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# The evolution of fashion luxury brands' business model to face the emergence of the secondhand market

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## Abstract – English

**Title:** The evolution of fashion luxury brands' business model to face the emergence of the secondhand market

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**Keywords:** secondhand, luxury, sustainability, circular fashion, business model change

Drawing from the Business Model Canvas, the objective of this research is to understand how fashion luxury brands can change their business model to do face the secondhand market emergence. The answer to this research question has interest for luxury brands, since if they do not recognize the power of secondhand market and plan how to act, their performance will suffer in the future.

To answer this question, I followed a qualitative research approach and conducted a comparative case study on four fashion luxury brands.

The findings of the study demonstrate that fashion luxury brands should support the secondhand luxury market and highlight two ways of doing it: add it as part of their business and/or create partnerships with secondhand luxury platforms. The implementation of those measures turns secondhand luxury platforms into key partners and/or add luxury resale as a new key activity. Consequently, luxury brands can captivate new segments of customers, improve the relationship with the current ones and increase revenues. Finally, those measures enrich their value proposition by being focused on promoting circularity of luxury items.

## Abstract – Portuguese

**Título:** A evolução do modelo de negócio das empresas de moda de luxo para combater a emergência do mercado de segunda mão

**Autor:** Joana Mariano

**Palavras-chave:** segunda mão, luxo, sustentabilidade, moda circular, alteração do modelo de negócio

Com base no Business Model Canvas, o objetivo deste estudo é perceber de que forma as empresas de moda de luxo podem mudar o seu modelo de negócio para que possam fazer frente à emergência do mercado de segunda mão. A resposta a esta questão de estudo interessa às marcas de luxo, uma vez que se estas não reconhecerem o poder do mercado de segunda mão e planearem como agir, o seu desempenho será prejudicado no futuro. Para responder a esta questão segui uma abordagem de pesquisa quantitativa e realizei um estudo de caso comparativo em quatro empresas de moda de luxo.

Os resultados deste estudo demonstraram que as empresas de moda de luxo devem apoiar o mercado de segunda mão e destacam duas formas de o fazer: adicioná-lo como parte do seu negócio e/ou criar parcerias com plataformas de luxo em segunda mão. A implementação destas medidas torna as plataformas de luxo em segunda mão em parceiros-chave e/ou adiciona a revenda de luxo numa nova atividade-chave. Consequentemente, as marcas de luxo podem cativar novos segmentos de clientes, melhorar o relacionamento com os atuais e aumentar as receitas. Por fim, essas medidas enriquecem a sua proposta de valor uma vez que promovem a circularidade de itens de luxo.

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## 1. Introduction

***“It’s not that luxury will suffer, it’s that is being redefined and expanded to more than it used to.”<sup>1</sup>***

*Richard Kestenbaum*

Luxury products have unique characteristics that allow to distinguish them from any other. By being characterized by an exceptional quality and rarity (De Barnier et al., 2012), luxury items have a high desirability and, consequently, a dream dimension around them. As consequence there are several trends that, by allowing a greater availability, can be challenging when managing luxury brands (Turunen & Leipämaa-Leskinen, 2015). One of the most important trends, and the one this study focuses on, is luxury resale (BCG, & Altgamma, 2019).

The secondhand luxury market has been emerging in the recent years and is expected to reach 38 billion dollars in revenue in 2021, which represents an average growth of 12% per year (Oliver Abtan et al., 2019). In the academic field, previous studies have focused on the reasons of its growth and on the motivations of consumers when buying secondhand. These studies show that purchasing secondhand is no longer a sign of having financial difficulties (Turunen et al., 2020) but is a way of finding limited edition pieces (Turunen & Leipämaa-Leskinen, 2015) and accessing luxury products that most consumers could not afford otherwise (Amatulli et al., 2018). Sustainability concerns is another motivation to buy secondhand luxury products (Oliver Abtan et al., 2019), as giving a second life to products is part of sustainable behaviors (Guiot & Roux, 2010). This motivation can be justified by the fact that luxury consumers, especially younger generations, tend to identify a contradiction between luxury and sustainability (Jean-Noël Kapferer & Michaut, 2015). Based on the dimension of its growth, the opinions regarding which attitude should luxury brands take in relation to secondhand diverge. On the one hand, there is the belief that it can be beneficial to support it as can bring new customers (Oliver Abtan et al., 2019) but on the other hand, by promoting a greater availability, it can reduce the symbolic value (Jean-Noel Kapferer & Valette-Florence, 2016) and thus, luxury brands may want to face it. Considering these contradictory opinions, no study yet focused on how luxury can take

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<sup>1</sup> *The future of luxury, post-coronavirus (Forbes, 2020)*

advantage and prevent the negative effects of secondhand on their performance. To contribute to fill in this gap, I intend to answer the following research question:

***How can fashion luxury brands change their business model to face the secondhand luxury market emergence?***

This research question has relevance to managers, as its answer will help them to better face the competition of the secondhand luxury products. In order to answer this research question, I used a qualitative approach and developed a comparative case study on four fashion luxury brands – Stella McCartney, Burberry, Gucci and Farfetch. To analyze the data collected, I used as framework the Business Model Canvas, developed by Osterwalder & Pigneur (2010).

This thesis is divided into six chapters. The first chapter is the literature review and presents previous academic research developed about this topic. It starts by introducing the concept of luxury mentioning how several trends such as secondhand may be a challenge, then reviews the main motives of the growth of secondhand luxury and further develops the dynamics of the market. Further, the following section addresses the diverging opinions about whether luxury brands should support secondhand or not. The last subsection describes the concept of business model and explores Business Model Canvas. The second chapter corresponds to the methodology and describes the research process and the methodological choices, from case selection to data analysis. The next chapter is the empirical setting. It presents the four luxury companies and the two secondhand platforms with whom those collaborated: The RealReal and Thrift+. The next chapter, the findings, provides an answer to the research question by exemplifying what the four chosen luxury companies have already done in respect to secondhand. On the discussion chapter, I compare the findings with the results of previous studies. At the end, the conclusion, does an overview of the key results and mentions the limitations of this study at the same time as making a suggestion about future research.

## 2. Literature review

The literature review shows that luxury is a concept that evolves with emerging trends. One of those trends is the growth of the secondhand luxury market. Its success can be attributed, apart from other reasons, to the increase of the democratization of luxury and to the rising concern about sustainability. Since secondhand promotes a greater availability of luxury items, the question whether luxury industry should support it, has contradictory answers. As a result, no study yet explored how luxury brands can face this trend.

The first section explores the evolution of the luxury concept and mentions the top trends, where is including secondhand luxury (2.1). Further, the second section explores the secondhand market and the motives of its growth (2.2.1) to then define the characteristics of its buyers and sellers (2.2.2). The third section (2.3) debates whether luxury brands should celebrate secondhand luxury mentioning its positive consequences and main downside: harming the dream. Finally, the last subsection (2.4) explores the concept of business model at the same time as presenting one of the most used tools to analyze it: Business Model Canvas.

### 2.1 Luxury: a constantly changing concept

Luxury can be characterized by exceptional quality, hedonism (related to pleasure), expensive price, rarity (without reaching scarcity), selective distribution and personalized service exclusive character (De Barnier et al., 2012). However, there are several trends which by promoting a greater availability of luxury markets may constitute a challenge to traditional luxury brands (Turunen & Leipämaa-Leskinen, 2015). This access given to those who didn't have it before, leads Kapferer & Bastien (2012) to question whether rarity is still part of the luxury essence or just a strategy of communication. In that sense, Kapferer & Michaut (2015) stated that "*Luxury has indeed switched to an 'abundant scarcity' model.*" (Jean-Noël Kapferer & Michaut, 2015, p. 6).

One of those trends is the democratization of luxury (Turunen & Leipämaa-Leskinen, 2015). This concept relates to an expansion of luxury goods to a larger amount of consumers (Atwal & Williams, 2017), potentiated by the launch of more affordable and non-luxury brands by traditional luxury brands (e.g. Polo Ralph Lauren and Calvin Klein) and by the rising ambition of consumers to have luxury products (Franco et al., 2019). This led to the creation of the term "masstige", from the combination of the words "mass" and "prestige", to designate the action

of attracting a high number of consumers while maintaining the prestige associated with the luxury brand (Truong et al., 2009). Based on that, the democratization of luxury has been responsible for changes on the luxury concept, however, by 2019, the top three most relevant trends within the luxury market were: collaborations, secondhand and sustainability (BCG, & Altagamma, 2019).

In case of secondhand luxury, it challenges the luxury essence since “(...) *selling luxury alters the symbolic and personal value of the product.*” (Turunen et al., 2020) and, “(...) *consumers who sell play a crucial role in shaping the perceived symbolic and financial value of luxury branded products.*” (Turunen et al., 2020, p. 475). In addition, selling secondhand luxury items increase the democratization and accessibility of luxury (Turunen et al., 2020). Consequently, as it shapes its symbolic value, luxury brands may not support this alternative market and may want to stifle it. In order to take a position in relation to secondhand, luxury brands should understand the reasons why this is an emerging trend and its dynamics, and thus, it will be covered on the next section.

## **2.2 The secondhand luxury – a rapid growing trend**

### **2.2.1 What factors motivate its growth?**

Secondhand luxury market expects to attain \$38 billion in revenue in 2021, increasing by average 12% per year and thus attaining a share of 9% of total personal luxury goods (Oliver Abtan et al., 2019). Moreover, BCG & Altagamma (2019) concluded it represented 7% of personal luxury market value.

The growth of secondhand luxury market can be related to the acceptance and normalization of wearing and owning used goods (Ferraro et al., 2016) since for long time purchasing secondhand was a signal of financial difficulties (Turunen et al., 2020). In addition its emergence relates with the raising concern of consumers to support the sustainability cause (Oliver Abtan et al., 2019), to their desire to find exclusive and rare pieces (Turunen & Leipämaa-Leskinen, 2015) and to the possibility of consumers to access luxury products that could not have financial possibilities to otherwise (Amatulli et al., 2018).

A huge part of growth and success of luxury resale is also due to online platforms, which by 2019 generated around 25% of global secondhand luxury-market sales (Oliver Abtan et al., 2019). Furthermore, the biggest source of secondhand luxury growth is price accessibility of

the products since “*buyers of preowned luxury items are usually consumers who don’t have access to the primary market or don’t to purchase new products at full price.*” (Oliver Abtan et al., 2019, p. 4).

In addition, according to BCG & Altagamma (2019) more three factors, apart from price accessibility, are responsible for its success: increasing professionalization and concentration of the secondhand market, changing consumer preferences and broader access to a selection of product. Firstly, price accessibility refers to the possibility of consumers to get luxury products at much more affordable prices. Further, professionalization and concentration designate the fact that the market is made by small independent companies who focus on a specific product or category and by online resellers who provide access to a wider variety of products and brands (Oliver Abtan et al., 2019). Finally, secondhand luxury benefits also from the change of consumption preferences of younger generations towards a more responsible consumption and a sustainable behavior (BCG, & Altagamma, 2019; Oliver Abtan et al., 2019).

In addition, BCG & Altagamma (2019) complemented the previous information by clarifying growth was also motivated by the development of digital platforms, that assure authenticity and quality, by a raising concern for sustainability, by the broader access secondhand provides to special capsule products and by the opportunity of buying with a better price/quality ratio.

Secondhand luxury consumption is “*(...) often connected to recycling, sustainability and environmentally conscious behaviors of consumers.*” (Turunen & Leipämaa-Leskinen, 2015, p. 58), however, a part from a sustainable choice, a secondhand possession can even be considered a real deal ( a form of bargain hunting and search for good deals in terms of price), a pre-loved treasure (a product rich on emotional meanings and distinctive character that age and ownership give), a risk investment ( in terms of questioning authenticity) and a unique find (related to treasure hunting and to the discover of scarce and special products) (Turunen & Leipämaa-Leskinen, 2015). In addition, increase of secondhand purchases can be also associated with reducing the feelings of inauthenticity that come from luxury consumption (Goor et al., 2020) and with emotional benefits related with treasure hunting, meaning the search for rare products, limited editions or classic luxury products that are no longer produced (Amatulli et al., 2018; Turunen et al., 2020; Turunen & Leipämaa-Leskinen, 2015).

Furthermore, previous studies revealed that “*(...) second-hand luxury possessions may hold even deeper meanings for their owners, and consumers develop even closer relationships with*

*them than with brand-new luxury products.*”(Turunen & Leipämaa-Leskinen, 2015, p. 62). Considering it, buyers and sellers of secondhand seem to have different characteristics and for that reason those will be mentioned in the next subsection.

### **2.2.2 Dynamics buyers and sellers within the of secondhand luxury market**

BCG & Altagamma (2019) concluded that 45% of worldwide luxury consumers were buyers and/or sellers in the secondhand market, and, in terms of age, most of the sellers were from younger generations whereas buyers were older. On the secondhand luxury market, the item instead of being valued also by its symbolic value, as it is in luxury market, becomes most of the times just the mean of effectuating the financial transaction between buyers and sellers (Turunen et al., 2020).

Individuals who sell their luxury items claim they would never buy secondhand luxury as they are *social climbers* who purchase with the objective of attaining a certain status (Kessous & Valette-Florence, 2019; Turunen et al., 2020). Being a luxury client is synonym of a certain status and having access to some privileges and private sales. This feeling of privilege might be lost if a customer resells his private sales purchases to the secondary market. This behavior may lead sellers to be blacklisted by luxury brands, for instance by excluding them from private sales (Turunen et al., 2020). However, by 2019, one third of luxury consumers who sell luxury items said doing it to empty their wardrobe and to finance new luxury products. Consequently, 44% of luxury consumers said being interested in the resale value of the products when buying new luxury products (BCG, & Altagamma, 2019).

