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Luxury resale is China's next retail battleground

August 24, 2021



Sales of secondhand goods in China reached RMB 1 trillion (\$154 billion) in 2020, double the figure from 2017. Image credit: Shutterstock

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Resale has become a hot topic in the global luxury industry, with the market seeing steady growth as platforms such as The RealReal and Vestiaire Collective find themselves joined by more brand-owned **efforts** and retail **partnerships** aimed at developing the circular economy.

Like much else that goes on in today's luxury market, rising interest in resale among brands and groups such as **LVMH** and **Kering** is being driven by demand among millennial and Gen Z consumers.

Whether they are buying secondhand luxury goods because they simply cannot afford new collections, or out of an interest in **sustainable** consumption, consumers born after 1980 particularly in fast-growing markets such as China are more open to purchasing used luxury goods than their older counterparts.

According to a pre-pandemic **study** by Beijing-based China Center for Internet Economy Research, total sales of secondhand goods in China reached RMB 1 trillion (\$154 billion) in 2020 twice as much as in 2017 and with consumer tastes changing, sales are poised for continued growth for the foreseeable future.

Yuya Yamauchi, chairman/CEO of Japanese luxury resale chain Brand Off, recently **said** of the market's potential: "China is like a goldmine."

China's luxury resale market **reached** RMB 17.3 billion (\$2.7 billion) in 2020, doubling from the previous year. Yet that represents only 5 percent of the overall luxury market in China.

According to an October 2020 **report** by China's University of International Business and Economics and luxury resale platform Isheyipai, resale makes up a far smaller share of the total luxury market than in Japan (28 percent) or the United States (31 percent).

But demand for secondhand luxury goods is poised for continued growth as younger consumers enter the market, with **52 percent** of secondhand luxury consumers in China between the ages of 29 and 36.

As in Japan and South Korea, as well as Hong Kong and Taiwan, the secondhand luxury market was relatively slow

to take off in mainland China, as "first-generation" luxury consumers often **turned up** their noses at the idea of buying someone else's cast-offs. But attitudes have changed over the past decade as digitally native millennial Gen Z consumers take up a larger share of China's luxury consumption.

Unlike the previous generation of shoppers who began buying luxury in the 1980s and 1990s, Chinese millennials and Gen Zers have come of age in an era that can take the presence of global brands for granted.

Chinese millennials entered the workforce in the first decade of the 2000s, by which point most of the world's top luxury labels had set up shop in major cities such as Beijing, Shanghai and Guangzhou.

Younger Chinese consumers, like their Japanese or South Korean counterparts, are proving **highly pragmatic** in their attitudes towards luxury goods, choosing secondhand items based on factors such as affordability, the desire to obtain rare items, and among a small but growing percentage environmental consciousness.

The rising spending power and market influence of China's post-80s and post-90s consumers has powered a sharp rise in the number of online platforms sourcing and selling secondhand luxury items.

Yet a clear market leader has yet to emerge, though Alibaba's general resale marketplace, **Idle Fish**, may leverage its parent company's massive user base, payment platform integration and relationships with luxury brands via Tmall Luxury Pavilion and Poizon, China's top sneaker resale platform, has announced partnerships with Coach and Zenith to sell new products.

For luxury resale platforms large and small, huge challenges remain as they fight for dominance, from consistent and transparent product authentication to consumer resistance and fierce global and local competition.

Coming on the heels of our recent report on the **Chinese Cultural Consumer**, in September *Jing Daily* will publish an in-depth report on China's luxury resale boom.

Tracing the roots of China's luxury resale industry and how it differs from other East Asian markets, the report will feature interviews with executives, profiles of the key Chinese players in luxury resale, a review of risks and opportunities in the sector for global entrants.

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