

LUXURY MEMO SPECIAL REPORTS

## Secondhand luxury – Luxury Memo special report

May 11, 2018



WatchBox pre-owned watches can now be bought through Revolution Magazine's website. Image credit: WatchBox.

By NANCY BUCKLEY

Pre-owned typically brings to mind advertisements for used cars, but owning something secondhand goes far beyond the automotive industry among luxury brands.

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Every industry from watches and jewelry to clothing and handbags has some sort of secondhand market for luxury items, but in this trade, questions arise surrounding the authenticity of the products and the price for a pre-owned item. The increase in the secondhand market since the recession 10 years ago has left a lasting trend in the luxury world that sparks the attention of luxury brands and their consumers.

"It's becoming more and more common for women to shop secondhand, especially for luxury goods," said Tracey Manner, vice president and partner at **Think**, New York and Los Angeles. "About one in three women now shop resale of some sort it's becoming the new 'thrifting.'

"Millennials are shopping more and more this way," she said. "There is also a large group of very affluent women that shop resale."

### Top 5 trends in secondhand luxury

- Passing the time

Watches have long been considered a product that is enjoyed for decades and often is collected. The secondhand market allows for consumers to enjoy older watches and sell their own.

- Secondhand in person

Bricks-and-mortar stores of previously only-online resale Web sites are becoming a trend as thrifting becomes increasingly popular. Luxury consumers look for a face-to-face conversation when pricing a luxury item for sale.

- Secondhand virtually  
Although bricks-and-mortar stores are becoming more common, the secondhand industry is very present online and offers numerous options for consumers looking to make a purchase.
- Branded secondhand  
Much like how automobile brands sell their own pre-owned cars, luxury brands of other industries are becoming more involved in the secondhand business for their own products.
- Secondhand is for everyone and everything  
Thrifting is becoming more popular and is no longer a trend for those looking for a cheap option to buy a luxury brand. Even high-net-worth individuals are participating in the secondhand industry. Also, a growing number of brands are becoming active in the industry, opening up more opportunities for consumers.

#### Driving someone else's car

Pre-owned vehicles are the most commonly advertised secondhand product. Non-luxury and luxury brands alike have a large market of consumers for vehicles no longer in use by the original owners.

The pre-owned industry offers luxury vehicles at a cheaper price, presenting an opportunity for aspiring luxury owners to purchase a high-end vehicle.

In addition, regulating the pre-owned industry, as opposed to letting used-car lots sell the vehicles, allows for the brands to control the vehicles and ensure their consumers, even the pre-owned consumers, are receiving the best service possible.

However, not every luxury brand has always been part of this trend.



*Maserati's Ghibli Image credit: Maserati*

In May 2017, Maserati launched a program to give aspiring owners of its vehicles the opportunity to purchase its automobiles through a certified pre-owned platform.

Maserati North America began offering the Officine Maserati Certified Pre-Owned (CPO) program, which includes all of the automaker's models. Offering a CPO program allows aspirational owners to try the brand without the same financial restraints associated with purchasing the most-recent model year ([see story](#)).

Similarly, two years prior to Maserati, Tesla began offering certified pre-owned vehicles. Tesla's Model S electric car sales began on its Web site and will present an opportunity for aspirational consumers to become Tesla owners.



*Tesla's Model 3. Image credit: Tesla*

About the same time as the release of the Powerwall, the [Wall Street Journal](#) published an article about the brand's used cars availability. The release of the cars via Tesla's Web site alludes to the brand's digital and technological focuses ([see story](#)).

### Bringing pre-owned inward

Driving a pre-owned vehicle can sometimes be inheriting the car from an older family member, similar to the trend in watches and jewelry. However, watches and jewelry have not always left the generational passing, until more recent times.

The increase in secondhand luxury watches and jewelry has opened the doors to a wide ranged industry that is consistently growing.

In its "Upward Trends in Luxury Watch Resale at The RealReal," the secondhand seller analyzed mechanical watch purchasing trends on its platform. From its research, The RealReal has determined which brands are the most consigned and uncovered the buying patterns of millennial watch owners, information that may help watchmakers better understand the consumer segment.



### *RealReal ROI*

Timepieces are a popular secondhand purchase as vintage watches are often in high demand. The collectibility of fine timepieces has bolstered the consignment category, and sellers commonly see a large return on investment when selling off their watches.

The RealReal found that of the many watchmakers sold on its site, six brands have the highest ROI for sellers. For example, Panerai timepieces sell for 57 percent of original retail value while A. Lange & Shne watches retail for 51 percent of the original asking price.