In terms of buying behavior, by 2019, 60% of consumers said being interested to buy secondhand and, among all the products available on the secondhand luxury market, handbags was the most purchased (BCG, & Altagamma, 2019). Moreover, on the moment of shopping, secondhand consumption can be influenced both by hedonic (related with pleasure and experience) and utilitarian (mostly based on function and ability to satisfy the need) reasons (Turunen & Pöyry, 2019).

The style of consumption also differs. Eastman, Iyer and Thomas, define eight types of consumption styles within the luxury market: “ high-quality consciousness, *brand consciousness, fashion consciousness, recreational shopping consciousness, price per quality consciousness, impulsiveness, confusion from over-choice, and brand-loyal*

*orientation.*”(Eastman et al., 2013, p. 59; Turunen & Pöyry, 2019, p. 550). Turunen & Pöyry (2019) identified also these motivations in secondhand luxury purchases. In case of secondhand luxury, quality consciousness relates to the belief heritage-owned brands improve quality with age and thus these consumers love, for example, the beauty of aged leather (Turunen & Pöyry, 2019). Further, Turunen & Pöyry define brand consciousness as the use of secondhand by consumers to have access to pieces they wanted but, namely because of their rarity, could not have (e.g., limited editions). Further, the same authors state fashion consciousness is also an identified motivation since consumers recognize used products are not necessarily outdated and can even gain vintage value. Moreover, it is also present the recreational shopping consciousness, potentiated by a treasure hunting shopping experience, as well as price-per-quality consciousness which designates an attractiveness for lower prices and, consequently, better value for money when purchasing high quality luxury products (Turunen & Pöyry, 2019). Impulsiveness when buying is also a characteristic of purchase behavior, as well as the loyalty to specific shops (brand-loyal orientation). Finally, surprisingly consumers of secondhand feel confused by the lack of choice and make their choices about what to purchase taking into account the resale value it can have afterwards, which constitutes a new shopping motivation: resale value consciousness (Turunen & Pöyry, 2019).

Other studies have also identified environmental and sustainability concerns as being motivations for consumers to buy secondhand products (Ek Styvén & Mariani, 2020; Turunen & Leipämaa-Leskinen, 2015). Secondhand luxury by being a way of giving a new life to luxury products is often associated with a sustainable behavior of consumers (Guiot & Roux, 2010) and thus is preferred by younger generations who said caring about environmental and animal criteria when looking for luxury goods (BCG, & Altagamma, 2019). Thus, the preference to buy secondhand can be justified by the existence a perception of incompatibility between luxury and sustainability, which is higher on younger generations (Jean-Noël Kapferer & Michaut, 2015). Following that reasoning, Franco et. al (2019) state combining luxury and sustainability can be beneficial to attract younger customers. In contrast, Kapferer & Michaut (2015) point out that the majority of the consumers do not consider sustainability a requirement, but believe luxury brands should take it into account, and thus, luxury brands have to work more towards convincing consumers they do.

In sum, the behaviors and motivations of buyers and sellers highlight strong points of the secondhand luxury market that may lead luxury brands to think about the possibility to support secondhand luxury, instead of facing it. However, the answer to the question whether luxury brands should support this market or not, is not consensual.

### **2.3 To support or not to support the preowned boom? – the question of luxury brands**

According to the literature, the answer to this question is not clear. On one hand, there is the conviction luxury players should celebrate the preowned boom and brands that support and collaborate with secondhand market (for example by providing access to a resale service with the possibility to drop off in the store or resale through website) can have huge benefits. (Oliver Abtan et al., 2019). On other hand, some authors give arguments that support the conviction it might lead to change the essence of luxury (Dubois, 1995; Jean-Noël Kapferer & Bastien, 2012; Jean-Noel Kapferer & Valette-Florence, 2016).

By 2019, Oliver Abtan et al. (2019) justified why luxury brands should celebrate the preowned boom. Secondhand luxury is an opportunity for traditional luxury market to improve their image and increase their customer base as it makes the industry more sustainable and attractive to environmentally conscious generations, such as Millennials. In addition, secondhand can work as a mean to attract customers who have never had contact with the brand and convert them into customers of the primary market. Also, secondhand sellers are firsthand buyers who use the money they earned by selling to invest in new luxury products luxury, which means resale increases their purchasing power and consequently boosts primary market sales. Moreover, by increasing the lifetime of luxury products, luxury brands support sustainability and circular economy, and consequently, improve its positioning and image to younger generations. Finally, the collaboration of luxury brands with the secondhand market, through for example a proper resale service or events, could help to face counterfeiting and engage with customers. In line with this arguments, Turunen & Pöyry (2019) also believe managers should look positively at this tendency and see secondhand as a way to attract new customers who can become firsthand buyers.

In contrast, there is also the conviction that secondhand luxury may harm the symbolic value around luxury products. Luxury brands sell also the dream attached to its products, which is quantified by the difference between brand recognition and brand diffusion (Jean-Noel

Kapferer & Valette-Florence, 2016) and depends on the paradoxical way of managing luxury brands (Dubois, 1995). Therefore, it is crucial to transmit an idea of scarcity (Jean-Noël Kapferer & Bastien, 2012) and to limit its accessibility in order to avoid having a negative impact on desirability (Dubois, 1995). Secondhand luxury market, by giving access to luxury products at a much accessible price and by increasing brand diffusion, may reduce the feeling of privilege and rarity, and thus, reduce the dream associated with luxury products. ***But no study has focused on this issue yet. Therefore, we still lack understanding of the necessary actions that luxury brands can undertake to face the growth of the secondhand luxury market.*** This topic has interest for managers as it can help them to face the negative impact of secondhand.

To contribute to fill this gap, I propose to answer the following research question:

***How can fashion luxury brands change their business model to face the secondhand luxury market emergence?***

## **2.4 Exploring the concept of business model**

A business model can be defined as the conception that allows a company to create, deliver and capture value (Osterwalder & Pigneur, 2010).

Osterwalder & Pigneur (2010) developed a strategic tool to analyze every business model, called the business model canvas. It divides the business model in nine main blocks: key partners, key activities, key resources, value proposition, customer relationships, channels, customer segments, cost structure and revenue streams. The following figure describes each element:

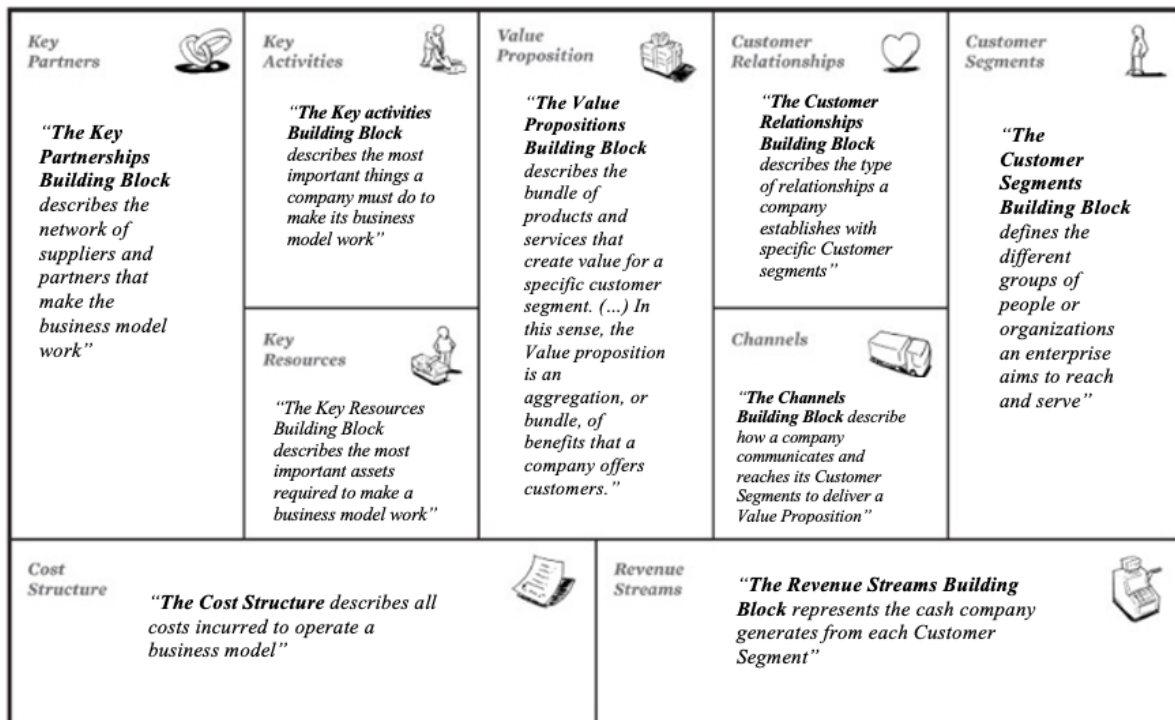


Figure 1- Business Model Canvas elements' description – adapted from Osterwalder & Pigneur (2010)

The use of Business Model Canvas can be quite helpful to understand the business model of a company/organization. Its value is to provide a visual perspective that “(...) facilitate discussion, debate, and exploration of potential innovations to the underlying business model itself; with users developing a more systemic perspective of an organization and highlighting its value creation impacts.” (Joyce & Paquin, 2016, p. 3). However, Joyce & Paquin (2016) highlighted also one of its limitations: the exclusive focus on profit and its economic value orientation. Based on that, those authors stated that for developing sustainable-oriented business models it may need another additional tool.

### 3. Methodology

This chapter focuses on firstly explaining what methodology was chosen and why (3.1), the process of data collection (3.2) and which steps and procedures I used to interpret and analyze the data collection (3.3).

#### 3.1 Justification of the methodology

To answer my research question, I chose a qualitative approach since this study is exploratory and wants to provide a deep understanding of an organizational phenomenon (Bettis et al., 2014; Birkinshaw et al., 2011). In addition, qualitative research provides tools that allow to understand the different contexts and build links between them and the firm (Birkinshaw et al., 2011), which is important to answer the research question since it needs a prior understanding of what is motivating secondhand growth to build on how to change the business model to face secondhand market emergence.

Within the qualitative approach, I chose to conduct a comparative case study, as it allows to “(...) to retain the richness of individual case studies without retreating into ideographic explanation (...)” (Achen & Snidal, 1989, p. 147), and thus, will result in more solid and general conclusions. This is especially relevant since my aim is to provide a general answer that luxury brands can take as the key to change their business model successfully to face secondhand market emergence, which will be done by comparing what several companies have already successfully done.

For this study, the initial criterion to select the cases consisted choosing fashion luxury brands. Based on that, after writing the interview guidelines, I went physically to Avenida da Liberdade and started asking for interviews in all fashion luxury stores available there, having in mind to build on the brands I could get more information. From that, I was able to get seven interviews from several fashion luxury brands: Boggi, Loja das Meias, Gucci, Loewe, Longchamp, Versace. However, those interviews were not conclusive nor relevant to answer my research question since the interviewees demonstrated either not being aware of the existence of a growing secondhand luxury market or not considering it relevant, and thus, believed there is no need to change business model. Considering it, and to avoid changing the original research question, I conducted an online search in order to find fashion luxury companies which fulfill

the requirement of having already taking measures to face secondhand market emergence. The companies founded were Stella McCartney, Burberry, Farfetch and Gucci. Consequently, those ended up being the final chosen cases of this research since those are all fashion luxury brands with a big dimension, well established in the market and that have already recognized a need to take secondhand luxury market into consideration and changed successfully their business model, and thus, prove the existence of a necessity to modify it.

### **3.2 Data collection**

The initial goal was to conduct interviews, as mentioned previously. Based on that and after selecting the companies, I tried to get interviews. In the case of Burberry, when going to the store, sales assistants clarified that were not allowed to give interviews and provided the contacts to which I should direct an email. I did it, however, when specifying with whom I would like to have an interview and sending the guidelines of the interview, there was no reply. Regarding Farfetch, I sent an email and received an answer thanking for the interest about the company but mentioning that due to the huge number of solicitations the company could not attend to my interview request. Stella McCartney has no physical store in Portugal, the only point of sales is Loja das Meias. For that reason, I was not able to have interviewees from this brand either. Finally, after deciding to keep focusing on Gucci, I visited the store one more time and got one more interview, making a total of two interviews.

However, due to the reduced number of the interviews, I collected secondary data such as online articles, secondary interviews, podcasts, videos and companies' documents. This variety of data allowed data triangulation. The selection of the secondary sources was based on the credibility of the sources and the relevance of the information for the study. The table available in appendix 1 summarizes the data collection and the use of it in the analysis. The full table describing each of the secondary data sources can be seen in appendix 2.

### **3.3 Data analysis**

To analyze the data I used a coding method, which designates the process of dividing the information into subcategories and systematically connecting them into a general category, and, consequently, validating relationships among them (Corbin & Strauss, 2008; Kolb, 2012).

The analysis started with the definition of codes based on the analysis of the research question and the Business Model Canvas. Based on those initial codes, I started coding the data and consequently new codes emerged. Furthermore, I organized the codes into more general codes, the categories, and in a final stage, I grouped categories into themes.

