

The Recommerce Era - *Its Now or Never for Retailers*

Ayushi Jain,

Global Head of Presales
Sales and Marketing,
LatentView Analytics, Chennai, Tamil Nadu, India

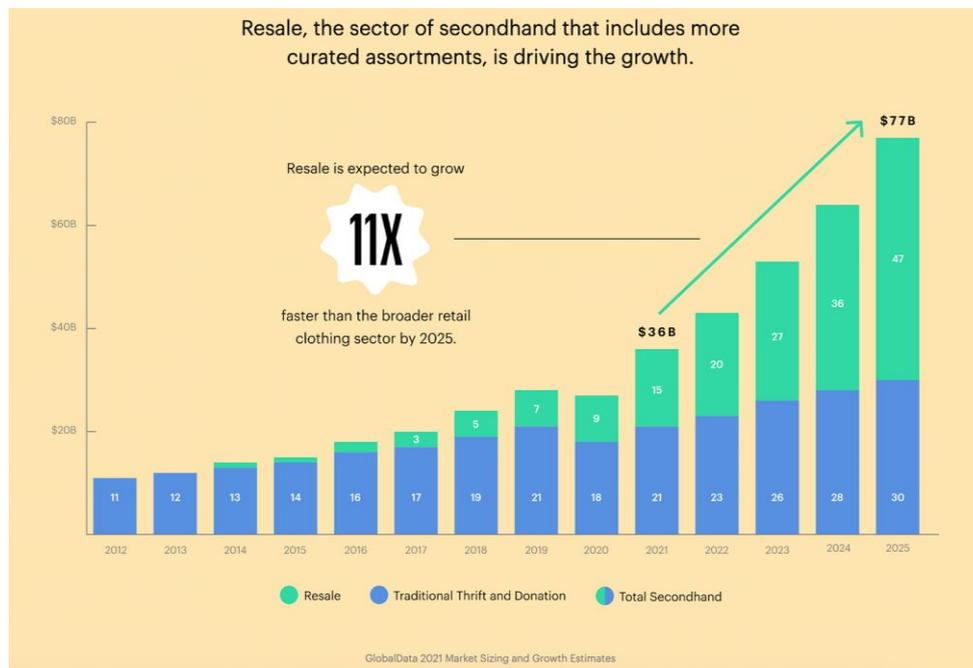
Abstract: A succession of seismic events has dismantled the retail industry. The closure of physical stores, a shortage of raw materials, a changing consumer pulse, and dropping sales have left many retailers scrambling to effectively serve customers and improve engagement. Looking ahead, the industry is likely to face a more challenging growth environment. Thus, it becomes imperative that retailers across the sector must reckon with the new realities and develop solutions or methods to sustain their businesses, retain customers, and ensure long-term growth and profitability.

Recommerce, an art of reselling old/used goods, is one such area that is gaining momentum across the retail community. Though it has been in existence since 1700, today's growth is like never before. It is one of the fastest growing areas, 11 times faster than traditional retail. According to a study by ThredUp, the secondhand/resale market is projected to double in the next five years, reaching US \$77 billion. Is recommerce the next best strategy for retailers? Is it the right time for traditional retailers to make a shift to recommerce? In this paper, we will answer these questions about recommerce and the importance they hold for consumers and businesses.

Index Terms: Recommerce, Analytics, Retail, Inflation, Secondhand Market, Customer Experience.

I. RECOMMERCE IS GROWING 11 TIMES FASTER THAN TRADITIONAL RETAIL

Resale or recommerce is one of the fastest growing segments of the retail economy. Recommerce is the art of reselling refurbished and upcycled goods in the market. Online resale platform ThredUp in partnership with GlobalData, has revealed in its 2022 Resale Report that the global second-hand apparel market is expected to grow by 127 % by 2026 – more than three times faster than the global apparel market overall. According to a study by ThredUp, the secondhand market is projected to double in the next five years, reaching U S\$ 77 billion.



