



## Second-hand strategies – Resale retailers' product and pricing trends

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**Amid rising concerns about the environmental and ethical impact of fast-fashion, the market for second-hand clothing is soaring – with younger generations leading the charge. Martha Girard and Dr Sheng Lu from the University of Delaware take a closer look at how resale retailers' merchandising strategies are shaping up.**

Thanks to the increasing awareness of sustainability, more consumers than ever – especially Millennials and Generation Z – are turning away from "fast fashion" and moving to shop second-hand clothing. Industry sources predict this resale market in the United States alone could exceed US\$51bn by 2023, a substantial increase of 82% from 2019.

The boom also aligns with the growing popularity of so-called circular fashion, which is widely regarded as a new growth engine and market expansion opportunity for apparel companies. Notably, fashion retailer H&M recently [announced the launch of a resale business for its Cos label](#). And iconic US fashion company Gap Inc earlier this year [partnered with the ThredUp resale site as part of its sustainability strategy](#).



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While many industry reports and studies have explored consumers' motivations for second-hand shopping, retailers' merchandising strategies are less well-documented. Based on data collected from several industry sources, this article helps fashion companies better understand and navigate the growing, competitive, and dynamic second-hand clothing market.

### Market overview

**Worldwide growth of the second-hand clothing market is soaring.** According to a recent study by ThredUp, the value of second-hand clothing retail sales has grown more than ten times faster than new clothing sales in recent years. Other industry sources also found that between 2018 and 2019, the total number of second-hand clothing products available for purchase more than doubled. Should the trend continue, the size of the second-hand clothing market could even exceed demand for fast fashion in just a few years.

**Some of the largest and fastest-growing second-hand clothing markets are located in developed economies,** including the United States, Japan, Germany and France. These shoppers include many Generation Z college students. Rather than merely seeking trendy items at a more affordable price, this young generation is motivated to shop second-hand clothing because of their genuine awareness of sustainability, climate change, and the enormous environmental impacts of fashion consumption.

**Key players are different from those in the new clothing business.** For example, Tradesy, Vestiaire Collective, Beyond Retro and Rakuten are among the top sellers of used clothing in the US, even though their names may not be familiar with consumers who shop only for new clothing. Notably, small and medium-sized (SME) retailers are critical components of the second-hand clothing market. For instance, Lo's Upcycled is popular among college students in the Delaware area. However, thanks to e-commerce, even SME second-hand clothing retailers can reach out to a much broader group of consumers and ship their products across the country.

**Premium and luxury items are important components of the market.** Industry sources indicate luxury products make up nearly 40% of the second-hand clothing items sold in the United States, compared with less than 20% for new clothing items. European brands such as Chanel, Gucci, Dior and Burberry are incredibly popular among US second-hand clothing shoppers.

It is also interesting that more and more traditional fashion brands and retailers are now entering the resale clothing market – including luxury department store Nordstrom, which made the move in early 2020 to appeal to younger and more sustainability-conscious consumers. Through the 'See You Tomorrow' initiative, Nordstrom buys back clothing from consumers and resells it both online and in selected physical stores. **This market is likely to become increasingly crowded in the future, with a diverse group of players competing with each other.**

### Product assortment strategy

Overall, second-hand clothing retailers adopt a very different product assortment strategy compared with new clothing retailers.

**#1: More gender-balanced** than fashion retailers would usually carry for new clothing lines. Womenswear typically accounts for around 60% of a clothing retailer's product assortment. However, market data from several sources suggests that in France, Japan and the US, menswear, and womenswear each account for roughly half of the items sold in the local second-hand clothing market from 2017 to 2019. One possible explanation is the supply of second-hand clothing, as retailers often do not have control over what products they sell since many rely on consumers' donations or consignment.

**#2: Distinct apparel categories.** A detailed analysis of apparel items sold by several leading second-hand clothing retailers, including ThredUp, Tradesy, Vestiaire Collective, Rakuten and Beyond Retro, shows that **over 90% of menswear available for sale is in the outerwear, tops and bottoms categories.** Likewise, over 80% of womenswear is **dresses, tops, outerwear and bottoms.** Products in these categories can be seasonal or stay trendy for a relatively short period of time, meaning fashion-oriented consumers are more likely to donate or put them on the resale market. In comparison, it is much rarer to see a second-hand clothing retailer carry underwear, hosiery and nightwear. These pre-owned intimate items generally have limited supply and demand; they are also relatively low in value, and more challenging to keep in good shape.

**#3: Graphic garments** make up nearly over half of the clothing in the resale market, according to a visual content analysis of the items sold by leading retailers, regardless of the gender. In comparison, graphic clothing only accounts for around one-third of the items available in the new clothing market. Graphic garments, particularly those in certain categories such as T-shirts and polo shirts, can be fad-products with a very short fashion cycle. This explains why consumers are more likely to donate or sell their old graphic prints to make room for the trendiest new ones.

### Pricing strategy

**Most items are priced at about 50%-75% off their original retail price.** For example, women's dresses originally priced from \$70 to \$120 in the new clothing market are sold at \$15-\$20 on TredUp. Despite the apparent low selling price, second-hand clothing retailers may still be able to earn a decent profit as many garments for sale are donated for free. Meanwhile, some small and mini-sized online second-hand clothing retailers price their items in a more casual way, rather than using any particular pricing formulas. For example, a single selling price could apply to all clothing available for sale on a website despite a great variety of product categories, production cost, and original selling price. Non-financial goals, such as contributing to reduced carbon footprint and raising public awareness of fashion sustainability, could be the main drivers of these second-hand clothing boutiques, rather than making a profit.

**The pricing strategy for "vintage" items is very different.** For example, when keywords such as "vintage" or "rare" are added to the product description of a second-hand clothing item, the average selling price could surge dramatically. Industry sources show that the average retail price for second-hand "vintage" women's dresses and outerwear sold in the US market exceeded \$550 and \$800 in 2019, respectively. These items are often in the luxury segment of the market and sought after by buyers looking for something unique for collection or investment purposes.

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