The first theme, luxury brands, englobes categories and codes that translate the points luxury brands have been failing. The first category, posture towards secondhand, demonstrated the way luxury brands perceive this trend translates into devaluation (code) and a want of dissociation (code). Further, the second category, posture towards Millennials and Gen Z, reveals fashion luxury brands are underestimating (code) and misunderstanding (code) these segments and consequently not focusing on understanding their needs and wants. In addition, the last point that may be failing in luxury brands strategy is the awareness about consumers rising sustainability concern (category) that is generating new ways of buying (code) and increasing their societal impact (consciousness). However, these attitudes can have a cost for luxury brands due to secondhand luxury growth. Based on that, secondhand luxury market emergence (theme) depending on how luxury brands adopt a posture of resistance (category) or of support (category) in relation to this market, can lead to negative or positive effects, respectively, that represent the codes of that categories.

Having implemented a business model change (theme), through the creation of partnerships and/or addition of luxury of luxury resale as part of their business, it had effect in eight of the nine elements described on Business Model Canvas that constituted the categories of the theme. Finally, the codes of each category represent the concrete effects suffered on each of the elements of the business model. To clarify and summarize this information, the table available in appendix 3 shows the themes, categories and codes used in date analysis and appendix 4 contains examples of quotations for each code.

## 4. Empirical Setting

The companies selected are all fashion luxury brands established in the Portuguese market. The first section (4.1) includes the description of the four luxury companies chosen: Farfetch (4.1.1), Stella McCartney (4.1.2), Burberry (4.1.3) and Gucci (4.1.4). The second subsection (4.2) presents briefly the two secondhand luxury companies who did partnerships with the previously mentioned brands: The RealReal (4.2.1) and Thrift+ (4.2.2).

### 4.1 Fashion luxury brands

#### 4.1.1 Farfetch

Farfetch is a British-Portuguese online luxury fashion company, created in 2007, by José Neves, with the idea of being an online marketplace for luxury stores around the world. The idea was successful and nowadays it has thousands of brands available and, according to its website, has customers in 190 countries with from more than 50 countries. More specifically Farfetch has offices in 14 different locations around the world and has divulged on its LinkedIn page a total of 4295 employees from various nationalities. All these elements lead Farfetch to attain and divulgate on its partners website a revenue superior to 1 billion euros in 2019.

The company defines itself as being “*The global platform for luxury*”, which clearly shows up its goal of creating a global platform that connects the whole industry of luxury. Nevertheless, the company mentions this goal is oriented towards good. This can be demonstrated by the movement *Positively Farfetch*. This movement translates its mission, mentioning how the company wants to do it: “*(...) empowering everyone we work with to think, act and choose positively.*”. The company goes further and reinforces its positioning mentioning in its page: “*Together with our brand and boutique partners, we’re revolutionizing and reinventing the fashion industry for the future – in a way that benefit our customers, our people and our planet.*”. This state of mind is subdivided in four main areas: *positively cleaner, positively conscious, positively circular and positively changing*. The *positively cleaner* topic relates to the effort done by the company to reduce carbon emission and help people to make sustainable choices by, for example, reducing the amount of waste produced and implementing sustainable choices in its logistics. In the *positively conscious domain*, Farfetch compromises to apply rigorous criteria with the brands is working with, in what concerns environment, society and

animal welfare. It includes company's commitment to not sell products made from leather or endangered species from 31 December 2019 on. Furthermore, the term *positively changing* refers to the desire of changing positively fashion and inspire the next generation, by for example, having their own circular economy initiatives and supporting new business ideas who focus on implementing it (such as re-sale or luxury rentals). This is then connected, with the last idea, *positively circular*. The company believes and mentions on its website that "*Acting more positively with unwanted, unloved or worn-out clothes is critical to the future of fashion.*". Based on that, Farfetch made a partnership with Thrift+ to offer an on-demand donation service. In addition, another project developed by the company is *Farfetch Second Life* and it allows clients to sell their designer bags and get credit to spend in new item at the same time as allowing that pieces to have a second life.

#### **4.1.2 Stella McCartney**

Stella McCartney is a fashion luxury brand, launched in 2001, moment when it received the name of its creator. Stella's parents were already famous creators, however, she only started being known by its own work, after graduating in 1995. She firstly dedicated to womenswear, and stood out by its sharp tailoring, different aesthetic and masculine vibes. As consequence of her success, she became Creative director of Chloe in Paris by 1977. Furthermore, the launch and presentation of its own luxury brand was in 2001. Stella kept expanding its brand and, in 2009, she launched one of the most iconic products, the Falabella bag.

For 17 years Stella McCartney shared the ownership of the brand with Kering, however, in 2018, Stella got full control by buying the missing shares. Further, in 2019, she decided to do a partnership with LVMH to develop and improve brand value.

Nowadays, the brand mentions, on its website, having 55 stores in localizations such as New York, London, Los Angeles, Paris, Milan, Tokyo, Shanghai and Beijing. In addition, the brand has also presence on specialty stores in 77 countries and ships to 100. In terms of employees, according to its LinkedIn, the brand has 685 people working. These elements are consequence of brand expansion, however, according to CPP luxury (2020) the brand had an operating loss in 2018 superior to 10 million pound and, in 2019, there was no information about how it evolved.

The luxury brand reflected the environmental consciousness of the creator since ever and for that reason has never used leather, feathers, skin or fur in any of its creations. The brand

substitutes those by faux materials such as acrylic, polyester, wool and mohair. As consequence, on the website, the brand shows its vision through a mission statement: *“We are agents of change, we challenge and push boundaries to make luxurious products in a way that is fit for the world we live in today and in the future: beautiful and sustainable. No compromises.”*. As a manifestation of this philosophy, Stella developed a partnership with the secondhand luxury company The RealReal. This partnership aims to give a second life to luxury items, supporting circular economy and, consequently, reducing the consumption of scarce resources.

### **4.1.3 Burberry**

Burberry is an English luxury brand founded in 1856 by Thomas Burberry when he was 21 years old. He had worked on the textiles area and for that reason, in 1870, started the business focusing on winter clothes. In 1880, Thomas invented one of the most iconic products of the brand, the gabardine. In 1888, the brand patented it to assure its exclusivity to Burberry. Furthermore, in 1901, the brand created and registered the famous rider logo and, in 1914, born the known trench coat. In 1920, the brand created the plaid pattern to be used as lining of the trench coat. In 2000, Burberry opened its first store, in London, and, in 2004, launched its first website, in the United States. In 2006, the brand launched the website in the United Kingdom and, by 2011, launched Burberry.com, becoming available in 44 countries.

Nowadays, according to Statista Research Department (2020), the brand has 475 stores worldwide (one of them in Portugal at Avenida da Liberdade) which in 2019 generated 2.19 billion GBP on revenue. In addition, and according to company’s LinkedIn, it counts with 7931 employees to deliver a personalized and luxurious brand experience.

Burberry has a clearly defined commitment towards sustainability which can be read in its website: *“(…) We are dedicated to reducing our environmental footprint and enabling social progress as we help transform our industry through powerful collaborations.”*. One of those collaborations was with the secondhand website The RealReal. The brand announced it in 2019 as one of the actions of the *ReBurberry* project which aims to increase resell and reuse of the pieces.

In 2020, Burberry created sustainable labels to show products’ sustainability requirements and, in August, present a sustainable capsule collection. This collection is also part of *ReBurberry*

and includes limited editions of Burberry's heritage pieces such as the trench coat, car coat and eyewear, made in Econyl.

By 2022, some of the objectives of the brand are to have 100% of their products with more than one positive element (social or environmental improvements) and have a positive impact on 1 million people around the world. As a long-term goal, the brand wants to, by 2025, have all packaging made by recyclable and biodegradable materials.

#### **4.1.4 Gucci**

Gucci brand is an Italian brand founded in the 19<sup>th</sup> century by Guccio Gucci, as a brand who produced quality leather goods and was symbol of Italian heritage and craftsmanship. The brand, characterized by its innovative design and attention for the detail, became a symbol of elegant and eclectic fashion creations and, consequently, expanded around the world.

Since 2013, Gucci is part of the Kering group and generated 9.63 billion euros in revenue by 2019, according to Statista research department (2020). Nowadays, it counts with 13060 employees working for the brand, according to company's LinkedIn, and, has one of its stores located in Portugal, in Avenida da Liberdade.

In Portugal, Gucci store belongs to Amorim Luxury group, the biggest luxury group in Portugal. The store opened in 2012 and in 2020 suffered a remodeling that costed to the group 2.5 million euros, in order to make it more sophisticated and make possible for consumers to purchase the full collection of male and female (clothing, accessories, shoes, jewelry and sunglasses).

Worldwide, by being part of Kering group, Gucci has been encouraged to think about sustainable issues and consequently has a defined sustainability strategy which includes measures to promote social and environmental sustainability. This led Gucci to build a ten-year sustainability composed by a group of objectives the company expects to have attained by 2025. This includes promoting supporting social causes through, for example, donations and reduce waste at the same time as investing on circular approaches for its products. In addition, the CEO, Mario Bizzarri, when divulgating this, mentioned the key pillars of Gucci's 10 years sustainability plan as being the environment, people and innovation. In 2018, Gucci furthered this sustainability compromise with *Gucci Equilibrium*, which designates the action of keeping high quality standards while having positive social and environmental impact.

Following that state of mind, in 2020, Gucci announced two actions that support both sustainability and circular fashion: *Gucci Off the Grid*, the first sustainable collection and, a partnership with the secondhand marketplace The RealReal.

*Gucci Off the Grid* is an extension of the program *Circular Lines* which aims to minimize the use of new materials and explore the potential of recycled textiles. Based on that, it comprises 37 pieces of genderless sneakers, bags, accessories and ready-to-wear made with recycled and organic materials.

Finally, the partnership with The RealReal is based on the creation of an e-commerce site fully dedicated to the sale of Gucci secondhand pieces, provided by consignors and by the brand itself.

## **4.2 Secondhand luxury stores/platforms**

### **4.2.1 The RealReal**

The RealReal is a secondhand platform founded in 2011 by Julie Wainwright. It started as a startup however it transformed into one of the most relevant and global luxury consignment businesses. The product assortment includes clothes and accessories for women, men and kids and also pieces of art and home decoration. The focus of the company is on quality, craftsmanship and authenticity at the same time as thinking about sustainability and community welfare.

Nowadays, the brand has millions of shoppers and sellers collaborating with them. It has four retail stores in the United States and has divulged on LinkedIn a total of 1805 employees. In terms of revenue, by end of 2019, earned a total of 318 million dollars, according to the information available at Globalnewswire (2020). This success is due to the quality of the shopping experience and the strict process of authentication done by experts and authenticators of the luxury industry. In addition, this concept benefits from the support given to sustainability and circularity of fashion.

### **4.2.2 Thrift +**

Thrift + is a website that aims give people the possibility to donate the clothes they don't need to people who need. Joe Metcalfe, a student at the university of Cambridge, created it in 2015, after having contact for two years with the largest charity networks in UK.

The person who wants to donate receives a package at home and just needs to fill it with their secondhand clothes and order an on-demand collection. Thrift+ after receiving the item photographs, attributes a price and places it online. Then, the donor chooses the charity institution to donate 50 per cent of the value of the sale and receives 25 per cent of the value as a credit to spend.

Their mission is to help the charity retail sector by using technology to make as easier as possible for people to donate the clothes. In addition, the company believes charity shoppers deserve having the same quality of shopping experience as other shoppers and for that reason encourages high quality donations. In that sense, the brand only accepts premium and designer clothes, in new/excellent condition, cleaned and with no stains nor defects.

Nowadays, according to company's LinkedIn, it counts with 18 people working but did not share information about the revenues in the past years.

## 5. Findings

This chapter presents the answer to the research question: how can fashion luxury brands change their business model in order to face secondhand market emergence? In order to understand the reasoning behind the changes implemented in the business model, it is necessary to understand the different possible behaviors of fashion luxury brands towards the secondhand market (5.1.1), the different possible attitude towards the segments who motivate the growth of this sector (Millennials/Gen Z) (5.1.2) and to what extent luxury brands gave importance to the rising sustainable of consumers (5.1.3). Furthermore, the second section explores the effects that the implementation of partnerships and/or inclusion of resale as part of business had in eight elements of the business model: Key partners (5.2.1), Key activities (5.2.2), Customer segments (5.2.3), Customer relationships (5.2.4), Channels (5.2.5), Revenue streams (5.2.6), Cost structure (5.2.7) and Value proposition (5.2.8).

### 5.1 Attitude of luxury brands towards luxury resale phenomenon

The analysis of the attitude of luxury brands towards this phenomenon is a crucial point to understand which points can be changed to take advantage of this emerging market. It includes their behavior towards it as market (5.1.1), towards the segments who support its growth (5.1.2) and in relation to the luxury consumers' rising sustainability concern when purchasing (5.1.3).

#### 5.1.1 Behavior towards secondhand luxury market

Most of the fashion luxury brands did not take any action related to secondhand luxury market since they have been devaluating the importance and dimension of this market. On other hand, some luxury brands have been relying on the conviction it can damage their symbolic value and cannibalize them and, thus, have been demonstrating a want of dissociation. However, as new players enter and consumers interest about secondhand increases, this is turning into an unportable position<sup>2</sup>, as it rises concerns of brand dilution<sup>3</sup>.