Patek Philippe, a popular brand to pass down through generations, sells for 50 percent of original retail and Breguet sells for 49 percent. Also, The RealReal found that IWC and Rolex have ROIs of 47 percent and 43 percent of the original retail price, respectively ([see story](#)).

Watch re-selling Web sites have offered an opportunity for luxury watch consumers to track the potential antique watches they have always dreamt of owning. Unlike vehicles, most of the pre-owned sales comes from third-party Web sites and stores.

However, there has been recent activity in brands controlling their own pre-owned product.

For example, in January 2018, Audemars Piguet launched its own secondhand business, catering to the booming market for pre-owned luxury.



*Audemars Piguet is the first major luxury brand to announce plans for a secondhand business. Image credit: Audemars Piguet*

According to a report in [Reuters](#), the brand piloted secondhand sales at a store in Geneva with plans to roll it out to more of its Swiss locations this year. Audemars Piguet's strategy marks a potential shift in luxury resale, showing the potential for brands to own more of their products' lifecycles ([see story](#)).

TrueFacet, an online marketplace for pre-owned designer jewelry, has tried to bring brands into the secondhand industry through its Brand Boutique, a platform that will see the company working directly with brand partners to provide new collections and products to customers.



*TrueFacet's Brand Boutique will host exclusive content made in partnership with the brands. Image credit: TrueFacet*

The new shopping experience debuted in August 2017 with 10 brands including Fendi and Les Artisans de Genève. Brands gained the benefit of having their products sold through TrueFacet as well as the analytic support from TrueFacet's insight into consumer behavior and shopping habits ([see story](#)).

"Brands should work with these sites," Ms. Manner said. "It's unavoidable at this stage and although it might go against their retail strategies, traditional luxury brands need to evolve, too."

"Why not work hand-in-hand to make sure things are real and help stop the trafficking of fake merchandise together," she said.

Another trend seen among secondhand Web sites is the move to bricks-and-mortar.

In November 2017, online consignment marketplace The RealReal brought its secondhand luxury shopping experience offline with the opening of its first permanent bricks-and-mortar storefront.



*The RealReal recently opened a permanent storefront after a pop-up was popular. Image credit: The RealReal*

Located on Wooster Street in New York's SoHo neighborhood, the 6,000-square-foot boutique features a selection of merchandise that is updated daily, translating the evolving ecommerce browsing experience to the physical space. In addition to serving as a showcase of its goods, The RealReal's first in-store venture offers services for both shoppers and sellers ([see story](#)).

More recently, in March 2018, watch marketplace Crown & Caliber collaborated with Jared The Galleria Of Jewelry to bring together new and pre-owned retail, pointing to the growing popularity of secondhand luxury.



*Luxury brands can work with mass brands to bring in the occasional luxury buyer. Image credit: Crown & Caliber*

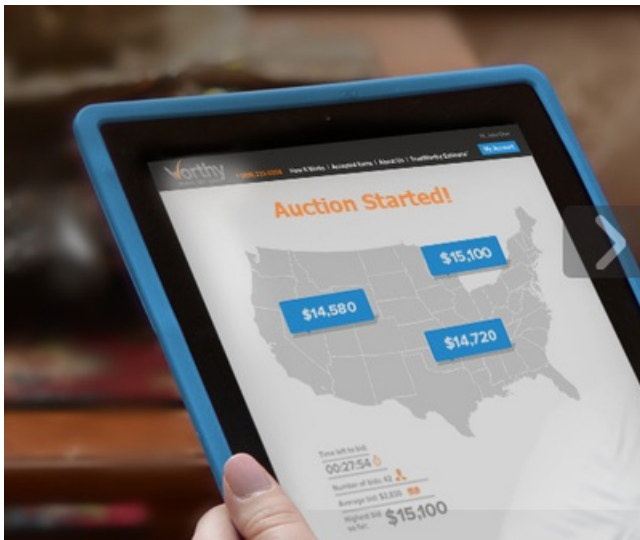
The U.S.-wide partnership will allow Jared customers to trade-in old luxury watches to Crown & Caliber in exchange for cash, in-store credit or the opportunity to upgrade to a new timepiece, all through Jared's locations or online. This strategic relationship is indicative of how the market for pre-owned luxury goods is thriving courtesy of changing consumer behavior ([see story](#)).

Bringing an in-store feature allows consumers to gain trust with the company, a concept that may be hard to convey over the Internet.

Worthy tries to prevent this weary that comes along with selling products online without a face-to-face interaction by having a rigorous vetting system in place to prevent shams and listings from receiving shabby offers.

Worthy aims to tap into the burgeoning market for pre-owned luxury goods, specifically jewelry and watches.