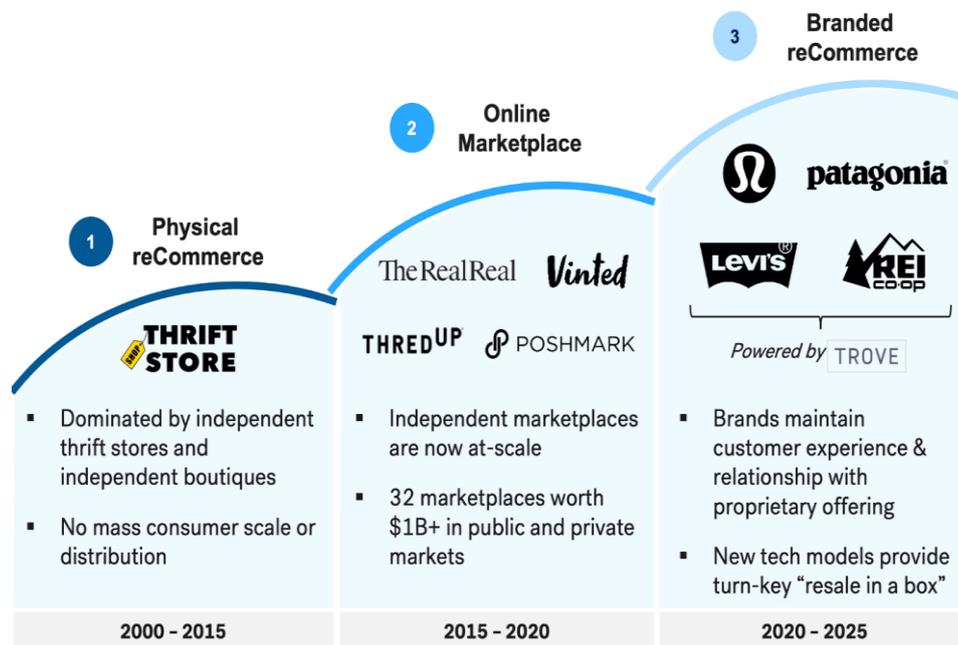
[Source](#)

Given that the second-hand clothing market is growing 11 times faster than retail and because of its rich benefits (both for the brands and for the environment), established brands in the fashion and retail sectors have started making moves to capitalize and invest in this concept. Currently investments in the recommerce sector are valued at \$24 billion, a figure that's expected to more than double to \$51 billion over the next two years. Overall, the recommerce sector is in a transformation stage: fueling growth and revenue, promoting brand loyalty and engagement, and accelerating the concept of the circular economy.

II. THE JOURNEY OF RECOMMERCE FROM EXISTENCE TO EMERGENCE

The second-hand clothing trade has existed quietly for centuries. In 1700, second-hand clothing stalls were scattered across London, in both the East and West End. They existed mainly to clothe the poor but also benefited the emerging middle classes.

While the second-hand trade flourished throughout the eighteenth century, industrialization in the nineteenth century made new clothes more affordable and thus caused a relative decline in the second-hand clothing trade. However, second-hand trade remained a central way for the poor to buy clothing, and it was at this point that it became associated solely with poverty. In contrast, twenty-first century vintage shops are fashionable and innovative, and often marketed towards a trendy, environmentally conscious, and affluent consumer.



[Source](#)

The sale and purchase of secondhand goods online was introduced by eBay in 1995. In the years since eBay, "second-hand shopping" lost its stigma and became blurred with traditional e-commerce shopping. What was once referred to as "thrifting" has now become unmistakably mainstream. Now, even market leaders like Levi's are tapping into this opportunity.

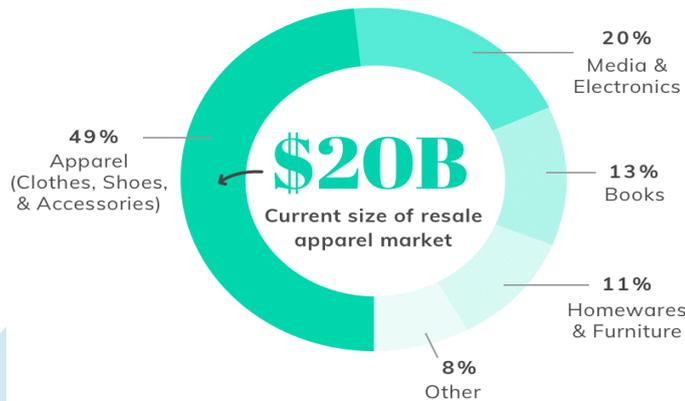
III. FOUR MAJOR FACTORS DRIVING THE GROWTH OF RECOMMERCE