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<sup>2</sup> *The secondhand opportunity in hard luxury (BCG, 2020)*

<sup>3</sup> *You can now exchange your old design bags for Farfetch credit (Vogue, 2019)*

### ***5.1.1.1 Devaluation***

Luxury brands have been leaving the market alone because they devaluated the strength of secondhand luxury market especially because due to the belief it was only searched for people who do not belong to their target or cannot afford new products, as demonstrated in the following statements:

*“Secondhand luxury market is only searched for people who can’t afford luxury and influencers.”* (Interview, Gucci sales assistant)

*“I don’t believe secondhand luxury will ever harm the profit of luxury brands as Gucci. Our customers are not potential sellers of secondhand.”* (Interview, Gucci store manager)

The majority of fashion luxury brands did not see this trend coming and retailers such as The RealReal took advantage of it. However, in the past was possible to ignore, nowadays the demand for secondhand luxury is increasing and consumers are getting smarter and including it as part of the decision-making process. Before purchasing an item, consumers said checking websites such as The RealReal when thinking about doing a luxury purchase to understand if the value is good<sup>4</sup>. In addition, apart from devaluating secondhand luxury market, luxury brands demonstrated a want of keep dissociating its business from this new market.

### ***5.1.1.2 Dissociation***

Luxury brands demonstrated a desire of keeping separated their business model from secondhand since they have been afraid of losing their rarity and being cannibalized as secondhand luxury increases the availability of luxury items at a lower price<sup>5</sup>. However, nowadays, this fear of being cannibalized is not justified anymore. Resale is not a threat and if brands know how to take advantage of secondhand, it can complement the sales of new goods, improve brand value and have to access a group of future luxury consumers<sup>6</sup>. Considering it, secondhand luxury platforms stated it is becoming a crucial part of the business as it allows consumers to have the first contact with the brand, increasing their desirability and consequently fueling first time sales:

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<sup>4</sup> *Luxury brands can’t ignore the reseller The RealReal anymore (Forbes, 2018)*

<sup>5</sup> *The most important effect of Gucci’s new partnership with The RealReal (Forbes, 2020).*

<sup>6</sup> *The secondhand opportunity in hard luxury (BCG, 2020)*

*“To those in the luxury world who dismiss consignment sites like The RealReal, Sommer has this to say: “We really do fuel the primary market, not only by driving our consignors back to shop primary when they see a space in their closet, but also because we’re granting this seemingly newfound income, so these consignors are able to go back to primary, buying new, and they’re excited to do so because it has a resale value. It’s full circle.””*

*Allison Sommer, Senior director and strategic initiatives at The RealReal  
Vogue online article, by Steff Yotka, April 2019*

Furthermore, fashion luxury brands have been failing also in the posture adopted towards Millennials/Gen Z segments, which lead them to support secondhand luxury market.

### **5.1.2 Posture towards Millennials/ Gen Z segments**

Millennials and Gen Z are especially worried about the impact they have on the planet and are the ones who are driving luxury resale market growth<sup>7</sup>. This support given by these segments of consumers to luxury resale can be justified by the posture of underestimation and the misunderstanding demonstrated by fashion luxury brands.

#### **5.1.2.1 Underestimation**

Luxury brands underestimated these segments, as they had the belief that for being the segments who boost secondhand luxury, that means they can’t afford new items. However, this conception is not true. Millennials like luxury and check the options available in the primary market and in the secondhand market, before making an investment:

*“Millennials, ages to 18 and 38 with their taste for luxury and their willingness to search high and low for it, are the key to RealReal’s past and future success. As Wainwright reminds us, “Never underestimate how sharp millennials are.””*

*Forbes online article by Pamela N. Danziger  
August 2018*

The same happens with Gen Z segment. This segment prioritizes sustainability and highlight their willingness to spend more money on brands that take that into account:

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<sup>7</sup> *Secondhand e-commerce sites see a silver lining (Forbes, 2020)*

*“Sustainability is important to Gen Z. Data from the Sustainable Investment Group said 73% of Gen Z said they would pay more for a brand if they knew it was sustainable.”*

*Glossy online article by Danny Parisi*

*October 2020*

Luxury brands have been underestimating Millennials and Gen Z perspicacity and also their potential to be spend on luxury items. This posture can also be related to the misunderstanding of what are the factors these segments prioritize.

### **5.1.2.2 Misunderstanding**

More than doing a good investment, Millennials want to reduce the negative externalities from their consumptions. Used clothes allow consumers to reduce carbon footprint and this is a crucial aspect for millennials. This justifies why Threadup survey results revealed that about 35% of Millennials choose resale for environmental reasons<sup>8</sup>.

*“It’s not just about getting a good deal but also being a responsible consumer. For Millennials, environmental and social aspects count: it’s a way to reduce the negative externalities generated by the fashion and luxury goods industry.”*

*Sqli digital experience online article*

*October 2020*

The same happens with Gen Z. This segment has been prioritizing also sustainability in its purchases and, uses secondhand proudly and as a way to spread their sustainability beliefs to other consumers<sup>9</sup>. This misunderstanding of Millennials and Gen Z values and tastes, translated into a loss of interest from these segments and consequently, justifies why those have been supporting secondhand. Luxury consumers want luxury brands to get involved in the secondhand luxury market. In a recent study from BCG, 70% of luxury consumers said they would like luxury brands to work as direct sellers and 74% said would like them to be certifiers<sup>10</sup>. Luxury brands have been ignoring consumers wants and its rising sustainability concern.

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<sup>8</sup> *Fashion and luxury giants get in on second-hand goods (Sqli digital experience, 2020)*

<sup>9</sup> *Resale stays relevant as Threadup rebrands and The RealReal partners with Gucci (Forbes, 2020)*

<sup>10</sup> *The secondhand opportunity in hard luxury (BCG, 2020)*

### **5.1.3 Ignorance of consumers rising sustainability concern**

One of the motors of secondhand luxury market emergence is the rising sustainability concern in turn of luxury goods, which is especially strong among younger consumers<sup>11</sup>. Nowadays, consumers when buying something think if there are doing a good or bad thing for the world<sup>12</sup>. Especially after COVID 19 crisis, consumers realized that their actions impact others and thus it increased their societal consciousness. Sustainability turned into a crucial element and brands have to include it<sup>13</sup>. Consequently, based on the mistakes that luxury brands are taking in relation to secondhand luxury market and to the segments who support it and the devaluation of new consumer preferences, namely in terms of sustainability, some brands have already implemented changes in its business model. The following section explores those changes.

## **5.2 Business model change – the way of succeeding**

Stella McCartney, Burberry and Gucci have already created partnerships with one of the most known luxury resellers: The RealReal. Farfetch on other hand, apart from doing a partnership with Thrift+, have also incorporated secondhand as part of its business model. The implementation of these measures represented a change in elements of fashion luxury brands' business model. Each of the following sections explores those specific changes.

### **5.2.1 Key partners**

Firstly, the luxury brands have modified their business model and turned secondhand luxury platforms into key partners. On one side, secondhand luxury platforms worked as partners who help the brands offload the excess of inventory (5.2.1.1), and, for other side, it turned possible for luxury companies to spread their support to circularity of luxury items (5.2.1.2).

#### ***5.2.1.1 Offloading the excess of inventory***

Fashion and luxury industry have been always in the spotlight in what concerns pollution and waste. Luxury brands did not use, for example, sales to dry inventory, and end up burning it or depositing it in landfills. In that sense, a study from Ellen MacArthur foundation with Stella

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<sup>11</sup> *The secondhand opportunity in hard luxury (BCG, 2020)*

<sup>12</sup> *Who are luxury sellers stealing market share from? (Vogue, 2019)*

<sup>13</sup> *The future of luxury, post-coronavirus (Forbes, 2020)*

McCartney reported that every second a garbage of clothing goes to a landfill or is burned, and The RealReal stated that 95% of that clothing could be reused<sup>14</sup>. Furthermore, this practice apart from being penalizing in terms of brand image, started being prohibited in countries such as France<sup>15</sup>. This highlighted the urgency of implementation of measures that solve this issue. Partnerships were a solution as it could bring benefits to both, resellers and luxury brands. For resellers it turned easier to get large amounts products in excellent conditions, and, in case of luxury brands could be useful to overcome the problem of excess inventory and would allow to make some additional profit<sup>16</sup>. Because of this recognition of secondhand as a way to offload excess inventory, The RealReal registered an increase of 46% of consignment from the brands since the pandemic hit<sup>17</sup>.

Following that line of thought, Gucci was the only of the four brands who turned The RealReal a key partner in order to offload the excess of inventory. Gucci did a partnership and included resale as part of its business. In case of Gucci, the brand created, in collaboration with The RealReal a secondhand online shop fully dedicated to sell used and unused products. Those products come from consignors and also from the brand (allowing the brand to offload from excess of inventory). Consequently, The RealReal and Gucci became key partners. The RealReal solved Gucci's inventory problem, and in exchange, got free publicity on social media:

*“The RealReal curated a Gucci-exclusive shop, which will include used and unused product directly from the brand (some of it from creative director Alessandro Michele's personal collection) as well as consignors. Notably, Gucci will be consumers not only to consign with The RealReal, but also to buy resale through the brand's exclusive shop by offering exclusive product and promoting The RealReal's shop on its social channels, which no other luxury brand has done.”*

*Glossy online article by Danny Parisi  
October 2020*

In addition, this also demonstrated being an effort the brand to promote circularity. In that sense, the next subsection explores this point.

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<sup>14</sup> *How sustainable is consigning clothing? The RealReal is glad you asked (Vogue, 2019)*

<sup>15</sup> *Who are luxury resellers stealing market share from? (Vogue, 2019)*

<sup>16</sup> *Fashion brands are befriending resale companies to secure sales (Glossy, 2020)*

<sup>17</sup> *Gucci embraces resale in the last move to win over Gen Z (Glossy, 2020)*

### 5.2.1.2 Promoting circularity

Burberry, Stella McCartney and Farfetch and Gucci collaborated with secondhand luxury platforms to promote circularity of their goods. Burberry got involved in a scandal when divulging in its annual report that had burned more than 36 million in clothes<sup>18</sup>. The solution was doing a partnership with The RealReal. It consisted in offering a personalized shopping experience to consumers who successfully consigned a Burberry item at The RealReal<sup>19</sup>. Considering it, The RealReal started being a key partner of the brand and helped to demonstrate brand's support to the circular economy and as stated in the following quote:

*“Leading the way in creating a more circular economy for fashion is a key element of our Responsibility agenda,” Pam Batty, Burberry’s VP of corporate responsibility, said in a statement. “Through this partnership we hope to not only champion a more circular future but encourage consumers to consider all the options available to them when they are looking to refresh their wardrobes.”*

*Forbes online article by Pamela N. Danziger  
October 2019*

In case of Stella's partnership, the brand gave a monetary reward of \$100 in credit to every person who consigned an item from the brand, that could be used to shop new item at Stella McCartney<sup>20</sup>. Stella McCartney worked with The RealReal, as key partners, in order to encourage consumers to give a second life to items and, thus, promote circularity, as demonstrated in the following statement from the creator:

*““At Stella McCartney, we have been working for years to ensure that our supply chains represent some of the most traceable and sustainable in fashion while also continuing to ensure that our products, which are made to last, have long lives and never end up as waste”, the designer said in a statement. This campaign is about raising the awareness on a circular approach to fashion. We alongside with The RealReal are making a commitment now and we can only hope that others will follow”.*

*Stella McCartney, Stella McCartney’s creator  
Forbes online article, by Mario Abad  
April 2018*

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<sup>18</sup> Burberry partners with The RealReal to test reselling high fashion (CNN business, 2019)

<sup>19</sup> Burberry partnership with The RealReal signifies a real shift (Vogue,2019)

<sup>20</sup> Stella McCartney’s partnership with The RealReal continues into 2019 (Fashion united, 2018)

Farfetch also created a partnership with a secondhand platform, Thrift+. All consumers just had to ask for a donation bag and select the charity they want to support and Thrift+ was responsible for all the logistics (collection, photographs, pricing, listing and selling)<sup>21</sup>. Once the item was sold, one third of the value was for the charity chosen, another one third was to cover Thrift+ costs and the remaining one third converted into Farfetch credit that the customer could use to buy at Farfetch<sup>22</sup>. The client had also the option to donate his part<sup>23</sup>. Considering it, Thrift+ worked with Farfetch as a key partner, as it handled all the logistics directly with the client. Moreover, also in this case, the collaboration represented an effort to spread the benefits of circularity among consumers:

*“Farfetch is forging ahead with its sustainability agenda and joining forces with Thrift+, one of the start-ups within its Dream Assembly mentorship program, to offer its customers an easy, fuss-free way of donating unwanted clothes and promote circular fashion.”*

*WWD online article, by Fiona Ma  
October 2019*

Finally, Gucci, with the creation of its own secondhand website, also turned The RealReal a key partner to help the brand show its support to circularity of goods and inspire other luxury brands to do the same:

*“By encouraging their community to not only consign, but shop resale as well, Gucci is showing that secondhand market is complementary to the primary market. I certainly hope that our partnership shines a spotlight on the importance of circularity in fashion and inspires industry-wide change. Whether it’s other luxury brands reaching out to work with us or adopting alternative sustainable models, we support any avenue to keeping fashion in circulation and out of landfills.”*

*Vogue online article by Emily Farra, October 2020*

Furthermore, these fashion luxury brands, by implementing those measures also changed the key activities they operated.

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<sup>21</sup> Farfetch launches clothing donation programme (Vogue Business, 2019)

<sup>22</sup> Farfetch launches clothing donation programme (Vogue Business, 2019)

<sup>23</sup> Farfetch partners with on-demand donation service, Thrift+ (Farfetch, 2019)

## 5.2.2 Key activities

The business model change, implemented by the four companies, led also to the introduction of new key activities. For the ones who added entered the secondhand luxury business, the new key activity involved selling secondhand pieces directly to the consumer (5.2.2.1). For the ones who did not, the new key activities related to the fulfilment of the terms of its collaboration with the secondhand luxury platform (5.2.2.2).