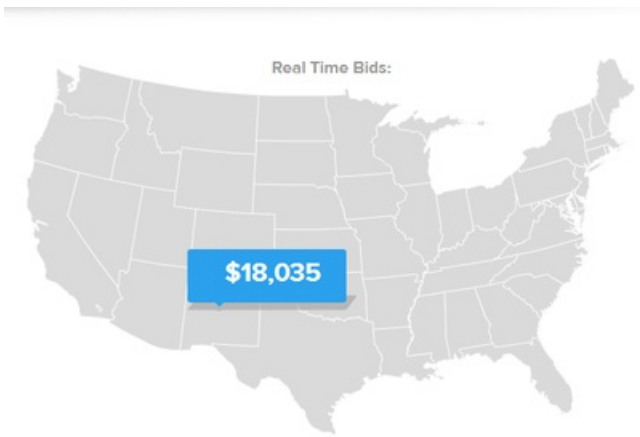
According to the company, the market for pre-owned or recycled diamonds may be as high as \$3.5 billion.



*Screenshot from Worthy.com*

The overall luxury market climbs into the hundreds of billions.

Traditionally, luxury consumers had to locate an auction house and go through the sometimes onerous process of getting their items to market, with unpredictable results.



*Screenshot of real-time bidding map on Worthy.com*

Through Worthy consumers can list a product and get the ball rolling almost immediately ([see story](#)).

However, despite any weariness of sellers and buyers, there is a large market for secondhand luxury online.

One of the highest sales on TrueFacet recently included a Rolex Day Date 2, which was sold for \$25,000. A Bulgari Serpenti with diamonds was sold for \$73,000 and a Cartier Love Bangle with pav diamonds sold for \$43,000.

#### *True facet Instagram*

The highest ticketed item was a Patek Philippe Grand Complications Perpetual Calendar, which was sold for \$143,000.

TrueFacet saw its sales grow four times from 2015 to 2016. There was also a 41 percent increase in unique buyers.

But it is not just sales and the number of buyers that is growing for the resale platform. Unique sellers increased by 39 percent as well, meaning TrueFacet is growing as a whole.

TrueFacet can be beneficial to both parties on the site, allowing sellers to easily cash in on jewelry while connecting potential buyers with products that may be more affordable for them ([see story](#)).

The online re-selling trend has spread past watches and jewelry and is being seen in other luxury industries as well.

#### *New thrift shops*

The entire resale industry is expected to grow from \$18 billion in 2016 to \$33 billion by 2021. This data comes from retail think tank Fung Global Retail & Technology, which released the "Fashion Re-Commerce Update" report.

Even before Fung Global released this report, it was well known fact that the resale or consignment market is huge.

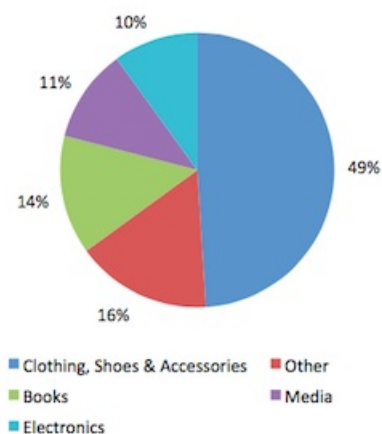
Luxury apparel is by definition difficult to acquire, and so any business that can make these pieces easier to get is bound to see some success.

What is surprising though is just how huge it is and how quickly the market has been growing.

Fashion is by far the largest sector for consignment, comprising 49 percent of the resale market.

The reason for resale's meteoric growth can be boiled down to a few key concepts. For one, demographics can help explain this phenomenon.

Figure 1. US Resale Market by Segment (%)



Source: ThredUP/Fung Global Retail & Technology

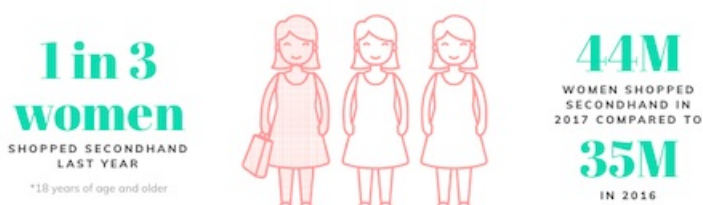
*Fashion dominates the resale market. Image credit: Fung Global*

Millennials make up the largest consumers of resale apparel, surpassed only by women over 65 years old. Millennials tend to have less money than their older counterparts and are the primary drivers of resale sales as they hunt for the best quality goods at the lowest prices ([see story](#)).

