

S Y S T E M I Q

RECOMMERCER IN FASHION

A snapshot from a European perspective



RECOMMERCE OFFERS AN OPPORTUNITY TO MITIGATE THE EXTENSIVE ENVIRONMENTAL FOOTPRINT AND OVERCONSUMPTION IN THE FASHION INDUSTRY

Note
We refer to recommerce as a circular business model that focuses on reselling and reusing products over multiple lifecycles. This can include repairing or refurbishing products in preparation for the resale. In that way, recommerce enables the materials we create to keep their value across a long product lifetime. Ideally this translates into reducing overall consumption.

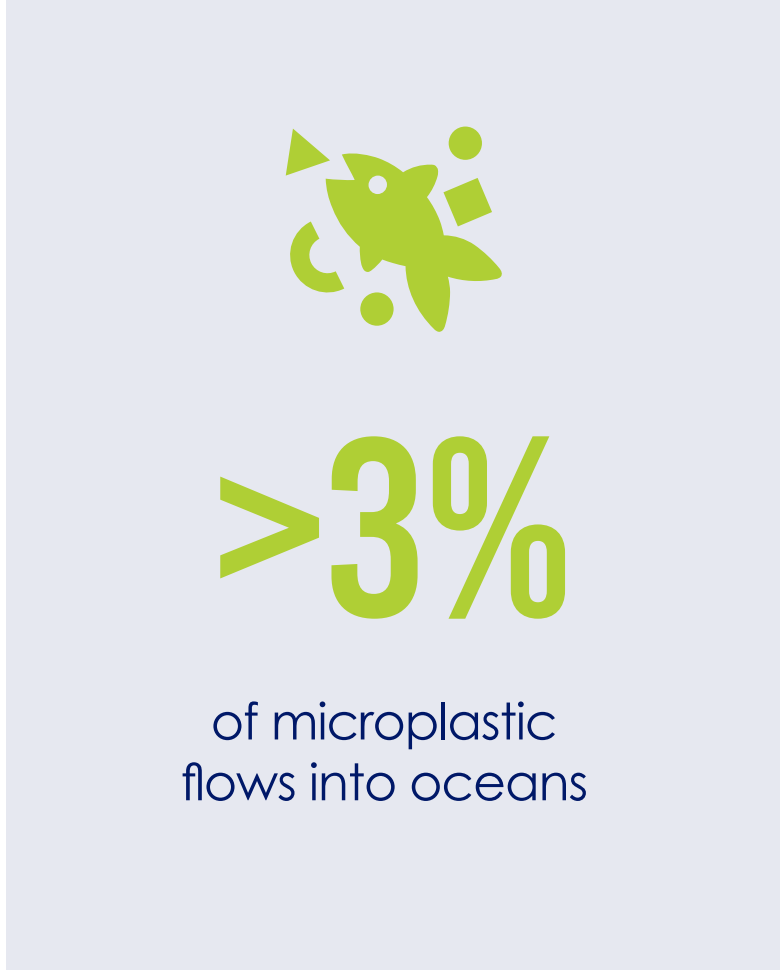
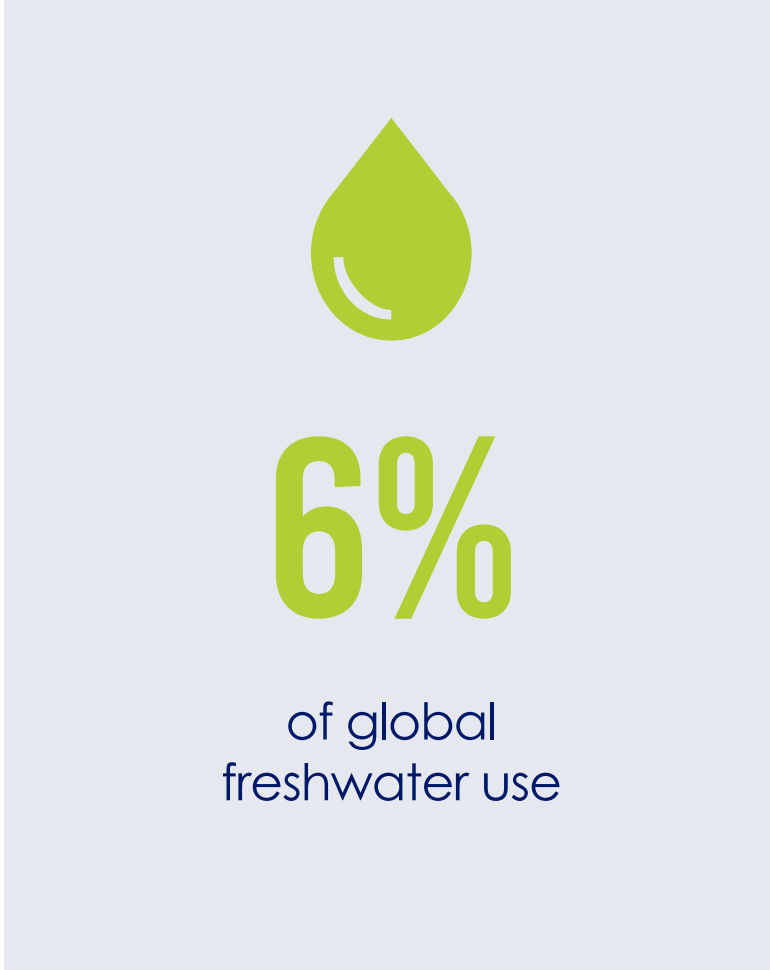
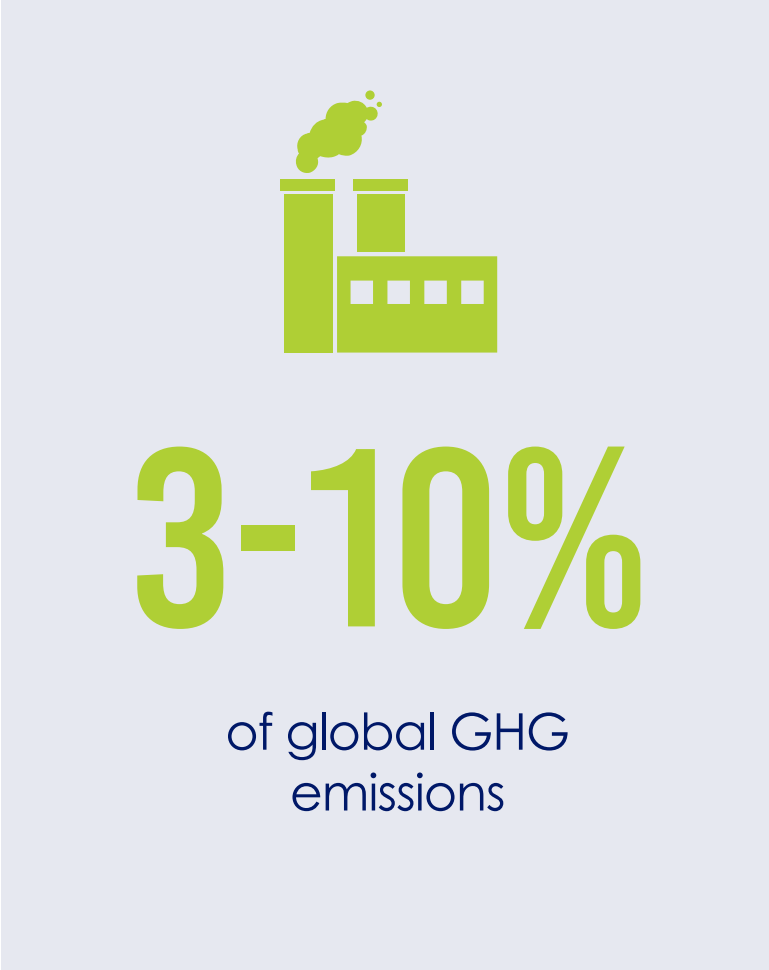
Fashion recommerce offerings in practice are branded under a wide range of terms, such as second hand, resale, reuse, renewed, pre-owned, pre-loved, vintage, revived or wornwear.