### 5.2.2.1 Reselling secondhand luxury pieces directly to the consumer

Only Farfetch and Gucci turned resale into part of their business and started reselling secondhand luxury pieces directly to consumers. Farfetch, a part having developed a partnership with Thrift+, also created a separator of the website fully dedicated to the sale of secondhand items called Farfetch second life. Consumers can upload pictures of designer bags they don't want, and once the company receives and authenticates the item, the client receives a credit to spend on items at Farfetch<sup>24</sup>. Farfetch incorporated resale as a key activity in order to meet consumers interests and, at the same time, test the dimension of the demand for this type of offering, as can be read in the following statement from its chief commercial:

*“Giorgio Belloli, Chief Commercial and Sustainability Officer said: “Luxury fashion is increasingly aligned with sustainable fashion. Resale is an area of increasing interest for our customers. Like the online luxury market, the pre-owned luxury market is growing rapidly, and is likely to double in size to reach \$51 billion over the next five years. A luxury re-sale program like Farfetch Second Life, allows us to enter this market and test the demand of Farfetch customers for this kind of service.”*

*Giorgio Belloli, Chief commercial and sustainability officer at Farfetch  
From Farfetch's website*

Also, as mentioned previously, Gucci expanded its business by creating, with collaboration with The RealReal, a site fully dedicated to brand's secondhand products. Considering it, Gucci also turned resale a new key activity and got in on the resale market<sup>25</sup>.

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<sup>24</sup> Farfetch launches resale platform for designer bags (Fashion united, 2019)

<sup>25</sup> Gucci launches official resale partnership with The RealReal (Fashionista, 2020)

### *5.2.2.2 Cooperating with secondhand luxury platforms*

Burberry and Stella McCartney didn't include resale as a key activity, but they had new key activities that their collaboration with secondhand luxury platforms created. For Burberry, the new key activity involved all the experience provided in store for clients who purchase a secondhand Burberry item at RealReal<sup>26</sup>. In case of Stella McCartney, the new activity involved the process of rewarding the customer, after he did a purchase of a secondhand item from the brand, at The RealReal's website<sup>27</sup>.

Furthermore, another important dimension of the change of business model was in terms of customer segments, which in the case of the studied companies involved captivating price sensitive and environmental/societal conscious consumers. The next subsection explores this point.

### **5.2.3 Customer segments**

The goal of changing its business model was also to attract new segments of the consumers who are price sensitive (5.2.3.1) and/or are environmental and societal conscious (5.2.3.2).

#### *5.2.3.1 Attracting price sensitive consumers*

Burberry, Stella and Farfetch changed their business model with the aim to attract price sensitive consumers. Firstly, Burberry partnership had as goal to expand the customer segments that the brand reach. The plan was to allow price sensitive consumers to have the first contact with the brand by purchasing at The RealReal and then potentiate their desire to buy new items by experiencing a luxurious service in store:

*“The plan is to bring these aspirational customers in at a more affordable price through The RealReal and trade them up to being full-price customers who feel confident paying premium prices because they already know that the primary market item they buy will retain some of its value over time.”*

*Forbes online article by Pamela N. Danziger  
October 2020*

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<sup>26</sup> Burberry partners with The RealReal (Fashion united, 2019)

<sup>27</sup> The RealReal x Stella McCartney (The RealReal website)

Moreover, Stella McCartney captivated price sensitive consumers to know the brand through its offering of a monetary reward to spend on a new item from the brand. Just like Burberry, this discount could encourage price sensitive consumers to do their first full-price purchase <sup>28</sup>. Finally, also Farfetch, when offering a credit to spend to spend on new items at their website, to consumers who sell their old designer bags (Farfetch second life) and/or their clothes (Thrift+ x Farfetch), aimed to captivate price sensitive consumers to do luxury purchases.

### *5.2.3.2 Attracting environmental and societal conscious consumers*

In addition, Farfetch and Gucci aimed to attract environmental and societal conscious consumers. The partnership of Farfetch with Thrift+ is the one that evidenced the strongest societal impact dimension. The brand motivated consumers to give a second chance to their items, and those adhered having in mind not only for their own benefit (money) but also by the possibility of supporting a charity institution.

In contrast, Gucci's partnership with The RealReal, had the strongest environmental impact component, since it was directed to younger audiences who have sustainability as one of the most important aspects<sup>29</sup>. Based on that, in addition to promote circularity, as all the other mentioned brands, Gucci also supported reforestation:

*“As an added incentive, for every Gucci item bought or consigned, Gucci and The RealReal will plant a tree through the nonprofit organization, One Tree Planted, to help global reforestation efforts, which include planting new trees in the Amazon Rainforest and replenishing California forests damaged during this year's wildfire season.”*

*Forbes online article by Sharon Edelson  
October 2020*

Moreover, apart from allowing to captivate new segments of consumers, these measures also allowed to improve brands' relationship with current customers. The next subsection mentions this point.

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<sup>28</sup> *Burberry's partnership with The RealReal signifies a real shift (Vogue, 2020)*

<sup>29</sup> *Levi's and Gucci are embracing second-hand, sustainable shopping (Teen vogue, 2020)*

## 5.2.4 Customer relationships

In order to change their business model to face secondhand luxury market emergence, fashion luxury brands realized that had also to invest on their current customer relationships. They did it by implementing schemes to retain customers (5.2.4.1) or by meeting consumers' expectations (5.2.4.2).

### 5.2.4.1 Retaining customers

Farfetch was the only brand who mentioned explicitly this goal. Farfetch second life, by providing a financial credit, constituted an incentive for consumers to come back and consequently helped to strengthen its customer loop<sup>30</sup>:

“Once the bag has been authenticated customers will get that value up front,” Tom Berry, global director of sustainable business at Farfetch, tells *Vogue*. “They don’t have to wait until it sells to redeem the value.” Why the generosity? “We gain because those customers have an incentive to come back and shop on Farfetch again. It’s partly a customer retention scheme, but it also gives us a way of learning about the resale market.”

*Vogue online article by Aline Newbold, May 2019*

### 5.2.4.2 Meeting consumers' expectations

Gucci was the only brand who improved the relationship with their clients by attending to their expectations. Having in mind the insights from consumers who desired to have luxury brands involved in luxury resale as sellers and/or authenticators, Gucci's collaboration with The RealReal did not include only items from singular consumers but also from the brands itself<sup>31</sup>. This point allowed help Gucci to improve the relationship with their clients, since consumers are more likely prefer a brand that they can see that takes their desires into considerations.

## 5.2.5 Channels

The business model changes impacted also the channels through which the brands could deliver its value proposition. On one side, those started using its presence on secondhand luxury platforms (5.2.5.1) to promote brand awareness and spread their support to circularity. On other

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<sup>30</sup> *Farfetch launches clothing donation programme (Vogue Business, 2019)*

<sup>31</sup> *Gucci embraces resale in latest move to win over Gen Z (Glossy, 2020)*

side, it led to the creation and ownership of their own online channels for luxury resale (5.2.5.2).

#### ***5.2.5.1 Being present on the secondhand luxury platforms***

Burberry and Stella McCartney used its presence in a secondhand luxury platform as a channel to increase brand awareness and captivate new segments of consumers. In case of Burberry and Stella McCartney, the support given by the brands to reward consumers who purchased their products at The RealReal, had also as goal to use its presence in secondhand luxury platforms as a channel to raise awareness about companies' products and its support to circular fashion, and consequently, captivate consumers by giving them the chance to know its value proposition.

*“This campaign is about raising the awareness on a circular approach to fashion. We alongside The RealReal are making the commitment now and we can only hope that others will follow.” – Stella McCartney*

*Forbes online article by Mario Abad  
April 2018*

#### ***5.2.5.2 Owning online channels for luxury resale***

On other hand, for Gucci and Farfetch, the implementation of a business model change involved also the addition of new channels for luxury resale. In case of Farfetch, Farfetch second life has its separator fully dedicated to sell secondhand luxury handbags. Moreover, Gucci created a separated website to sell secondhand pieces and unused items from the brand.

Furthermore, the four studied luxury brands also felt a positive impact on revenues. It can be explained by the fact those found a way to extract value from what would be considered waste and/or had additional revenues from new and current customers.

## **5.2.6 Revenue streams**

The business model change impacted positively revenue streams as it allowed to extract value from waste (5.2.6.1), in the case of Gucci, and it translated into additional sales from new and current customers (5.2.6.2), for all the four companies.

### ***5.2.6.1 Extracting value from waste***

Gucci was the only of the four brands who was able to extract value from waste as the brand entered the secondhand luxury market using luxury items from its inventory. As mentioned in subsection 5.2.1.1, luxury brands have been struggling to reduce the quantity of items that goes to waste. Considering it, supporting luxury resale cannot only be beneficial by allowing to offload the inventory that lefts, but, in case of Gucci, allowed the brand to make some revenues from items that otherwise would end up in landfills, for example.

### ***5.2.6.2 Additional sales from new and current clients***

The four fashion luxury companies had a positive impact on revenue streams motivated by additional sales from new and current clients. It was consequence of their effort to captivate new segments of consumers and the improve the relationship with existing customers, explained previously in 5.2.3 and 5.2.4, respectively.

Furthermore, in order to be able to get additional revenues, also the cost structure of the brands mentioned suffered an impact. The next subsection explores that side.

## **5.2.7 Cost structure**

Although the change of the business model impacted positively the revenue streams, it represented, in some cases, also an increase of costs. The cost structure suffered as consequence of the offer of a reward to secondhand purchases (5.2.7.1) or due the offering or a personalized in-store (5.2.7.2).

### *5.2.7.1 Rewarding secondhand buyers and sellers*

For Farfetch and Stella McCartney, their change in the business model had also impact on their cost structure as the measures taken by them involved offering a monetary reward for secondhand purchases. Farfetch second life offered a credit to compensate those who gave a second life to their handbags and, Stella McCartney x The RealReal partnership offered a monetary compensation to reward consumers who bought their secondhand products at The RealReal. Therefore, it can be considered an additional cost for those companies.

### *5.2.7.2 Offering a personalized in-store experience*

In case of Burberry, its offering of a luxurious in-store experience was a marketing strategy to captivate new consumers to know the brands and its products, and, consequently, induced an additional cost for the brand that had to guarantee always the availability of champagne and tea in its stores:

*“Burberry won’t be providing any of its unsold stock or giving the consignor any exclusive products. Instead, the company has chosen to reward TheRealReal customers, who offer their Burberry products up for consignment, more chances to shop the brand via an exclusive personal shopping experience in one of its 18 stores across the U.S. According to the luxury label, the personal shopping experience will include Champagne and high tea and a personal selection of new Burberry products to shop from, including their latest collection of more than 109 looks.”*

*WWD journal article by Fiona Ma  
October 2019*

Finally, the last point in which fashion luxury brands’ business model suffered a change was value proposition. Farfetch, Gucci, Stella McCartney and Burberry gave to their partnerships and business extensions also a component of sustainability and social responsibility that valorized its value proposition. Each company demonstrated this commitment differently, therefore, each of the next subsections presents quotes mentioning the impact each company aimed to have.

## 5.2.8 Value proposition

Finally, the value proposition was the last element of the business model that suffered changes. Those enriched its value proposition by creating an environmental (5.2.8.1) or a societal impact (5.2.8.2).

### 5.2.8.1 Creating an environmental impact

Stella McCartney, Burberry and Gucci enriched their value proposition by creating an environmental impact. Stella McCartney supported secondhand luxury market as way to promote circularity and consequently reduce the quantity of resources consumed by the fashion industry:

*“Stella comments: Sustainability is important to us and I’m excited to be partnering with the RealReal on this new sustainable program. We believe that consignment, and recommerce can play a significant part in reducing the amount of raw materials that are required each year from our planet. This is key in our commitment to becoming part of a more circular economy. By ensuring that our products are used for the entirety of their lifecycle it is possible to begin to slow down the amount of natural resources currently being cultivated and extracted from the planet for the sake of fashion.”*

*From Stella McCartney’s website, October 2017*

Burberry also shared this desire and saw see this partnership as a chance to clean up their image and gain a sustainability cred<sup>32</sup> by supporting secondhand as a way to promote circularity of luxury items:

*“Burberry vice president of corporate responsibility Pam Batty says that this partnership is part of a five-year strategy that includes finding new uses for waste and becoming carbon neutral. She says the brand is looking at ways to disrupt the linear production model in a push towards circularity.”*

*Vogue business online article by Maghan Mcdowell*

*October 2020*

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<sup>32</sup> Burberry announces official partnership with The RealReal (Fashionista, 2019)

Gucci also aimed to achieve a greater sustainability cred and thus, its collaboration with The RealReal supported reforestation:

*“Getting involved in its own secondhand market also gives the brand greater sustainability cred. Keeping clothing and accessories in use for longer is better for the planet so they avoid landfills and prevent the need for new items. To underscore that sustainability commitment, The RealReal and Gucci are making donations to the reforestation non-profit One Tree Planted for every Gucci item purchased or sold across The RealReal channels”*

*Fashionista online article, by Whitney Bauck  
October 2020*

#### **5.2.8.2 Creating a societal impact**

In contrast to the other three companies already mentioned, Farfetch described its change in value proposition as a creation of a societal impact. With the creation of Farfetch second life, the company aimed to change people mindset and empower citizens to do the best for them and for the planet:

*“As part of Positively Farfetch, Farfetch Second Life exemplifies Farfetch’s mission to become the global platform for good in luxury fashion – empowering everyone we work with to think, act and choose positively. Together with brand and boutique partners, Farfetch is revolutionizing and reinventing the fashion industry for the future, in a way that benefits customers, people and the planet.”*

*From Farfetch’s website*

Whereas with its partnership with Thrift+, the brand aimed to support circularity and solidarity. For that reason, when receiving the credit from the donated clothes, Farfetch gave the possibility to the consumer to forget Farfetch credit and donate all the money (deducted from Thrift+ costs) to a charity of their choice, from the 160 000 registered in UK<sup>33</sup>:

*“It’s about trying to create a more conscious, circular business model for fashion so consumers can buy the best brand products made with a more social and environmental impact.”, Berry says*

*Vogue Business online article by Maghan Mcdowell  
October 2019*

The table available in appendix 5 summarizes all the findings previously mentioned.