"In the last two years, we have seen an increase in ownership of pre-owned luxury among the millennials," said Daniel Lim, cofounder of [Reebonz](#), Singapore. "They are more inclined to purchase pre-owned luxury from the categories of small leather goods and shoes and surprisingly, they are most likely to purchase these pre-owned items once every one to three months. We are excited to see this rising trend as it shows an interesting demographic shift among the buyers of pre-owned."

According to online consignment shop, [thredUp](#), one in three women shopped secondhand last year, which adds up to 44 million women. In addition, 66 percent of buyers use thrift shopping as a way to buy better brands, serving as an entry point for luxury consumers.

## Thrift is Going Mainstream



*New trends according to [thredUp](#)*

"[ThredUP's 2018 Resale Report](#) found that the luxury brands with the best return-on-investment are Gucci and Burberry - these brands are in high demand on [thredUP.com](#) and will earn you the most money," said Samantha Jacob, marketing and communications manager at [thredUP](#), San Francisco.

As seen with watch secondhand sellers, a bricks-and-mortar presence is growing within retail as well.

Secondhand handbag platform [Rebag](#) made a permanent move into physical retail as it seeks to give consumers a seamless omnichannel experience.



*Rebag on Madison Avenue. Image credit: Rebag*

Rebag opened a new location on New York's Madison Avenue while also turning its pop-up store in SoHo into a permanent flagship. As the secondhand luxury market continues to thrive, brands that established themselves in ecommerce are expanding into bricks-and-mortar to further their growth ([see story](#)).

Secondhand is for everyone

Beyond traditional watches, jewelry, clothes, and purses, other luxury industries have taken a stab at the secondhand world.

For example, James Purdey & Sons reinstated its pre-owned gun and rifle program as part of the Heritage Collection.

The brand spent significant effort preserving its heritage throughout its bicentenary year in 2014, while looking toward the future of its craft, industry sector and sport through the development of a state-of-the-art workshop to ensure product quality ([see story](#)). As important as it is to ensure quality upon new sale items, Purdey is recognizing a demand for pre-owned firearms as well ([see story](#)).

In addition, retailers have entered the secondhand realm, such as Neiman Marcus' expansion in its watch selection through a partnership with luxury timepiece consignor Crown & Caliber.

At select stores and online, consumers were able to shop a hand-picked assortment of pre-owned pieces from brands such as Rolex, IWC, Patek Philippe and others. This enabled Neiman Marcus to benefit from added selection within its watch department, while enabling Crown & Caliber to bring its ecommerce offerings in-store with a high level of service ([see story](#)).

Similarly, Harrods embraced the secondhand fashion market to support children's charity NSPCC.





*Inside Fashion Re-told. Image credit: Harrods*

The pink-hued outlet rotated merchandise on a daily basis. While the popular millennial-favorite hue was one of the NSPCC's corporate colors, Harrods head of visual merchandising Alex Greco Wells told Women's Wear Daily that the design for the space also factored in Instagrammability, looking to attract social media buzz for the initiative.

Fashion Re-told was staffed by employees of NSPCC, who received training from Harrods managers on serving luxury consumers ([see story](#)).

"Luxury is ideally suited for secondhand, which is why we launched thredUP Luxe," said Ms. Jacob. "The best luxury items are meticulously crafted from the finest materials, so they only get better with age.

"Plus, a lot of pieces from some of our most popular brands like Chanel and Salvatore Ferragamo are timeless," she said. "Finding these gems at up to 90 percent off on thredUP.com is an unmissable steal for discerning secondhand shoppers."

#### Best practices in secondhand luxury marketing

Daniel Lim, Reebonz

- "The capabilities to ensure authenticity of pre-owned luxury products. Reebonz has an in-house team of certified ateliers who authenticate every pre-owned item from leather products to jewelry and timepieces. Buyers can be reassured that their purchases are guaranteed authentic and this favorably builds the credibility of the brand."
- "Apart from authenticity, having specialist knowledge in the restoration and care of pre-owned luxury products."
- "Keeping a pulse on the shifting demands within the established and emerging pre-owned luxury brands and the resale price movements this brings. It's imperative to then structure pre-owned merchandising and pricing decisions with this data in mind."

Tracey Manner, THINK

- "'Hypebeast' luxury products from streetwear brands or collabs are one of the fastest new growing category for resale think Supreme, Off-White, Vetements, etc."
- "It's becoming more accepted by traditional luxury brands as long as the product is truly verified. Many of these big house even privately consult when resale sites have questions on products."
- "Authentication. Brands should work with these sites. It's unavoidable at this stage and although it might go against their retail strategies, traditional luxury brands need to evolve, too. Why not work hand in hand to make

sure things are real and help stop the trafficking of fake merchandise together?"

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