

RETAIL

Brand-owned resale could finally "close the loop" for luxury

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The Mulberry Exchange allowed customers to swap out their old bags for credit before they would be restored and resold by the brand. Image courtesy of Mulberry

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Although it currently accounts for less than 10 percent of the total luxury market, resale is perhaps the most important trend reshaping the industry.

With consumers spending far more time at home over the past year and turning to luxury ecommerce in record numbers, the resale market is expected to reach \$37.2 billion in 2021.

But it is far from a flash in the pan, as the Boston Consulting Group projects that the sector will maintain a compound annual growth rate of 15 to 20 percent through 2025.

Traditionally, luxury brands have kept the resale market at arm's length, offering tacit approval as platforms such as The RealReal and Vestiaire Collective have battled it out for a leading position in the space.

But the COVID-19 pandemic along with a sea change in consumer attitudes appears to have enticed brands that long resisted resale to begin incorporating it into their broader retail strategy.

For some brands, this has come through investments in secondhand platforms.

In early March, Kering acquired a 5 percent stake in Vestiaire Collective and a board seat in the platform's 178 million (\$214 million) fundraising round, while Kering-owned Gucci announced an official partnership with the U.S.-listed The RealReal in October.

Kering rival LVMH is also expected to outline broader plans for resale later this year.

This is very much a consumer-led trend.

According to another BCG survey from 2019, nearly 60 percent of "true-luxury" consumers said they were interested in pre-owned luxury goods, and 45 percent were involved in the resale market as vendors, clearing out their wardrobes to mainly to fund new purchases, or perhaps most importantly embrace sustainable consumption.

Rising environmental awareness among younger consumers means that getting involved in the secondhand sector makes sense from the perspectives of both revenue and brand.

While luxury conglomerates have expressed interest in resale via third-party platforms, we have yet to see a significant number of brands take resale in-house, akin to the "certified pre-owned" programs run by automakers.

But like much else, things are changing quickly.

In the sportswear market, Lululemon will pilot a trade-in program at stores in California and Texas next month, allowing customers to exchange their used gear for gift cards, with the announcement coming on the heels of a similar refurbishment program from Nike.

In the luxury space, British brand Mulberry recently dove into the "certified pre-owned" market via its novel "**Mulberry Exchange**" at London Fashion Week, which allowed customers to hand in their used Mulberry bags for credit towards a new purchase.

The brand then refurbished and restored the pre-owned bags before offering them for resale via Mulberry.com as well as Vestiaire Collective.

Since the bags were restored in-house by Mulberry and clearly authenticated, the program offered buyers greater peace of mind and validation.

As Charlotte O'Sullivan, global marketing and digital director at Mulberry, told Walpole: "Our restoration and repair journey is ultimately part of our strategy for Mulberry to thrive within a circular economy, conserving natural resources and ensuring our products can find a second, third or even fourth home, or handed down from generation to generation."

It seems inevitable that more brands particularly those with strong in-house manufacturing pedigrees and deep archives will follow Mulberry's lead and start offering buyback programs and restored pre-owned sections on their Web sites and even flagship stores.

There is simply too much money on the table currently going to third-party platforms as well as too much consumer demand and too much good PR to be gained by bringing resale in-house.

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