

Fabrique Vintage clothing store in Australia, which was partly closed amid the pandemic – a time when online resale grew at a breakneck pace.


SUSTAINABILITY

The Resale Market: Who's Playing, Who's Leading, Who's Emerging

- The RealReal, eBay, Etsy, Mercari, Poshmark and more debriefed in an analysis of the leading resale marketplace platforms.

BY KALEY ROSHITSH

While **secondhand** is nothing new, incoming and existing resale players are changing faster than the listings in a Gen Zer's Depop shop.

The space today is best described as a playground of peer-to-peer selling apps, managed marketplaces, re-commerce and logistical powerhouses alongside the age-old brick-and-mortar charity shops and retailers getting in on the action.

To isolate resale's players, leaders and newcomers, it's worth taking stock of the market and its movements.

SETTING THE RESALE SCENE

The average reseller isn't venturing over to glossy marketplaces, but may actually be engaging on a platform like Facebook Marketplace relinquishing goods to nearby buyers in a shabbily shot photo

and minimal merchandising – despite the attention around the newest and most exciting platforms.

That being said, ever since The RealReal's initial public offering and sustainability's increasing trendiness, industry and investor eyes have been locked on resale and lookalike marketplaces spawned thereafter.

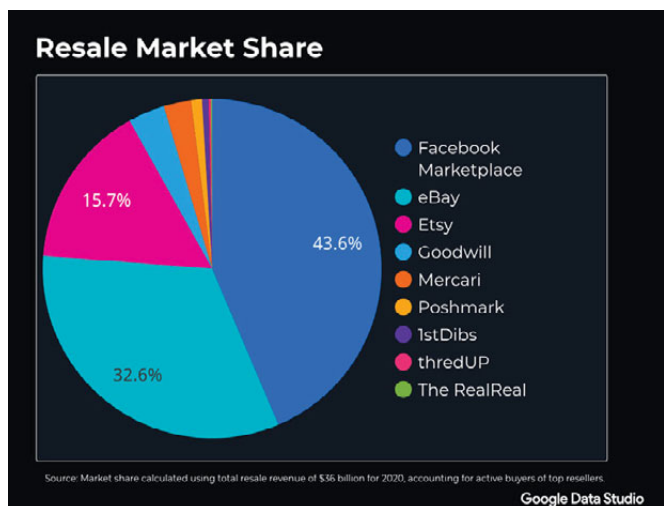
Marketplaces typically fall into three formats: traditional (like flea markets), managed (The RealReal, StockX, ThredUp, Rebag) and peer-to-peer marketplaces (Etsy, Depop, Poshmark, eBay).

Of course, the list is extensive as more players emerge.

There are also the re-commerce and logistics partners to consider, among them Trove (handling the behind-the-scenes resale for brands like Patagonia, REI and Eileen Fisher); Recurate (powering direct-to-consumer peer-to-peer marketplaces for brands like Mara Hoffman, Frye and Re/Done), and newcomer Treet, which launched in 2021 and counts Boyish Jeans in its mix.

And who can forget the long-standing thrift chains?

Nonprofits like Goodwill (hoping to be a \$1 billion resale site), Salvation Army and



Oxfam, for-profit shops like Savers (one of the largest for-profit thrift chains in the world, averaging \$1.2 billion in revenue) and Buffalo Exchange are also reigniting their value proposition as fashion resale burns bright.

Analysts say resale's potential is not to be underestimated.

"Fashion resale is a dynamic market, and I believe it has the potential in the long term to become 20 percent or more of the total apparel and footwear spending," said Boris Shepov, research analyst and portfolio manager of Fidelity Select Retailing Portfolio at Fidelity Investments.

Fidelity is a top shareholder of resale's big three marketplaces – The RealReal, Poshmark and ThredUp, which went public in succession.

But what's ushering in the category's

explosive growth?

Shepov attributes it to resale's "cool factor" as well as rising consumer awareness.

"We see that consumers want to save money, protect our planet and express themselves through fashion. Resale enables that through the 'treasure hunt' buying experience at a fraction of the new merchandise cost and with a wide assortment of often like-new merchandise," he said. "Additionally, my research finds that the carbon emission footprint of resale merchandise is only a fraction of that of new merchandise. Moreover, adoption is accelerating further as top brands and retailers recognize this paradigm shift and expand into resale."

Of the leading fashion companies by economic value creation, 30 percent ▶

of fashion players are designating funds to resale.

WHAT DEFINES RESALE'S LEADERS

The "treasure hunt" has become a delineating factor for resale's movers and shakers. Public financial reports spell out inventory as gross merchandise volume, or GMV, a measure of the total transactional value of goods and services puttering along the marketplaces, which is an indicator of who is actually getting the goods.

eBay leads the way with \$27.5 billion in transactions happening in its most recent financial report. Following eBay is Mercari, at \$7.15 billion (for its mainstay Japanese business; in the U.S. it's \$1.13 billion), Etsy at \$3 billion (which it reports as gross merchandise sales or GMV), StockX at \$1.8 billion, Poshmark at \$449.6 million, The RealReal at \$350 million and IstDibs at \$107 million.

