

A State of Fashion Re-commerce: From Operational Perspectives

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As the war against fast fashion continues, consumers and retailers alike have set their sights on becoming more environmentally and socially conscious. The recent spike supports this notion in the fashion resale movement. According to thredUP, an industry leader in secondhand fashion e-commerce, and their annual Resale Report, the fashion resale market is a \$36 billion industry that is expected to double by 2025. According to the thredUP report, 41 retailers have incorporated a fashion resale operation into their business model (thredUP, 2022; McKinsey & Co., 2022). This paper aims to scope re-commerce as a significant part of the fashion industry's effort toward creating a more sustainable future by prolonging the product life span. In this paper we critically analyze third-party tech intermediaries that offer back-end to support national/global retailers such as P2P marketplace and pure business operation providers, among others. We aim to conduct an in-depth review of the technical operational mechanism of fashion re-commerce. The paper contributes to the academia and scholars by sharing the state of art literature review.

If fashion retailers are in the driver's seat of branded re-commerce, then we must view their third-party tech counterparts as shiny new cars. These tech intermediaries use logistical and analytical end-to-end product management to ensure a more circular customer experience in resale (Trove, 2022). Above all else, different retailers have different target audiences. Depending on their price point, product category, and target demographics, these retailers all possess distinct needs from one another. As a result, we developed three categories to differentiate their business model and operations: a) Peer-to-Peer Marketplaces and b) Pure-Business Operation Providers.

Peer-to-Peer Marketplace

The concept of selling secondhand items peer-to-peer over the internet is common in today's interconnected marketplace. Communal hubs for collaborative consumption have grown to become household names in the resale space since the dawn of e-commerce. We focus on two secondhand apparel marketplaces: Vestiaire Collective, an industry-leading pre-loved luxury platform, and Depop, a community of trend-driven consumers primarily catering towards Gen-Z. The two companies are different in price point and target audience but offer similar services in branded re-commerce.

Vestiaire Collective. Vestiaire Collective has raised over \$662 million in total funding (Vestiaire Collective, 2021). Among the investment pool are some of luxury's most respected companies, Kering, and mega publishing house, Condé Nast, further driving home the narrative that not only Vestiaire but secondhand luxury as a whole is leading the fashion industry for the

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foreseeable future. Although Alexander McQueen is Vestiaire Collective's only high-end designer partnership, the marketplace has made unique relationships with multiple luxury department stores. For instance, Vestiaire Collective has launched multiple pop-up stores in Selfridges' locations across the U.K. (O'Connor, 2019). This has brought waves of trust and authenticity to the Vestiaire Collective brand while helping luxury department stores such as Selfridges promote sustainability in their own right.

Depop. Gen-Z and Millennial consumers took it upon themselves during the COVID-19 pandemic to take on secondhand clothing consumption head on. This wavering stigma amongst younger consumers has benefited Depop, the UK-based re-commerce platform. Consequently, over 90% of the marketplace's active users are aged 26 and under (Depop, 2022). The spending power of this demographic has proven to be incredibly powerful, leading Etsy to purchase Depop for north of \$1.5 billion in 2021 (Etsy, 2021).

Pure-Business Operation Providers

In contrast, pure-business operation providers, such as Trove and Reflaunt, exist more so behind the scenes rather than as a transactional marketplace. This unique partnership service includes supply chain management, shipping, and processing logistics, analytical data retention, and website development (Reflaunt, 2022).

Trove. For example, Patagonia has its own resale e-commerce website, yet it is fully powered using Trove's A.I capabilities. This partnership between retailers and intermediaries often forms out of necessity. Retailers still need to become more experienced with resale operations to go ahead and operate an efficient program on their own. With the help of a third-party business operation partner, retailers have found immediate success through branded re-commerce. Furthermore, Trove has already partnered with some of the biggest names amongst the early adopters of a resale program such as Lululemon, Levi Strauss, and Eileen Fisher, among others (Trove, 2022). The third party's first and most successful retail partnership is with Patagonia. The outdoors brand launched its 'Worn Wear' resale program in 2017, achieving an increase of 40 percent in sales year-over-year since then (Patagonia, Annual Report, 2021). Early success was inevitable, given the resale spike during COVID-19, but there is reason to assume longevity. According to Trove's CEO Andy Ruben, over 70 percent of Trove brand customers purchase from that brand for the first time (Business of Fashion, 2021). Moreover, Trove offers back-end operational expertise to REI, which connects with its consumers through a 'co-op' program. One key component of this program is REI's Good & Used initiative, which allows consumers to resell their secondhand items back to the retailer in exchange for store credit. This transactional involvement with the retailer has strengthened the consumer's sense of empowerment and connection to the retailer (Turunen et al., 2020). Other hedonic benefits are met as a result of selling used garments, particularly regarding the satisfaction associated with being offered cash and store credit in exchange for their consumer's used REI apparel (Ferere, 2022). Arc'teryx is another leading outdoor goods retailer which has partnered with Trove. With Trove's logistic support, the retailer has operated a successful resale program as a part of its larger initiative towards a circular economy (Arc'teryx, 2021). By offering high-level, post-

purchase services such as product repairs, garment recycling workshops, and their resale program, 'Used Gear,' Arc'teryx has built stronger connections with their customers. According to the retailer's Vice President of Re-Commerce at Arc'teryx, more than 63 percent of 'Used Gear' consumers were new to the brand entirely in 2020 (D. Showers, personal communication, October 2021). This resale endeavor's early success can be a serviceable blueprint for other retailers considering implementing branded re-commerce into their business model.

Reflaunt. Like Trove's business model and operation, Reflaunt has found immediate success by partnering with some industry-leading retailers. The most notable of Reflaunt's business partners, Balenciaga and its parent company Kering has invested time and money into the tech company's future. Through their collaboration, Reflaunt provides Balenciaga with the capabilities to operate its resale program successfully. Consumers can now resell their used Balenciaga garments to the design house in exchange for cash or store credit (Reflaunt, 2021). Interestingly, no information is available regarding what Balenciaga plans to do with all of its newly acquired secondhand garments. Reflaunt is simply a product management company and does not sell any product. Reflaunt claims that they have 50 million shoppers across their global network, including Harvey Nichols, Net-A-Porter, Mr Porter, GANNI, and other platforms such as eBay, and Vestiare Collective, among others. (Reflaunt, 2022).

In closing, fashion re-commerce can be achieved through partnering with a) P2P marketplaces such as Vestiare Collective and Depop or b) third-party tech intermediaries that offer back-end to support national/global retailers including Reflaunt or Trove, among others. The paper offered the insights learned from the analyses of the fashion industry practices among the leading fashion brands, from moderate price points to outdoor gear specialty retailers to high-end luxury brands. We concluded that the fashion brands' sustainability goals can be achieved by adopting a re-commerce strategy as a possible solution toward creating a more sustainable future by prolonging the product life span and increasing the loyal customer bases for the overall business.

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