A culmination of multiple factors has led to the growth of recommerce. Shifting customer habits, supply chain issues, focus on sustainability and inflation are the prominent factors in driving the rise of the recommerce era. Below we will talk in detail about a few important factors fueling growth in recommerce:

1. **The inclination and influence of GenZ and Millennials:** As per data from Depop, a recommerce platform, it has more than 31 million registered users as of 2021, 90% of whom are under 26. Poshmark and Vinted have even more, with 60 million and 45 million users, respectively[Link]. Gen Z and Millennials are the biggest drivers of the recommerce marketplace. Their price-conscious attitude, coupled with rising calls to make sustainable and environmentally friendly decisions, makes second-hand clothing a more practical and appealing option that ticks a lot of boxes. It's more affordable and economical than new clothing, and, moreover, ethically responsible.
2. **The idea of a circular economy is taking precedence:** Nearly 50% of consumers globally are choosing to buy from brands with a clear commitment to sustainability. A circular economy is more than just going green. Take the clothing industry, for example, which is producing 100 billion items of clothing each year on a planet with less than 8 billion people, resulting in lots of waste generated. Recommerce is one way to approach sustainability. If more and more people are using pre-owned items, the consumption of resources can be reduced.
3. **Inflation is pinching consumers' pockets:** A survey conducted by FlooFound states that inflation is disrupting the status quo, with nearly 7 in 10 Americans (69%) reporting that rising prices of goods have changed consumer perception and shopping habits. Most respondents (71%) have already purchased used or resale items in the past year with this number expected to rise every year, with 3 in 4 (76%) Americans planning to buy a used or resale item in the next year.
4. **Disrupting supply chain:** 56% of retailers experienced moderate disruption from the pandemic, with the majority of U.S. retail operations having a supply chain accuracy of just 63%. Disruptions can result in significant delays and re-stocking issues. For example, 34% of businesses have shipped an order late because they sold a product that wasn't in stock. Supply chain disruptions can cause a massive loss in revenues. And, other aspects of business that can be hit hard by supply chain disruptions, including logistics and businesses' overall reputation, which see an average 54% hit.

IV. APPAREL, SHOES, AND ACCESSORIES LEAD THE RESALE MARKET

Apparel constitutes the largest portion of the resale market. In the clothing sector, the resale market is expected to grow 16 times faster than non-resale over the next four years. More consumers are saying they are willing to buy secondhand, with interest in other categories like furniture, appliances, and electronics growing. Online resale platforms have spurred the growth of hundreds of small businesses specializing in second-hand goods.



Source

The Joint Economic Committee of The United States released a survey in 2019 affirming that, only in the US, consumers spent nearly \$380 billion on apparel and footwear. Coresight Research, a global research and advisory firm specializing in retail and technology, reported recently that it expects the US fashion segment of the resale economy to grow 16% this year to \$25.9 billion, and another 15% next year to nearly \$30 billion. Fashion resale has more than doubled since 2008, when sales were less than \$10 billion.



As per Statista, listed are a few insights about the secondhand market:

1. A considerably high CAGR of 14.2% is expected to be seen in the t-shirt and shirts segment owing to changing consumer pulse. The demand of women working force is on rise and hence the demand for casual and formal t-shirts
2. Online retailing is expected to show a CAGR of 18.7% in the global secondhand apparel market as we see a shift in their focus from traditional thrift stores to online used clothing platforms to boost their sales and to expand their customer base.
3. Women consumers are expected to contribute a maximum revenue share of 45.2% in the global secondhand apparel market owing to the rising number of fashionable clothing producers and desire for luxury clothing.

