

Resale, a must for the luxury sector

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The “resale” market (sale of pre-owned products) is not a new phenomenon but has experienced a dramatic expansion over the last few years in the industry of consumer goods and is now becoming a strategic issue for leading luxury groups. For a long time, resale was considered as a threat to luxury brands especially in the apparel and fashion accessories market. However, resale is now taking a meaningful place in these segments. The market is becoming increasingly structured with the emergence of pure online players whose double-digit growth attracts luxury brands and retailers. These disrupting players have a real know-how in digital marketing, an authentic marketing message and the ability to connect to final consumers. All this is in line with the strategies of luxury brands.

The recent acquisition of Watchfinder by Richemont is an emblematic example of this new paradigm.

WATCHFINDER
PASSIONATE ABOUT WATCHES

RICHEMONT

Prerogatives for resale growth

The development of resale in Western countries seems to stem from the combined effect of structural and sustainable factors:

- A new generation of purchasers with a different vision compared to their elders in terms of consumption and ownership. Millennials are more sensitive to an environmentally responsible consumption and are more likely to share goods and services;
- The technological boom, including e-commerce and social networks, which has opened up physical borders for pre-owned goods and has allowed to bring closer together both owners of exclusive items and potentials buyers. Technology has also created a liquidity for quality pre-owned products, which has shifted the concept of ownership for a buyer.

A structuring market

Today’s resale market is measured in tens of billions of dollars. Various sources of information (thredUP annual report, FHH, Ipsos) agree on an exponential growth over the coming years.

Ten years ago, the current market leaders did not exist or had barely started their business. Only a few visionary players had already emerged, starting with the pioneer eBay with a large range of offer, or a few specialists of exclusive products like fine wines or high-end watches. In the luxury sector, historical players were auction houses, which mainly operate in specific segments (fine art, vintage cars, etc.) and target niche customers i.e. collectors. The resale market is dominated by marketplaces, with two coexisting business models: the peer-to-peer model where the platform acts as a technological intermediary between sellers and purchasers, and the consignment model where marketplaces offer in addition a real service to counterparties (authentication and quality expertise, guarantees to buyers, pricing benchmark, etc.).

The current resale leaders, be it mass-market or premium (thredUP, The Real Real, Reebonz, Rebag, Vestiaire Collective, InstantLuxe, eBay Authenticate, etc.), have experienced a very fast growth, often fuelled by significant fundraisings from VC or PE funds. Some platforms have already attracted the interest of luxury distributors, who have foreseen the benefit of a double presence on both the primary and the secondary markets (e.g. acquisition of InstantLuxe by Galeries Lafayette Group in 2016).

Luxury groups observe closely the phenomenon of resale and lead a strategic reflection on how to better promote their brands and offer the same excellent customer experience online as they do in-store. Their first strategic move was to digitalise their sales, relying on internal resources and/or dedicated platforms (e.g. YNAP). The latest M&A transactions show that this strategic reflection has been pushed forwards and that in the future the sale of premium products will not be restricted to the sole traditional online stores.

From our works and mandates, we know the willingness of some groups to develop a true resale strategy. The takeover by Richemont of second-hand luxury watches specialist Watchfinder at the end of May 2018 is a remarkable representation of an accelerating trend.



Source : Watchfinder

Resale, an opportunity for luxury brands

Marketplaces are a great gateway to reach customers that have been until now out of scope for luxury groups. Such an access allows them now to create an emotional attachment to the brands.

The benefit for luxury groups is obvious. Resale allows them to multiply contact points with the clients, convince and retain them, and therefore generate value over the long term. Platforms also represent sources of digital know-how, especially those which, thanks to their durability, gained in-depth knowledge of their customers and a tremendous expertise in their industry. According to us, these “gems” are sources of inspiration, whose diligence and knowledge reach well beyond their own business segments.

Challenges of the resale industry

To structure and expand further, the secondary markets need to provide sellers and buyers with guarantees. The development of a trustworthy environment for all stakeholders is crucial for the future of each marketplace. This development is threefold:

- The fair price of a pre-owned item: marketplaces need to offer a deep, relevant and unbiased transactional benchmark. Yet, this benchmark data can be a true entry barrier;
- The genuineness of a pre-owned item: marketplaces need to thoroughly expertise every single product they sell in order to guarantee its origin, authenticity and quality;
- The knowledge of buyers and sellers: marketplaces need to have a real knowledge of supply and demand, so as to be able to better enliven and master their market.

The resale market is a new opportunity, if not an urgency for leading luxury groups, to acquire very complementary distribution channels that will enable them to provide consumers with a comprehensive online and offline offer and to have a true mastery of their brands and their products throughout their lives.

About AURIGNAC FINANCE :

AURIGNAC FINANCE assists international groups and dynamic companies in designing and implementing their development strategies, through external growth, corporate transactions, and fund-raising.

Incorporated in 2004, AURIGNAC FINANCE is the French representative of the international network MERGERS ALLIANCE, which gathers more than 20 members and offers geographic coverage in over 30 countries worldwide.



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