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<sup>33</sup> *Farfetch partners with on-demand donation service, Thrift+ (Farfetch, 2019)*

## 6. Discussion

Luxury has always been known not only by its exceptional quality but also for the rarity and restricted access (De Barnier et al., 2012). However, emerging trends, such as the luxury resale, led Kapferer & Michaut (2015) to stress that luxury could be losing its privilege component and turning into an abundant scarcity model or even altering the symbolic and personal value of luxury items (BCG, & Altagamma, 2019) as it increases democratization of luxury (Turunen et al., 2020). My findings support this idea since, during the interviews, luxury sales assistants highlighted the conviction that will never be affected by the emergence of secondhand market because they believe those who purchase secondhand is just because they cannot afford new items. At the same time, luxury brands posture towards secondhand luxury market demonstrated also a feeling of devaluation and a want of dissociation from it.

However, the findings of this research also demonstrate that although past studies referred price accessibility as the main source of secondhand luxury growth (Oliver Abtan et al., 2019), for younger generations, such as the Millennials, secondhand is not just about making a good investment but instead represents a way to reduce the negative impact of luxury and fashion on the environment<sup>34</sup>. The findings prove consumers are changing their ways of buying towards a more sustainable consumption and care about their impact on society and, consequently, support the fact those are motivating secondhand growth as it has been connected with recycling and environmentally conscious consumption behavior (Turunen & Leipämaa-Leskinen, 2015). In the same line of thought, the findings of this research demystify the fact sustainability is not a requirement for consumers and support the idea luxury brands have to work more to convince consumers about their effort to sustainability (Jean-Noël Kapferer & Michaut, 2015). Consequently, the insights of this research support the idea that joining luxury and sustainability can be really beneficial especially by the fact of attracting younger consumers (Franco et al., 2019).

Furthermore, regarding the paradoxical question about whether luxury brands should support the preowned boom, the answer is in line with Oliver Abtan et al. (2019). In fact, secondhand luxury can be a business complement and do not constitute a risk for symbolic value nor cannibalization of sales. Having secondhand as a collaboration or has part of the business, can contribute to attract consumers who in long-term will be converted in first-hand buyers. In

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<sup>34</sup> *Fashion and Luxury giants get in on second-hand goods (Sqli digital experience, 2019)*

addition, by being a mean of reducing the amount of wasted inventory and supporting circular economy, improves brand image, especially for environmental conscious generations.

## 7. Conclusion

Although the secondhand luxury market has been already explored in academic research, the focus was on the dynamics of this market, the motivations of buyers and sellers and the differences among online and physical sellers. I decided to explore instead how luxury brands try to face the emergence of the second-hand luxury market by modifying their business model. To answer this research question, I studied Stella McCartney, Burberry, Gucci and Farfetch, all successful fashion luxury brands. They have in common the fact that they recognized secondhand luxury market as an opportunity to boost their performance and thus, created partnerships with secondhand luxury platforms and/or entered the resale market. Furthermore, in order to change their business model, they have implemented different strategies: offloading the excess; promote circularity; reselling secondhand pieces directly to the consumer; cooperating with secondhand luxury platforms; attracting price sensitive consumers; attracting environmental and societal conscious consumers; retaining customers; meeting consumers' expectations; being present on secondhand luxury platforms; owning online channels for luxury resale; extracting value from waste; additional sales from new and current clients; rewarding secondhand purchases; offering a personalized in-store experience and creating an environmental/societal impact.

To conclude, this study sets luxury brands should not be focused on facing secondhand but instead support it by making part of their business model. Adopting this posture can have positive effects on its performance, namely by captivating more environmentally concerned customers who, consequently, generate additional revenues. Consequently, this supports previous studies which made reference to a benefit of luxury brands to collaborate in secondhand and demystify the existence of an incompatibility between luxury and sustainability. This way, managers should incorporate these insights in their future decisions and communicate sustainability is at the core of luxury business.

This conclusion would benefit from insights of primary data, namely, interviews to members of the strategy teams of the mentioned luxury companies, as they could provide insights about their goals and the next steps they have planned to take in that direction.

Finally, further research on this topic could involve the collection of consumer insights in order to know their expectations and opinion to adjust the change of business model accordingly. In addition, and as I mentioned only two ways of supporting secondhand, would be enriching to have a proposal of additional possible actions to take in that sense.

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## 9. Appendices

### 9.1 Appendix 1: Summary of data collection and use in analysis

Data source	Type of data	Use in analysis	Total
Online articles	This includes articles from recognized magazines within the industry such as <i>Forbes</i> , <i>Vogue</i> , <i>Vogue business</i> and <i>Business of Fashion</i>	<p>-To have a broader vision of luxury brands attitudes towards secondhand.</p> <p>-To select the companies to study and get insights about their history and the current strategy (especially in terms of sustainability).</p> <p>-To gather information about the partnerships and business expansion and distinguish their goals.</p>	<b>59 online articles</b>
Secondary interviews	Public and TV interviews done to the CEO of The RealReal	- Know the vision of the CEO about the actual secondhand luxury market, who are the main buyers, the current opportunities and threats and how it can be important for luxury brands in the future.	<b>5 secondary interviews</b>

Podcasts	Interviews to members of Farfetch's team such as the CEO, the designer chief and a member of Human resources team.	-Allows to understand the values and the dynamics of the company, from an inside perspective, and, consequently, facilitates the comprehension of the decisions, namely, the creation of partnerships.	<b>7 podcasts</b>
Videos	Videos created either by the luxury companies	-To understand the main objective of the partnerships (e.g., build circular fashion). -Know more about the consignment process and the authentication guarantee.	<b>3 videos</b>
Companies' documents and reports	Comprehends LinkedIn information (about the company and the employees), information from the website and internal documents such as	-Access to information about the number of employees and the performance of the companies in the past years. -Gather information about the purpose of the company, its sustainability strategy and goals and also measures taken in relation to secondhand.	<b>6 LinkedIn informational details</b>  <b>5 Annual reports</b>  <b>25 companies' websites</b>
		Total	110

## 9.2 Appendix 2: Data collection table

#	Case	Type of data	Title	Platform	Date of publication	Author
1	Farfetch	Online article (magazine)	Farfetch Launches clothing donation programme	Vogue business	09-Oct-19	Maghan Mcdowell
2	Farfetch	Online article	Farfetch teams with Thrift+ to encourage customers to donate unwanted clothes	WWD journal	08-Oct-19	Fiona Ma
3	Farfetch	Online article	Farfetch partners with on-demand donation service, Thrift +	Farfetch	09-Oct-19	Farfetch
4	Farfetch	Online article	Farfetch donate	Thrift plus	-	Thrift plus
5	Farfetch	Website	Farfetch website - preowned items	Farfetch	-	Farfetch
6	Farfetch	Website	Farfetch unveils handbag pilot re-sale service, farfetch second life	Farfetch	13-May-19	Farfetch
7	Farfetch	Online article	Farfetch launches resale platform for designer bags	Fashion united	13-May-19	Huw Hughes
8	Farfetch	Online article (magazine)	You can now exchange your old designer handbags for Farfetch credit	Vogue	16-May-19	Alice Newbold
9	Burberry	Online article (magazine)	Burberry's partnership with the RealReal signifies a real shift	Vogue business	07-Oct-19	Maghan Mcdowell
10	General	Online article (magazine)	Who are luxury resellers stealing	Vogue business	29-Jul-19	George Arnett

			market share from?			
11	General	Online article (magazine)	The Future Of Luxury, Post-Coronavirus	Forbes	02-Nov-20	Richard Kestenbaum
12	General	Online article (magazine)	Second-hand is the answer to sustainable fashion, says oxfam	Forbes	31-Aug-19	Brooke Roberts-Islam
13	Farfetch	Website	Farfetch second life	Farfetch	-	Farfetch
14	Gucci	Online article (magazine)	The most important effect of Gucci's new partnership with The RealReal	Forbes	05-Oct-20	Richard Kestenbaum
15	Gucci	Online article (magazine)	Resale stays relevant and The RealReal partners with Gucci	Forbes	08-Oct-20	Sharon Edelson
16	Burberry	Online article (magazine)	What is really driving the RealReal's new partnership with Burberry	Forbes	07-Oct-19	Pamela N. Danziger
17	Burberry	Website	The RealReal vs. Burberry	The RealReal	-	The RealReal
18	Burberry	Online article	Burberry partners with The RealReal to tap fast-growing resale market	The Business of Fashion	07-Oct-20	Sarah Kent
19	Burberry	Online article (jornal)	Burberry partners with The RealReal to tap fast-growing resale market	WWD journal	07-Oct-19	Fiona Ma
20	Burberry	Secondary interview	Burberry partners with the RealReal	CNN business	07-Oct-19	Millie Dent

			to test reselling high fashion			
21	The RealReal	Secondary interview	The RealReal CEO Julia Wainwright	YouTube	09-Sep-19	Recode
22	The RealReal	Video	How the RealReal cashes in on pre-owned luxury brands	YouTube	26-Aug-19	WSJ journal
23	The RealReal	Video	Why the RealReal is coming for luxury brands' lunch	YouTube	15-Aug-19	Section4
24	Burberry	Online article	Burberry announces official partnership with the RealReal	Fashionista	07-Oct-19	Whitney Bauck
25	Burberry	Online article	Burberry partners with the RealReal	Fashion united	07-Oct-19	Danielle Wightman-Stone
26	Stella McCartney	Online article (magazine)	Why the RealReal and Stella McCartney are calling for luxury brands to embrace reselling	Forbes	19-Apr-18	Mario Abad
27	Stella McCartney	Website	The RealReal vs. Stella McCartney	The RealReal	-	The RealReal
28	Stella McCartney	Video	The RealReal vs. Stella McCartney	Youtube	18-Apr-18	The RealReal
29	Stella McCartney	Online article	Stella McCartney's partnership with the RealReal continues into 2019	Fashion united	13-Dec-18	Majorie van Elven

30	Stella McCartney	Online article	Stella McCartney encourages circular economy with the RealReal partnership	Fashion network	14-Dec-18	AFP-relaxnews
31	Stella McCartney	Online article	Stella McCartney wants you to resell her goods	Fashionista	02-Dec-17	Dhani Mau
32	Gucci	Online article	Gucci embraces resale in latest move to win over Gen Z	Glossy	06-Oct-20	Danny Parisi
33	General	Online article	Fashion brands are befriending resale companies to secure sales	Glossy	28-Apr-20	Danny Parisi
34	Gucci	Online article (magazine)	Gucci and the RealReal announce a game changing partnership	Vogue	05-Oct-20	Emily Farra
35	Gucci	Secondary interview	The RealReal soars after Gucci partnership	Bloomberg	06-Oct-20	Bloomberg TV
36	Gucci	Online article	Gucci and the RealReal's game changing collaboration is look at the future of fashion	Instyle	06-Oct-20	Alyssa Hardy
37	Gucci	Online article	The RealReal joins Gucci's industry - disrupting sustainability challenge	Refinery29	20-Nov-19	Eliza Huber
38	Burberry	Online article (magazine)	Burberry teams up with the RealReal to tap into resale market & promote circular fashion	Vogue	07-Oct-19	Alice Newbold
39	Burberry	Online article	Burberry embraces the	Refinery29	07-Oct-19	Channing Hargrove

			reale market with the RealReal partnership			
40	Burberry	Online article	Burberry and the RealReal team up to promote sustainability	The cut	07-Oct-19	Andrew Nguyen
41	Burberry	Online article	The RealReal will now reward you for recycling your old Burberry trench coat	Robb report	07-Oct-19	Rachel Cormack
42	Burberry	Online article	The Burberry x The RealReal partnership encourages you to extend the life of your closet through resale	The zoe report	07-Oct-19	Madge Maril
43	General	Online article (magazine)	How sustainable is consigning clothig? The RealReal is glad you asked	Vogue	05-Apr-19	Steff Yotka
44	Stella McCartney	Online article (magazine)	"I need a few more colleagues linking my arm" - Stella McCartney sound off on sustainability	Vogue	15-Feb-19	Emily Farra
45	General	Online article	Luxury brands can't ignore fashion reseller the RealReal anymore	Forbes	22-Aug-18	Pamela N. Danziger
46	The RealReal	Online article	Allison sommer, from the RealReal, on the company's partnership and boom of resale	Fashion united	15-Oct-19	Majorie van Elven