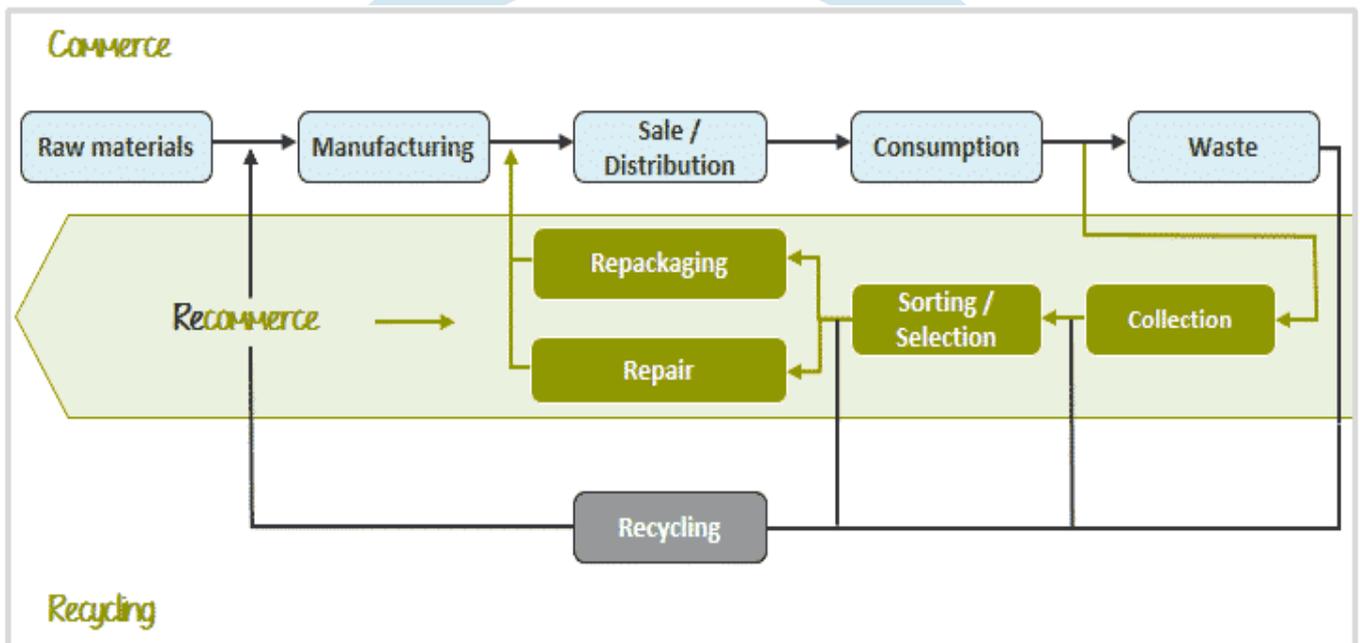
As the Covid-19 pandemic and inflation continues, it's likely that recommerce will gain even more market share. In the midst of this crisis, households are more budget-conscious than ever (yet still interested in aspirational brands) and are more likely to shop via digital channels to comply with social distancing guidelines.

V. RECOMMERCE HELPING RETAILERS TO STAY COMPETITIVE

Recommerce is helping retailers in two ways -

Firstly, recommerce is attracting consumers for a variety of reasons. The recommerce market offers a sustainable path to shopping, helps consumers save money, and provides access to premium and luxury goods that would otherwise be unaffordable. Additionally, many consumers are earning money as sellers, which brings additional foot traffic into recommerce establishments.

Secondly, retailers can save on resources, inventory, and production costs. The image below shows the process of commerce and recommerce. Commerce starts with raw materials that are sent for manufacturing a product. Once the product is ready, it is shipped to the warehouses and retail stores for sale to consumers. Then, either the customer will dispose of the product in case of non-usage/ damage or resell the product to either a customer or recommerce companies. These firms sort and select the items and, accordingly, either refurbish/repair/repackage or dispose of them. Once the product is ready it is again sent for sale. In the recommerce process, most of the money and resources relegated to manufacturing and production are saved.



[Source](#)

Therefore, it is a win-win business for both consumers and retailers.

VI. MARKET LEADERS ARE CAPITALIZING ON THE OPPORTUNITY

With a great committed consumer base, it's no surprise that high-profile brands and market leaders are trying their hand in the resale/recommerce market. Be it fashion, electronics or homeware/furniture, the reach is widening. High Street retailers and iconic fashion houses like Hugo Boss, Ganni, Marks & Spencer, Lululemon and Pacsun, have stepped into resale in recent years and are now all announcing either the launch or expansion of their resale offerings. Additionally, Gucci is partnering with TheRealReal to recycle/upcycle garments; Richemont has acquired UK-based watch specialist Watchfinder, thereby gaining new distribution channels and becoming a retailer of rival brands; and Kering has invested in Vestiaire Collective to improve its customer experience and boost its sustainability and go green efforts.

