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Content-commerce could help secondhand luxury gain critical mass in China

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In China, despite years of resistance from consumers to buying used items, the secondhand luxury market is growing faster than ever

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Following years of **double-digit annual growth** in markets such as North America, Europe and Japan, secondhand luxury has firmly entered the mainstream amid the global economic uncertainty from the COVID-19 pandemic and the increased focus on sustainable consumption among **millennials** and **Gen Z**.

In a reversal from previous objections, luxury brands are starting to become active participants in the secondhand trade, with the understanding that products offered for resale **often serve as a gateway** for consumers to "trade up" in the future to full-priced, new items and do not necessarily cannibalize their business.

Some brands have taken their secondhand sales in-house watchmaker Richard Mille is a **recent** example while the likes of **Gucci** are inking partnerships with third-party platforms such as **The RealReal** to offer something akin to "certified pre-owned" items.

An even smaller number are upcycling used items or pieces from previous seasons into new pieces a trend led by **Loewe** with its **newest Eye Loewe Nature collection**.

In China, **despite years of resistance** from consumers to buying used items, the secondhand luxury market is growing faster than ever, driven by both the COVID-19 outbreak earlier in the year along with changing attitudes among the younger generations.

A major reason for this shift is a large-scale push on the part of major domestic ecommerce players such as Alibaba and JD.com into the space.

Alibaba-owned Idle Fish has helped secondhand ecommerce go mainstream via efforts that include the **title sponsorship and customization of the Youku talk show "The Truth! Everything"** last year, and becoming **something of a community-building platform** during the outset of the Covid outbreak in early 2020.

While Idle Fish is a general, rather than luxury-specific, secondhand ecommerce platform, several premium resale platforms have entered the market in China, in the mold of Vestiaire Collective or The RealReal, among them

Isheyipai, Ponhu, Feiyu and Plum, whose founder Xu Wei recently noted one reason for the growth in business: "Our income recorded a surge this year during the pandemic as offline stores [were] mostly closed."

While Chinese shoppers had become a regular sight at bricks-and-mortar luxury consignment shops in Japan, South Korea, Europe and the United States, China's domestic secondhand sector remains niche.

Secondhand luxury accounts for just 5 percent of the total luxury market in China, compared to around 30 percent in the Japan and U.S. markets, according to a recent report by Isheyipai and China's University of International Business and Economics,

The potential for years of sustained growth has drawn the attention of investors.

In May, the aforementioned Ponhu, which operates an ecommerce platform, four self-operated bricks-and-mortar stores and 50 franchised outlets nationwide, raised nearly \$25 million in Series B funding.

Meanwhile, livestreaming-oriented competitor Feiyu raised \$20 million in its Series A round this past spring and Plum also drew \$20 million last year for its Series B+ round.

Tech companies, too, are rushing in to capitalize on the growing demand for auxiliary services such as authentication.

While startups such as Zhiduoshao in China and Entrupy in the West claim success in authenticating luxury items through either trained staff or machine learning and AI, ecommerce platforms are also rolling out proprietary technologies to assuage consumer and merchant concerns.

JD.com recently announced that it has recruited 320 brands for its heavily promoted Hubaochui anti-counterfeiting system, which, by "leveraging algorithms will notify brands when fake products are being sold by third-party merchants."

Isheyipai, for its part, boasts a 12-person "expert jury" of authenticators and gives users the option to choose between having items inspected by junior authenticators or senior staff, with prices for an appraisal ranging from RMB 49 to RMB 99 (\$7.40 to \$15) per item.

Yet a Wild West atmosphere still prevails in the nascent industry in China, where even authentication services themselves have been faked.

If secondhand luxury platforms in China are reliably able to clear the biggest hurdle for consumers setting their minds at ease regarding authenticity, product condition, and quality the second challenge will be figuring out how to stand out in an increasingly crowded market, which will only become more competitive as more luxury brands establish in-house resale divisions.

Chinese platforms also face a fight for credibility that becomes more difficult every time a global competitor such as Sotheby's which recently launched its own buy-now ecommerce platform selling second-hand Birkin bags, jewelry, and timepieces enters the market.

Chinese platforms have indicated that they will employ content-commerce strategies as marketing cornerstones, both via sponsorships as we saw with Idle Fish and by jumping on the livestreaming ecommerce bandwagon.

If there is one thing that has been proven time and again in 2020, it is that popular livestreamers in China are capable of selling virtually anything, from makeup and milk tea to rocket launches and luxury automobiles.

It is only a matter of time before one influencer or livestreamer in China breaks out from the pack and becomes the trusted source for secondhand luxury goods, applying subject matter expertise and building trust among millions of viewers, following the career path of a Li Jiaqi or Mr. Bags.

Whether this breakout star is cultivated through a partnership with a Bilibili or Taobao Live or emerges on his or her own via a powerful agency, aka multi-channel network brands need to watch this space, and perhaps should even consider incubating their own talent.

It is also only a matter of time before the market share of secondhand luxury gains critical mass, pushed along by multiple favorable trends. These include the rise of ecommerce livestreaming and its ability to influence on impulse buys, the growing interest in sustainability and more eco-friendly shopping, and an understanding that buying secondhand luxury items can serve as a shortcut to the acquisition of sought-after items such as Herms handbags without the hassle and stress of ever-lengthening waitlists all indicators that point to the rise of secondhand luxury.

Just think, in the next season of a show like "Nothing But Thirty," we could very well see a sponsored storyline in which a character instead of stressing about how to get her hands on that must-have **Herms** purse simply buys it via a secondhand luxury ecommerce app.

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