47	Farfetch	Website	Farfetch The Global Platform for Luxury	Farfetch	-	Farfetch
48	Farfetch	LinkedIn information	Farfetch's number of employees	LinkedIn	-	Farfetch
49	Farfetch	Annual report	Farfetch's financial information 2019	Farfetch	-	Farfetch
50	Farfetch	Website	Positively Farfetch	Farfetch	-	Farfetch
51	Farfetch	Website	Positively Cleaner	Farfetch	-	Farfetch
52	Farfetch	Website	Positively Changing	Farfetch	-	Farfetch
53	Farfetch	Website	Posively Conscious	Farfetch	-	Farfetch
54	Farfetch	Website	Positively Circular	Farfetch	-	Farfetch
55	Gucci	Online article	Gucci Brand Identity	Luxury heterotopia	02-Fev-17	-
56	Gucci	Online article	Gucci Brand personality	Anhquanta	29-Apr-19	-
57	Gucci	Online article	Amorim Luxury já investiu 24,5 milhões na Avenida da Liberdade - Gucci é a mais recente reabertura	Idealista	02-Sep-20	Redação
58	Gucci	Online article	Avenida da Liberdade recebe a primeira loja com a coleção completa da Gucci	Nit	26-Aug-20	Maria Salgueiro
59	Gucci	Website	Gucci	City guide lisbon	-	-

60	Gucci	Website	Gucci - no just a place to shop	Amorim luxury group	-	Amorim luxury group
61	Gucci	Website	Gucci's sustainability strategy	Gucci equilibrium	-	Gucci
62	Gucci	Website	A culture of purpose	Gucci	-	Gucci
63	Gucci	Online article	Is Gucci a sustainable brand?	Luxiders	-	Danielle Keller Aviram
64	Gucci	Online article (magazine)	Gucci launches Off The Grid, its first sustainable collection	Elle	30-Jun-20	Justine Carreon
65	Gucci	Online article (magazine)	Levi's and Gucci are embracing second-hand, sustainable shopping	Teenvogue	05-Oct-20	Gianluca Russo
66	Gucci	Online article	Gucci launches official resale partnership with The Real Real	Fashionista	05-Oct-20	Whitney Bauck
67	Gucci	Online article (magazine)	"A Symbol for the New Era"- Gucci Off the Grid is Alessandro Michele's first step towards circularity	Vogue	30-Jun-20	Emily Farra
68	Gucci	Website	Presenting Gucci Off The Grid	Gucci	-	Gucci
69	Gucci	Annual report	Revenue of the Kering group worldwide from 2012 to 2019, by brand	Statista	14-Feb-20	Statista Research Department
70	Gucci	LinkedIn information	Gucci's number of employees	LinkedIn	-	Gucci

71	Stella McCartney	Website	About Stella McCartney	Stella McCartney	-	Stella McCartney
72	Stella McCartney	LinkedIn information	Stella McCartney's number of employees	LinkedIn	-	Stella McCartney
73	Stella McCartney	Website	Stella McCartney reports negative financials for the full year 2019	CppLuxury	10-Mar-20	Cpp-Luxury
74	Stella McCartney	Website	Sustainability Stella McCartney	Stella McCartney	-	Stella McCartney
75	Stella McCartney	Online article (magazine)	Stella McCartney a mulher que transformou o luxo sustentável em moda desejável	Vogue	13-Sep-19	Ana Murcho
76	Stella McCartney	Online article	How sustainable is Stella McCartney	Luxiders	-	Danielle Keller Aviram
77	Stella McCartney	Online article	The RealReal establishes National Consignment Day as Official Holiday; Announces partnership with Stella McCartney	Stella McCartney	02-Oct-17	Stella McCartney
78	Burberry	Annual report	Burberry's annual reports and financial results	Burberry	-	Burberry
79	Burberry	Annual report	Burberry's worldwide revenue 2005-2020	Statista	28-Sep-20	Statista Research Department
80	Burberry	LinkedIn information	Burberry's number of employees	LinkedIn	-	Burberry
81	Burberry	Website	Burberry's history	Burberry	-	Burberry

82	Burberry	Website	Creating tomorrow's heritage / responsibility strategy	Burberry	-	Burberry
83	Burberry	Online article (journal)	Burberry to introduce Sustainability labels to its products	WWD journal	22-Apr-20	Fiona Ma
84	Burberry	Online article	Why Burberry insists on being sustainable?	Luxiders	-	Danielle Keller Aviram
85	Burberry	Online article	The British luxury brand Burberry and its sustainable reorientation	Hausvoneden	-	-
86	General	Online article	Fashion and luxury goods giant get in on second-hand goods	Sqli	30-Apr-19	-
87	General	Online article	Sustainability, the main reason for many consumers buying secondhand luxury fashion	CppLuxury	25-Jun-20	Cpp-Luxury
88	General	Online article	The secondhand opportunity in hard luxury	BCG	30-Sep-20	Fillipo Bianchi et. Al
89	General	Online article	More consumers embrace second-hand luxury	CppLuxury	05-Jan-20	Cpp-Luxury
90	The RealReal	Website	About The RealReal	The RealReal	-	The RealReal
91	The RealReal	LinkedIn information	The RealReal's number of employees	LinkedIn	-	The RealReal
92	The RealReal	Annual report	The RealReal announces fourth	Globalnewswire	25-Feb-20	The RealReal

			quarter and full year 2019 results			
93	The RealReal	Online article	We may not be perfect every single time,' The RealReal CEO tells customers after CNBC report	CNBC	07-Nov-19	Scott Zamost et. al
94	The RealReal	Secondary interview	Meet the woman who founded The RealReal	In the groove	10-Jan-20	Susan Fieldman
95	Thrift+	Website	Thrift+ story	Thrift plus	-	Thrift plus
96	Thrift+	Website	About Thrift+	Thrift plus	-	Thrift plus
97	Thrift+	Website	Standards required by Thrift+	Thrift plus	-	Thrift plus
98	Thrift+	Website	Description of Thrift+	University of Cambridge	-	-
99	Thrift+	LinkedIn information	Thrift+'s number of employees	LinkedIn	-	Thrift plus
100	General	Online article (magazine)	Secondhand could supplant fashion in a decade, ThreadUp & The RealReal are leading the way	Forbes	26-Mar-19	Sanford Stein
101	General	Online article (magazine)	Secondhand E-commerce sites see a silver lining	Forbes	23-Jun-20	Sharon Edelson
102	The RealReal	Online article (magazine)	Second-hand Luxury retailer The RealReal pops up in Las Vegas	Forbes	27-Feb-19	Pamela N. Danziger
103	Farfetch	Podcast	Customer centricity and the luxury experience	Apple podcasts' app	23-Sep-20	Farfetch

104	Farfetch	Podcast	Working parents and career development	Apple podcasts' app	06-Oct-20	Farfetch
105	Farfetch	Podcast	Building the black employee network at Farfetch	Apple podcasts' app	20-Oct-20	Farfetch
106	Farfetch	Podcast	Our culture & values	Apple podcasts' app	04-Nov-20	Farfetch
107	Farfetch	Podcast	How to foster an inclusive culture	Apple podcasts' app	17-Nov-20	Farfetch
108	Farfetch	Podcast	Farfetch cria serviço para vendas em segunda mão	Apple podcasts' app	23-May-19	Super Toast
109	General	Podcast	Why brands need their resale channels or risk taking to third-party resellers like The RealReal and ThreadUp	Apple podcasts' app	20-Nov-20	Retail influencer network
110	The RealReal	Secondary interview	RealReal CEO Julie Wainwright	YouTube	30-Apr-20	Bloomberg Technology

### 9.3 Appendix 3: Data analysis- coding elements

Themes	Categories	Codes
Luxury brands	Posture towards secondhand	Devaluation
		Dissociation
	Posture towards Millennials /Gen Z segments	Underestimation
		Misunderstanding
	Ignorance of consumers rising sustainability concern	New ways of buying
		Societal impact consciousness
Secondhand luxury market emergence	Resistance	Brand dilution
		Loss of younger consumers' segments
	Support	Avoid burning/wasting inventory
		Give items a second life
		Customer captivation
		Complementary sales
		Support social/environmental causes
Business model change	Key partners	Offload of excess of inventory
		Promote circularity
	Key activities	Resale of secondhand pieces directly to the consumer
		Cooperation with secondhand luxury platforms
	Customer segments	Captivation of price sensitive consumers
		Captivation of environmental and societal conscious consumers
	Customer relationships	Customer retention
		Meet expectations consumers' expectations
	Channels	Presence in secondhand luxury platforms

		Own online channels for luxury resale
	Revenue streams	Extract value from waste
		Additional sales from new and current clients
	Cost structure	Monetary reward for secondhand buyers and sellers
		Offer of a personalized in-store experience
	Value proposition	Environmental impact
		Societal impact

## 9.4 Appendix 4: Coding table – examples of quotations

Themes	Categories	Codes	Citations
Luxury brands	Posture towards secondhand	Devaluation	<p><i>“With many of the traditional luxury channels like department stores drying up and retail stores falling out of favor, luxury brands need to start looking to new possibilities to keep afloat.”</i></p> <p><i>“Burberry claims to have been at the “forefront of sustainability in fashion” for more than 15 years. The RealReal has only been in the circular fashion business for eight year, but since its founding in 2011, The RealReal has made a really big impact on the luxury fashion market.”</i></p>
		Dissociation	<p><i>“Luxury brands, however, have typically been slower to embrace the resale market, despite many claiming to be sustainably-minded and eco-friendly.”</i></p> <p><i>“What The RealReal recognizes, and the luxury brands may yet have to learn, is that its resale market is a vital part of the greater luxury market infrastructure. It helps support first-time sales.”</i></p> <p><i>“The initiative also lays the groundwork for other luxury brands, who have traditionally been hesitant towards consignment to emulate a similar program that encourages a circular model. “It sounds risky I’m sure because they don’t really fully embrace or understand that a strong secondary market really does support the primary market,” says Wainwright.”</i></p>
	Posture towards Millennials and Gen Z segments	Underestimation	<p><i>“These consumers are also more interested in hunting for bargains and making deals. They factor sustainability into their purchasing decisions to a greater degree than previous generations and pay increasing attention to resale value, treating hard</i></p>

			<i>luxury goods as investments.”</i>
		<b>Misunderstanding</b>	<i>“Young people, in particular, have really high engagement with the secondhand market,” Sey also mentioned. “Something like 60 percent of Gen Z shops secondhand and I can speak from personal experience, that’s what my teenagers do. They love the hunt. They feel they get something a bit more unique when they are shopping vintage and in this age, when Eighties and Nineties retro looks are so in, they prefer to buy the real thing (...)”</i>
	<b>Consumer rising sustainability concern</b>	<b>New ways of buying</b>	<i>“The other factors at play are consumer’s increasing sustainability consciousness, and how the newly refined buy/wear/sell model enables fashion consumers to change out their wardrobe easily.” “European resale specialist Rebelle said this week that sustainability is the main reason for many consumers buying second-hand and that the Covid-19 crisis has boosted demand for luxury investment pieces, as well as the number of commercial sellers.”</i>
		<b>Societal consciousness impact</b>	<i>“The new “Second Life” platform, which has gone live on the company’s website, comes as part of its growing focus on sustainability, as consumers become increasingly aware of the harm fast-fashion can have on the environment.”</i>
<b>Secondhand market emergence</b>	<b>Resistance</b>	<b>Brand dilution</b>	<i>“Indeed, luxury companies – bar green-minded ones such as Stella McCartney and Reformation – might have largely steered clear of resale due to concerns of brand dilution, but it is becoming an integral part of the sustainability conversation.” “Because of the big brands’ resistance, second-hand marketplaces sprang up</i>

			<i>online, like Thredup and The Real Real, and brought what had been a local, mom-and-pop cottage industry of local resale stores to a worldwide online audience.”</i>
		<b>Loss of younger consumers’ segments</b>	<p><i>“Aware of fast fashion’s impact on planet, Gen Z and Millennials are driving resale, which is expected to reach \$44 billion in sales in 2029, eclipsing fast fashion, which will post \$43 billion due to stagnating sales, the ThredUp survey said.”</i></p> <p><i>“Luxury consumers are embracing the concept of resale and only a mere 16% perceive there’s a stigma in wearing pre-owned items.”</i></p>
	<b>Support</b>	<b>Avoid burning/wasting inventory</b>	<p><i>“The benefit to The RealReal is that customers will be more incentivized to add more luxury product to the site’s stock. And the benefit to Burberry is that partnering with a resale site provides some good sustainability cred-supporting secondhand is an especially smart move for a brand like Burberry that faced serious backlash for burning its own products just a few years ago”.</i></p> <p><i>“While other designers “turned their back” on the secondhand market, likely because they feared it could affect their bottom line, McCartney became an official partner of TheRealReal last year. “If every single second there’s a truckload of fast fashion being incinerated or landfilled, then I’m a big, big believer in reusing that and [participating in] the circular economy,” she says.”</i></p>
		<b>Give items a second life</b>	<i>“Per a press release, more than 80 billion pieces of clothing are produced worldwide each year, 75 percent of which will end up in landfills. Consigning obviously lengthens the</i>

			<p><i>lifecycle of clothing, reducing the amount that gets discarded.”</i></p> <p><i>“The British designer's eponymous fashion empire has renewed its partnership with the sustainable company, which focuses on giving luxury items a second life through resale and avoiding them going to landfill.”</i></p>
		<b>Customer captivation</b>	<p><i>“Wainwright argues that by encouraging reselling, a brand can inspire more consumer confidence because it's also saying its wares will hold up long enough to resell. "It's proven pretty clearly now that by us reselling brands, we establish a resale value for that brand, and it actually reinforces the primary sale, and if you buy something of value, it should circle back into the economy," she says. Best-case scenario, a Stella McCartney customer will take what they make from selling a Stella McCartney handbag and use it to buy a new one.”</i></p>
		<b>Complementary sales</b>	<p><i>“Plus, if Burberry can use these special "shopping experiences" to lure secondhand customers into Burberry stores, it may lead to those customers buying Burberry straight from the source, too.”</i></p>

