and hygiene of second-hand clothing?

- What unique value propositions can be developed to differentiate resale platforms from competitors?

- What strategies can be used to engage consumers effectively and build loyalty in the resale market?

- How can resale platforms foster a stronger sense of community among users to enhance engagement and loyalty?

Resale

Does your brand consider goin in to resale read more about the different strategies on the TRACE website.

Strategies for resale
→ In-house resale program (direct resale by the brand)
→ White-label resale solutions
→ Trade-in programs and vouchers
→ Resale partnerships with third-party retailers
→ Partnership with a resale platform and NGO's (collaboration model)
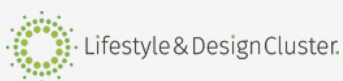
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