The Recommerce Landscape

Enablement

End-to-End	Software Solutions
     	    

Marketplaces

Luxury	Fashion	
    	    	
     	    	
Sneakers & Streetwear	Children	Furniture & Home
   	   	     
Kitchen Sink		
         		
Electronics	Collectibles & Crafts	Beauty
  	  	

[Source](#)

VII. TECHNOLOGY IS A MAJOR DRIVER IN SUCCESS OF RECOMMERCE

Technology and online marketplaces are the major driving force behind the rise of the secondhand market. From retail-as-a-service to authentication to managed marketplaces, companies in the retail industry are making the process of giving old items new life in more seamless and efficient ways. Technology has reactivated the way people shopped for pre-owned clothing items and accessories. People no longer must physically go to thrift stores or wait for hours in order to find the wardrobe pieces of their dreams. This is all because there is digitalization of the entire resell market. Now, a multitude of different resale technologies have not only accelerated the process but also enhanced the experience of the customer to make their lives easier.

1. **Analyzing the market:** The reselling process begins with analyzing the market, discovering the wants and needs from the consumers and comparing the appropriate products, before moving on to decide which products you would like to supply to your future customers. As a reseller, you're recommending specific products within the market based on solid research and what you think will best meet consumers' wants and needs. This can be easily done using social listening techniques using artificial Intelligence and machine learning.
2. **Returning old goods:** This has become easier than ever. [Depop](#), which was founded in 2011 has been a popular site for the selling of second-hand clothing, as well as original pieces from emerging designers. It is popular amongst the younger generations (Gen Z and Millennials) with popular artists and social media influencers having their own virtual stores set up on Depop, including Megan Thee Stallion, Winne Harlow, and Tessa Holliday, among many others. Not only this, but AR/VR will also revolutionize the customer experience more than ever.
3. **Authentication and refurbishment:** This is getting better and more efficient, giving customers more confidence in shopping second-hand. For example, Mercari uses photos to authenticate items, while Grailed uses in-house moderators that analyze digital listings. Renewal Workshop works with brands like Eagle Creek and The North Face. They collect used products, refurbish/repurpose them, and then resell them through multiple channels. They also offer a one-year warranty on products they've refurbished. There are businesses like Entrupy who specialize in solutions that allow brands and sellers to verify the authenticity of second-hand luxury products. Entrupy's AI system is trained to recognize counterfeits simply from photos.
4. **Right and efficient pricing:** This has also become easier with the use of analytical techniques. It is easier to set up a competitive price to drive the sale of items with the help of AI prediction techniques. Dynamic pricing strategy is something that is gaining popularity. This technology has enabled 24/7 communication with customers, flexible payment options and easier ways to buy products.

5. **Last mile delivery:** At the end this boils down to a company's last-mile delivery process. That means, for a company to survive in this market, they need to find ways to improve efficiency in this area and no doubt technology has been a driving force in this.

