

RETAIL

Resale, peer-to-peer platforms gaining ground with holiday shoppers

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Consumers are open to secondhand for holiday shopping. Image credit: Vestiaire Collective

By SARAH JONES

As holiday shopping picks up steam heading into Black Friday, consumers are thinking outside the traditional retail box for gifts, expanding the field of competition during the crucial fourth quarter.

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According to new research from BDO, 63 percent of consumers are planning to shop secondhand for gifts this year. Experiential retail and digital engagement will be key to winning affluent holiday shoppers, helping luxury brands remain competitive amid new retail models.

"The value of the in-person shopping experience is far from gone, and traditional retailers should look to capitalize on this tactic if they want to win the game against resale and consumer-driven marketplaces," said Natalie Kotlyar, partner and national leader of **BDO's** retail and consumer products practice. "A crucial differentiating factor for traditional luxury retailers is their ability to amplify exceptional customer experiences and personalized service offerings, which new competitor sets cannot replicate.

"For all retailers, additional promotions towards millennials is a key tactic to drive sales as their consumer buying power continues to grow, and for luxury retailers in particular, we may see additional advertising on the authenticity of their products this holiday season," she said.

Holiday outlook

The National Retail Federation is expecting holiday sales in the United States to rise between 3.8 and 4.2 percent from 2018's figures ([see story](#)). Projections from Deloitte also predict growth between 4.5 percent and 5 percent, with the average household spending about \$1,500.

While there is a positive outlook surrounding sales trends, the holiday season is arriving amid a turbulent and uncertain time.

Per BDO's survey, a quarter of U.S. consumers are planning to reduce their spending this year because of trade tensions. Meanwhile, 34 percent are pulling back on their holiday spending due to concerns that an economic downturn is on the way.



A minority of consumers are planning to pull back on their spending. Image courtesy of DFS

Consumers are also shifting some of their spending to alternative channels, bypassing brands. Seventy-one percent plan to purchase from a peer-to-peer platform, and almost two-thirds are planning to shop from a secondhand retailer.

Rentals and rent-to-own purchasing models have not yet caught on among the majority, but 34 percent say they are buying rental items this season.

The shift towards renting or resale could perhaps be attributed to the rising demand for sustainability. Fifty-five percent of consumers say that they will use social issues to guide their holiday purchase decisions, and this trend is even more prevalent among younger generations.

Aside from changing shopping behavior, retailers will also have to contend with a shorter holiday season, since there are less than four weeks between Thanksgiving and Christmas.

Digital is going to play a big role in gaining affluent shoppers' business. According to research from MiQ, 44 percent of luxury shoppers will go online on Black Friday, 1.3 times more than the population of affluents who say they will shop in store that day.

During other days during the season, bricks-and-mortar wins out.

Even though in-store shopping for luxury is still more prevalent than online purchasing, those who are buying digitally are more apt to use their phone than a computer. Mobile is also a key channel since shoppers use their devices in-store to find locations, check product availability and explore reviews.



In-store retail is still important for luxury customers. Image credit: Nordstrom

Personalized communication becomes even more critical as ecommerce and mobile shopping becoming the new norm.

More than 80 percent of respondents in a recent Leanplum study reported that they shopped on their mobile phones. This makes it key for brands to reach them at the right touch points ([see story](#)).

Despite the growing headwinds, MiQ found that 63 percent of luxury shoppers feel their financial position has improved from last year, and one-third expect to spend more than 2018 this season.

"I foresee Q4 numbers will show nominal growth due to the economic climate and other factors such as geopolitical issues and a shorter holiday shopping season," BDO's Ms. Kotlyar said. "As much as possible, high-end retailers need to stick to what they do best: allow consumers to feel the luxury of their products, provide exceptional client experience and make consumers feel good about their purchases.

"Exceptional offerings such as serving Champagne or cocktails while consumers shop can go a long way building a luxurious shopping experience and lasting brand relationship," she said.

Big spenders

According to Deloitte, about 60 percent of holiday spending will come from households that will spend upwards of \$2,100.

While 65 percent of these high spenders have household incomes of \$100,000 or more, the rest fall below that level. Among the high spenders, Gen X are most represented, followed by baby boomers and millennials.

Getting consumers to splurge on big-ticket items could be as simple as giving them financing options.

BDO's survey found that one in three consumers would rather buy a hefty priced gift in monthly installments rather than a lump sum. Forty-one percent of millennial consumers have used Afterpay to finance a purchase, the greatest portion of any generation.

"Our recent Consumer Beat Survey revealed that 41 percent of millennials have or would pay through Afterpay and 53 percent have the same behavioral attitudes towards private label credit cards, the latter of which could have added benefits to them such as loyalty points," she said. "This idea of flexible payment methods also rings true across generations as the data states that for big ticket items, one in three consumers would rather pay in monthly installments than in full.

"Luxury brands that understand their customer and are willing to embrace new forms of payments will have the advantage in reaching their desired audiences."