		<p align="center"><b>Support social/environmental causes</b></p>	<p><i>"Moving from reducing our negative environmental impact to making a positive impact requires all of us to change our mindset and leverage solutions that will make fashion circular and eliminate waste," said McCartney in a statement. "The partnership with The RealReal created an easy and impactful solution for our customers to participate in a circular economy. We look forward to growing the partnership in 2019."</i></p> <p><i>"Burberry vice president of corporate responsibility Pam Batty says that this partnership is part of a five-year strategy that includes finding new uses for waste and becoming carbon neutral. She says the brand is looking at ways to disrupt the linear production model in a push towards circularity."</i></p>
<p align="center"><b>Business model change</b></p>	<p align="center"><b>Key partners</b></p>	<p align="center"><b>Offload excess of inventory</b></p>	<p><i>"While there is no agreed-upon figure about how much pollution and waste the fashion industry creates, there is data that tells us that thousands of tons of textile waste end up in landfills each year. Plus, there have even been reports that overstock from some of the higher-end brands is often burned to keep pieces from going on sale."</i></p> <p><i>"For resellers, the benefit of working directly with brands is obtaining large amounts of product from a business, where it's already bundled and packaged in a warehouse. Currently, that's easier than getting products from consumers' homes. The RealReal takes on the cost of expedited shipping for brand partners. Like all sellers, brands get access to a personal dashboard to track their product and are paid upon the sale of the product."</i></p>

		<p align="center"><b>Promote circularity</b></p>	<p><i>“Fashion can’t continue being disposable—we have to buy things that are well made and resell [them] when we’re done with them. Partnering and collaborating directly with brands, as we are with Gucci, is a meaningful way for us to harness their influence to increase exposure to the importance of circular fashion.”- Wainwright</i></p> <p><i>“The RealReal and Stella McCartney are working in partnership to make a positive impact and advance our shared values: sustainability and the promotion of the circular economy in luxury fashion.”</i></p>
	<p align="center"><b>Key activities</b></p>	<p align="center"><b>Resale of secondhand pieces directly to consumers</b></p>	<p><i>“Gucci’s getting in on the resale game. On Monday, the luxury label announced the launch of a new partnership with The RealReal, which will feature a new dedicated Gucci e-commerce site for secondhand pieces from consignors and from the brand itself.”</i></p> <p><i>“Luxury online retailer Farfetch has launched a new pilot platform that allows customers to exchange their pre-loved designer bags for store credits.”</i></p> <p><i>“Farfetch already offers a selection of vintage merchandise, it is examining opportunities in rental and repair, and is making moves to reduce the huge carbon footprint that comes with shipping to and from boutiques all over the globe.”</i></p>
		<p align="center"><b>Cooperation with secondhand luxury platforms</b></p>	<p><i>“The partnership itself is an unprecedented call-to-action in bringing awareness to circular economy and is designed to get people start thinking differently about fashion. Essentially, this marks the first time a luxury brand is actively pushing for</i></p>

			<p><i>items to be consigned.”- Stella McCartney</i></p> <p><i>“Recommerce is catching on in luxury. This week, Burberry announced a partnership with luxury resale platform The RealReal that incentivises customers to resell unwanted Burberry items in exchange for an in-store styling session, while Stella McCartney and Eileen Fisher offer credit.”- Burberry</i></p>
	<b>Customer segments</b>	<b>Captivation of price sensitive consumers</b>	<p><i>“Those marketplaces have been impactful. Younger consumers who couldn’t afford the full price of new products and who didn’t feel that buying used, or vintage, had a stigma, have flocked to online resale and the business has grown dramatically.”</i></p> <p><i>“Indeed, the first-of-its alliance even includes an incentive for shoppers: They will receive \$100 to shop at Stella McCartney stores if they consign any Stella McCartney item to The RealReal.”</i></p> <p><i>“Farfetch then adds credits of the value of the offer to the customer account, for the consumer to purchase new items on Farfetch.com. – Farfetch second life “</i></p> <p><i>“That’s why you can choose to earn 33% as credit at the same time as raising funds for charity. “- Farfetch x Thrift+</i></p>
		<b>Captivation of environmental and societal conscious consumers</b>	<p><i>“Like Levi’s, Gucci hopes to reach a younger audience with this new initiative as Gen Z has proven time and time again to have sustainability in front of mind.”</i></p> <p><i>“The new “Second Life” platform, which has gone live on the company’s website, comes as part of its growing focus on sustainability, as consumers become increasingly aware</i></p>

			<p><i>of the harm fast-fashion can have on the environment.”- Farfetch secondlife</i></p> <p><i>“Of course, you can choose to donate all proceeds to charity if you wish.” – Farfetch x Thrift+</i></p>
	<b>Customer relationships</b>	<b>Customer retention</b>	<p><i>“It also helps Farfetch establish a more consistent customer loop. A store credit provides a financial incentive to the customer to return their used items and is better for retailers than cash, which won't generate additional sales.”</i></p>
		<b>Meet consumers' expectations</b>	<p><i>“Recapturing its own thriving secondhand market is a smart business move for Gucci. According to a release from the brand, the Italian fashion house is one of the most in-demand brands on The RealReal.”</i></p>
	<b>Channels</b>	<b>Presence in secondhand luxury platforms</b>	<p><i>“At Stella McCartney, we have been working for years to ensure that our supply chains represent some of the most traceable and sustainable in fashion while also continuing to ensure that our products, which are made to last, have long lives and never end up as waste,” the designer said in a statement. “This campaign is about raising the awareness on a circular approach to fashion. We alongside The RealReal are making the commitment now and we can only hope that others will follow.”</i></p>
		<b>Own online channels for luxury resale</b>	<p><i>“Customers using secondlife.farfetch.com will be able to trade their designer handbags in exchange for credit to be used towards future purchases on Farfetch.”</i></p> <p><i>“It's exactly what it sounds like; a curated and authenticated shop full of previously-loved Gucci goods.”</i></p>

	<b>Revenue streams</b>	<b>Extract value from waste</b>	<i>“The RealReal curated a Gucci-exclusive shop, which will include used and unused product directly from the brand (some of it from creative director Alessandro Michele’s personal collection) as well as consignors. Notably, Gucci will be consumers not only to consign with The RealReal, but also to buy resale through the brand’s exclusive shop by offering exclusive product and promoting The RealReal’s shop on its social channels, which no other luxury brand has done.”</i>
		<b>Additional sales from new and current clients</b>	<i>“Consumers interested in sustainability also got the psychic reward of knowing that their second-hand purchase produced no deleterious environmental effects.” - Gucci</i>
	<b>Cost structure</b>	<b>Monetary reward for secondhand buyers and sellers</b>	<i>“Indeed, the first-of-its kind alliance even includes an incentive for shoppers: They will receive \$100 to shop at Stella McCartney stores if they consign any Stella item to The RealReal.”</i> <i>“Customers using secondlife.farfetch.com will be able to trade their designer handbags in exchange for credit to be used towards future purchases on Farfetch.”</i>
		<b>Offer of a personalized in-store experience</b>	<i>“Customers whose Burberry item is accepted for consignment on The RealReal are being offered a “personal shopping experience”, complete with high tea, in 18 US Burberry stores.”</i>
	<b>Value proposition</b>	<b>Environmental impact</b>	<i>“By encouraging their community to not only consign but shop resale as well, Gucci is showing that the secondary market is complementary to the primary market. I certainly hope that our partnership shines a spotlight on the importance of circularity in fashion and inspires industry-wide change.”</i>

			<p><i>Whether it's other luxury brands reaching out to work with us or adopting alternative sustainable models, we support any avenue to keeping fashion in circulation and out of landfills."</i></p>
		<p><b>Societal impact</b></p>	<p><i>"Alternatively, customers can choose to forgo Farfetch credit and donate all the money, less Thrift+ costs to their nominated charity. Thrift+ supports donations to any of the 160,000 registered charities in the UK."</i></p> <p><i>"For now, he hopes the joy of trading something old for something new will raise awareness of the company's pledge to do more. "I do believe that people are looking for brands that can tell positive stories about the social impact of their business models," he continues." - Farfetch second life</i></p>

## 9.5 Appendix 5: Comparison of the four companies analyzed

<p><b>Stella McCartney</b></p> <p><b>Measure implemented:</b> Partnership with The RealReal</p> <p><b>Description:</b> Offering \$100 to spend on new items for each item of the brand consigned at The RealReal</p> <p><b>Main goals:</b></p> <ul style="list-style-type: none"> <li>• Avoid burning or wasting inventory</li> <li>• Give items a second life</li> <li>• Customer captivation</li> <li>• Complementary sales</li> <li>• Support social/environmental causes</li> </ul> <p><b>Changes in the business model:</b></p> <ul style="list-style-type: none"> <li>• <b>Key partners:</b> The RealReal as key partner to promote circularity</li> <li>• <b>Key activities:</b> Collaboration with secondhand luxury platforms (The RealReal)</li> <li>• <b>Customer segments:</b> Attracting price sensitive consumers</li> <li>• <b>Channels:</b> Being present on secondhand luxury platforms (The RealReal)</li> <li>• <b>Revenue streams:</b> Additional sales from new and current clients</li> <li>• <b>Cost structure:</b> Monetary reward to secondhand buyers as an additional cost</li> <li>• <b>Value proposition:</b> creating an environmental impact (Increase awareness on a circular approach to fashion and sustainability)</li> </ul>	<p><b>Burberry</b></p> <p><b>Measure implemented:</b> Partnership with The RealReal</p> <p><b>Description:</b> Offering of a luxurious in-store experience for who consigns a Burberry piece at The RealReal</p> <p><b>Main goals:</b></p> <ul style="list-style-type: none"> <li>• Avoid burning or wasting inventory</li> <li>• Customer captivation</li> <li>• Support social/environmental causes</li> </ul> <p><b>Changes in the business model:</b></p> <ul style="list-style-type: none"> <li>• <b>Key partners:</b> The RealReal as a key partner to spread the support given to circularity</li> <li>• <b>Key activities:</b> Collaboration with secondhand luxury platforms (The RealReal)</li> <li>• <b>Customer segments:</b> Attracting price sensitive consumers</li> <li>• <b>Channels:</b> Being present on secondhand luxury platforms (The RealReal)</li> <li>• <b>Revenue streams:</b> Additional sales from new and current clients</li> <li>• <b>Cost structure:</b> Offer of a personalized in-store experience as an additional cost</li> <li>• <b>Value proposition:</b> creating an environmental impact (push towards circularity as a way to avoid waste/transformation to become carbon neutral)</li> </ul>
<p><b>Gucci</b></p> <p><b>Measure implemented:</b> Business expansion in partnership with The RealReal</p> <p><b>Description:</b> Website fully dedicated to Gucci's secondhand products</p> <p><b>Main goals:</b></p> <ul style="list-style-type: none"> <li>○ Give items a second life</li> <li>○ Customer captivation</li> <li>○ Support social/environmental causes</li> </ul> <p><b>Changes in the business model:</b></p> <ul style="list-style-type: none"> <li>• <b>Key partners:</b> The RealReal as key partner to offload the excess of inventory and promote circularity</li> <li>• <b>Key activities:</b> Reselling secondhand pieces directly to the consumer</li> <li>• <b>Customer segments:</b> Attracting environmental/societal conscious consumers</li> <li>• <b>Customer relationships:</b> Meeting consumers expectations</li> <li>• <b>Channels:</b> Owning channels for luxury resale</li> </ul>	<p><b>Farfetch</b></p> <p><b>Measure implemented:</b> Partnership with Thrift+ and business expansion (Farfetch second life)</p> <p><b>Main goals:</b></p> <ul style="list-style-type: none"> <li>• Give items a second life</li> <li>• Customer captivation</li> <li>• Complementary sales</li> <li>• Support social/environmental causes</li> </ul> <p><u>Farfetch second life</u></p> <p><b>Changes in the business model:</b></p> <ul style="list-style-type: none"> <li>• <b>Key activities:</b> Reselling secondhand pieces directly to consumers</li> <li>• <b>Customer segments:</b> Attracting price sensitive consumers</li> <li>• <b>Customer relationships:</b> Customer retention</li> <li>• <b>Channels:</b> Owning channels for luxury resale</li> <li>• <b>Revenue streams:</b> Additional sales from new and current clients</li> <li>• <b>Cost structure:</b> Rewarding secondhand sellers with Farfetch credit</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Revenue streams:</b> Extracting value from waste and additional sales from new and current clients</li> <li>• <b>Value proposition:</b> creating an environmental impact (Making donations to reforestation – plant one tree for each item consigned/ Promote circular fashion)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Value proposition:</b> Creating a societal impact (build a future to fashion that benefits, customers people and the planet)</li> </ul> <p><u>Farfetch x Thrift+</u></p> <p><b>Changes in the business model:</b></p> <ul style="list-style-type: none"> <li>• <b>Key partners:</b> Thrift+ as a new key partner to promote circularity</li> <li>• <b>Customer segment:</b> Attracting price sensitive and environmental/societal conscious consumers</li> <li>• <b>Revenue streams:</b> Additional sales from new and current clients</li> <li>• <b>Value proposition:</b> creating a societal impact (support charity associations by giving the possibility of consumers to donate a percentage of their sale profit)</li> </ul>
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