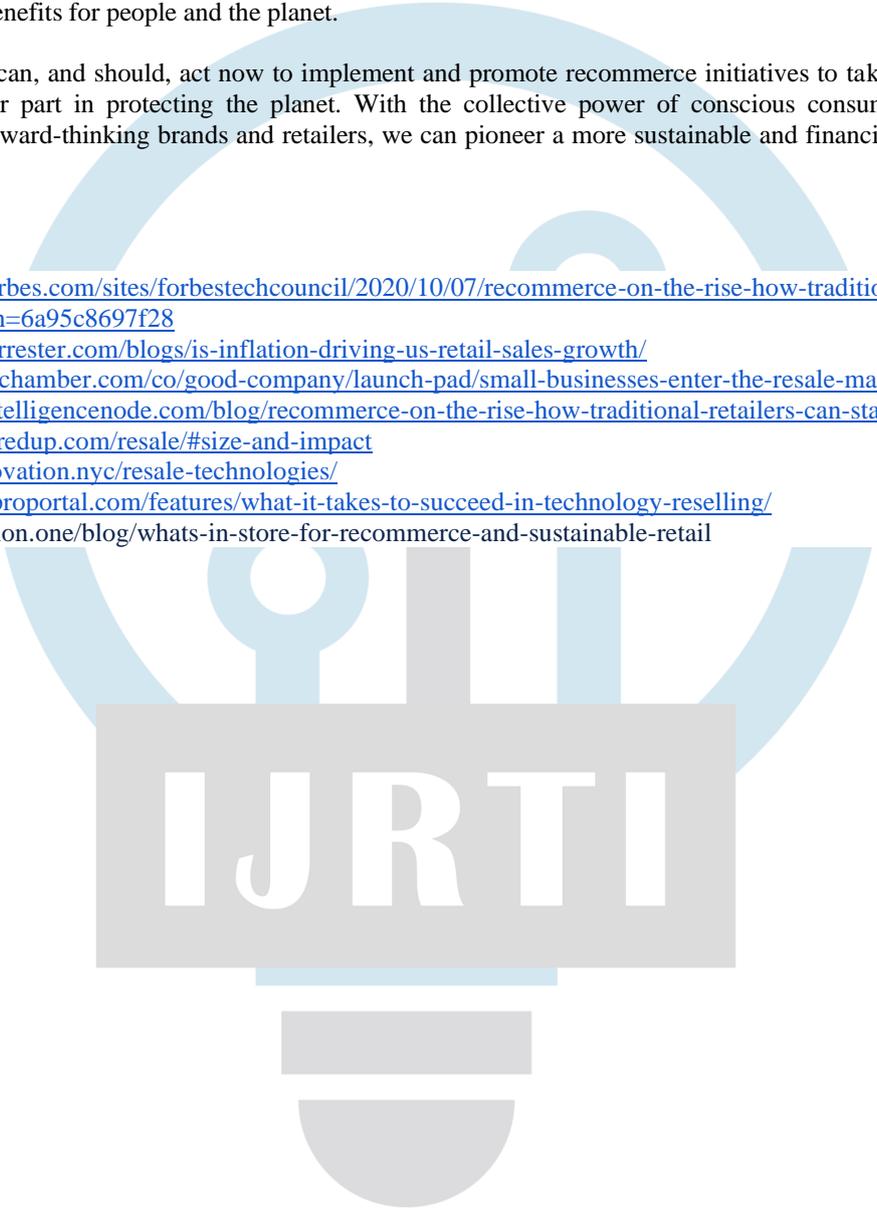
VIII. CONCLUSION - RECOMMERCE IS AN INEVITABLE PART OF RETAIL'S FUTURE

Recommerce has emerged from Covid 19 in an extremely powerful position. More consumers are shopping secondhand and sustainable goods, growth has accelerated, and the interest has shifted from traditional retailers. The economic outlook remains undetermined with inflation driving apparel prices higher and higher, more shoppers appear to be turning to recommerce to make their budgets stretch further. These things will ensure recommerce remains a disruptive part of the market across the world. As consumers focus more on sustainability, this will speed the adoption of recommerce. Though we are in the nascent stages of this trend, the emergence of newer brands in the space and traditional retailers embracing recommerce models is a positive sign for growth, with clear benefits for people and the planet.

Retailers and brands can, and should, act now to implement and promote recommerce initiatives to take market share, increase revenue, and do their part in protecting the planet. With the collective power of conscious consumers, technology, resale marketplaces, and forward-thinking brands and retailers, we can pioneer a more sustainable and financially stable future for the fashion industry.

REFERENCES

1. <https://www.forbes.com/sites/forbestechcouncil/2020/10/07/recommerce-on-the-rise-how-traditional-retailers-can-stay-competitive/?sh=6a95c8697f28>
2. <https://www.forrester.com/blogs/is-inflation-driving-us-retail-sales-growth/>
3. <https://www.uschamber.com/co/good-company/launch-pad/small-businesses-enter-the-resale-market>
4. <https://www.intelligenode.com/blog/recommerce-on-the-rise-how-traditional-retailers-can-stay-competitive/>
5. <https://www.thredup.com/resale/#size-and-impact>
6. <https://fashinnovation.nyc/resale-technologies/>
7. <https://www.itproportal.com/features/what-it-takes-to-succeed-in-technology-reselling/>
8. <https://www.talon.one/blog/whats-in-store-for-recommerce-and-sustainable-retail>

A large, light blue watermark of a lightbulb is centered on the page. Inside the bulb, the letters 'IJRTI' are written in a bold, white, sans-serif font. The bulb has a grey base and a semi-circular bottom. The watermark is semi-transparent, allowing the text of the page to be seen through it.

IJRTI