Facebook Marketplace is a popular destination for everyday resellers. Facebook overall boasted an impressive \$26 billion in total revenue and 250 million monthly users for its platform in the first quarter, but the volume of its marketplace transactions is harder to track down because the company doesn't report it separately.

Although millions of marketing dollars are put up by platforms to lure buyers and sellers, that may not warrant stickiness in the community after all. Investors are keener to examine active buyers within a platform's community.

As Poshmark founder Manish Chandra puts it, bundling (or styling outfits for individuals) and live virtual shopping "Posh Parties" are just two social elements that liven the Poshmark community. On average, Poshmark users spend 27 minutes a day on the platform, and the community counts more than 30 million active users, but only 6 million users are actually buying.

While Facebook Marketplace counts 1 billion members, there are closer to 250 million monthly buyers, which is not far from eBay's 187 million monthly active buyers. Etsy is a force, too, counting 90 million active monthly buyers. The list goes down with Mercari (15 million), Poshmark (6 million), ThredUp (1.29 million) and The RealReal (687,000) among the public resale companies garnering consistent buyer traction. The RealReal's founder Julie Wainwright often speaks to the flywheel effect of turning buyers to consignors, enabling the company to surpass the milestone of \$2 billion in cumulative consignor commission payouts in the first quarter of 2021.

Comparing the aforementioned platforms, however, isn't an apples to apples contrast as those like Facebook Marketplace, eBay and IstDibs count much more than apparel in their stock, whereas those like The RealReal, Poshmark and ThredUp are focused on fashion. But the disparity between active users and a captive audience prompts the question: are resellers really craving community or profit? At the end of the day, money talks more than members.

"Resellers often have two priorities: the community and making money," said Alex Shadrow, partner and chief operating officer of List Perfectly, a software for resale entrepreneurs to maximize efficiency and profit by bulk crossposting resale listings across 12 popular peer-to-peer marketplaces including eBay, Poshmark, Mercari, Depop, Etsy, Shopify, Instagram, Facebook Marketplace, Kidizen, Grailed, Heroine and Tradesy.

Mercari has even promised to build out two physical locations in Japan for its seller community called "Mercari Stations" as well as unmanned mailboxes for shipping ease (called "Mercari Post")

to bolster its community appeal. Depop has all but become a meme with its flair for Y2K fashion.

While relative resale newcomers like The RealReal boast over a dozen stores now, brick-and-mortar space is still an area where old-school thrift chains dominate. For-profit thrift chain Savers counts more than 300 thrift stores, while Oxfam tops 1,200 stores and Goodwill is well over 3,000 stores worldwide.

"It's important for sellers to understand that each marketplace brings its own unique audience and customer base," said Shadrow, who prior to List Perfectly founded an on-campus, closet-sharing app called Relovv. "This is why cross-posting to multiple marketplaces with List Perfectly is so important. For example, Depop is the leader in Gen Z purchases with bestsellers including '90s vintage and streetwear. Meanwhile, Poshmark is the leading fashion marketplace amongst Millennials and beyond. EBAY remains the largest marketplace for all things resale across hundreds of categories from vintage clothing to furniture, electronics, antiques and collectibles and lots more. Conversely, Etsy is reserved for artists and small brands that sell their own original creations. Each marketplace has its own unique bestsellers and customer bases, and cross-posting is the key to reaching all of them."

Shadrow has a point that may actually validate Chandra's social commerce angle further: marketplaces are unique and unpredictable – a show like "Gossip Girl" or biopic like the anticipated "House of Gucci" will drive up interest in vintage wares. It's then that a vintage bag or accessory becomes a hot commodity, and the investment payoff will determine where he or she goes to list – not the community.

That being said, Shadrow believes the List Perfectly community is making gains with its #SellerCommunityPodcast and seller competitions.

Another advantage to resale is its built-in sustainability benefit, but as competition grows for resale the edge needs sharpening.

Secondhand poses an 82 percent reduction in carbon footprint compared to new clothing, according to market

insights firm GlobalData Retail. Carbon emissions avoided are a standard metric for resale platforms. Pre-loved platforms like The RealReal, Depop, ThredUp, StockX, eBay and more have published proprietary resale or "re-commerce" reports to the excitement of investors and trendy-savvy consumers alike, etching out environmental and social benefits of thrift.

With the urgency of the climate crisis, science rules in resale as in retail.

Out of the public (and private) resale companies analyzed by market share, handmade and vintage goods marketplace Etsy and veteran used goods seller eBay are the standout sustainability leaders by way of formalizing their aims by signing on to things like the Science Based Targets Initiative.

While eBay was late to the game in launching a formal re-commerce report – which it debuted only last year despite having a decade's head-start on newcomers like ThredUp or The RealReal – the company led the way in committing to a Science Based Targets Initiative in January 2021. The resale veteran also published its first Task Force on a Climate-Related Financial Disclosures investor report reinforcing its increased momentum toward climate transparency and action. In the first quarter, the company revealed a \$25 million investment in the Clear Vision Impact Fund to bolster small and medium-sized businesses that are based in, or support, underserved communities nationally.

Following suit in April, Etsy committed to science-based carbon emissions reduction targets in line with the SBTi and the prescribed 1.5-degree Celsius trajectory set by the landmark Paris Agreement, a global blueprint for keeping temperature rise under safe limits.

However, whether it's an electric vehicle, solar power or resale clothing, the argument that the alternative is simply better than the norm is falling away to favor clear-cut results.

"Nowadays, [the bare minimum claim] doesn't cut it anymore. People will no longer look at emissions avoided or landfill avoided, but active progress toward more sustainable textiles and products," said Joachim Klement, a London-based investment strategist at Liberum Capital. Fast fashion has obviously "aggravated that

[disposable] philosophy," he added.

"[Retail analysts] have started to look at the entire ESG factor as it relates to 'Are they reducing greenhouse gas footprint and track record?'" Klement said, noting that resale platforms will have to prove their environmental, social and corporate governance performance credibly, year after year, as with retailers. Margins, growth expectations, competitive pressures, volume of goods, authentication or third-party verification sourcing occupy the list of considerations for resale, too. (Some platforms, like Los Angeles-based peer-to-peer marketplace Tradesy and Mercari, have even touted the environmental gains of virtual authentication services as proof of the competitiveness in the space.)

As with Fidelity analyst Shepov, Klement finds material risks and increasing public pressure are changing the tune of the industry.

"The entire world is in a big transition in the sense that we are all increasingly becoming aware of how we did business and how we ran the world in the past. It has become evident that climate change has serious impact whether its heatwaves, wildfires, floods, you name it, it is evident all over the world," Klement said, calling the issue "extremely multifaceted."

THE EMERGING RESALE PLAYERS

Funding in private resale has gone wild.

Private resale companies hold a lot of promise if Vinted, StockX, Vestiaire Collective, Goat Group or Depop are any indication (the companies all topped \$100 million in total funding, with Vinted raising an impressive \$562.3 million in all, grabbing a recent \$4.2 billion valuation).

StockX isn't far behind with a \$3.8 billion valuation.

"Money-driven bankers will finance anything as long as there is a reasonable return," said Klement. But he sees the potential for the green bubble to burst in resale, and has said "green stocks will eventually suffer from excessive investor optimism and end in a bubble and crash."

Because of their notable investors, Vestiaire Collective (Kering), Sellopy (H&M), Stadium Goods (LVMH Moët Hennessy Louis Vuitton), Watchfinder (Compagnie Financiere Richemont), Thrilling (Closed Loop Partners) and Fashionphile (Neiman Marcus) are ones to watch closely regarding further partnerships.

Case in point: After first investing in Watchfinder in 2018, Richemont (which owns Yoox-Net-a-porter Group) announced Net-a-porter and Mr Porter's entry into resale with pre-owned timepieces from Watchfinder in July, rubber-stamping the evolution.

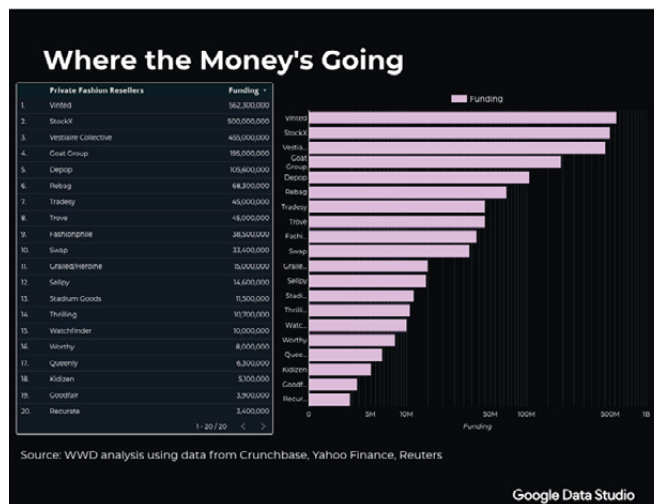
While the company is no newcomer, having been founded in 1999, Fashionphile is also on the move. The company scooped up a cumulative \$38.5 million in funding as well as property in Chelsea, Manhattan for a 60,000-square-foot luxury re-commerce center in June; by August the company jumped into physical resale with Neighborhood Goods.

More resale players have emerged, while amassing new funding and cult followings in their not-so-niche verticals. Specialized resale platforms are cropping up for outdoor gear (Requippier formerly called "Switchback"), formalwear (Queenly), furniture (Kaiyo) and kids' wear (Kidizen and Dotte among them).

Queenly, in its latest funding round announced last month, has scored \$7.1 million in funding to date. ■

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BORIS SHEPOV, FIDELITY INVESTMENTS.



From the leaders to the up-and-comers, where the funding is going and whether resale will spur a resurgence of physical shopping, WWD will dig deep into the sector's growing opportunity in this weeklong series.

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