Selected indicators only, fashion has an outsized negative environmental impact compared to the value it adds to the economy (2-3% of GDP) – this extends to chemical pollution, land use etc.

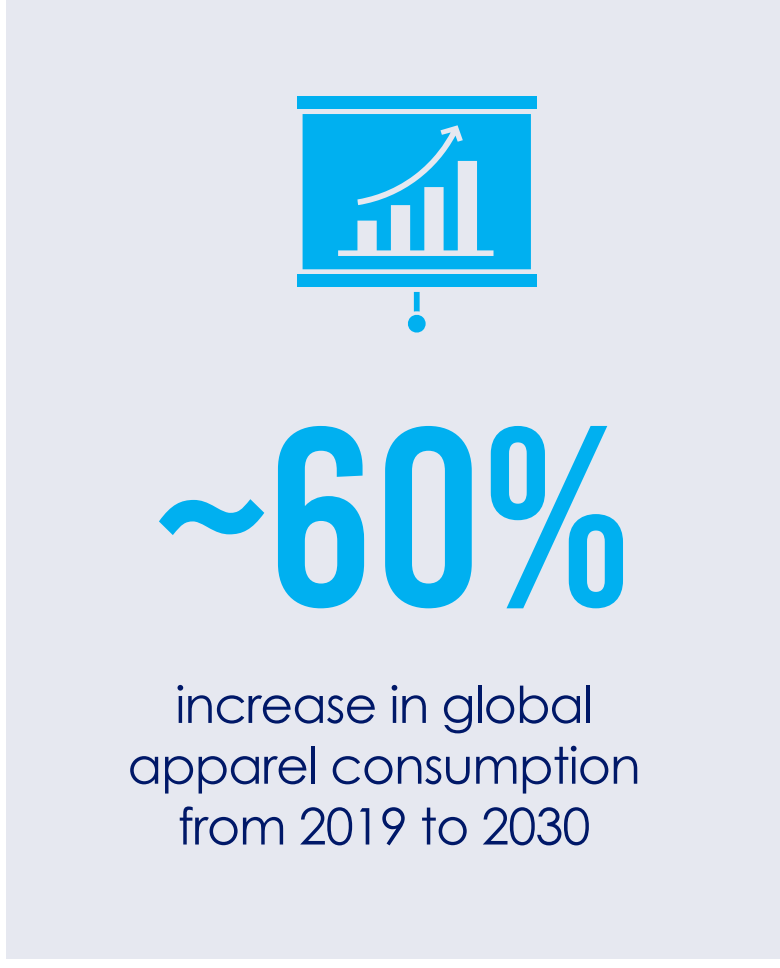
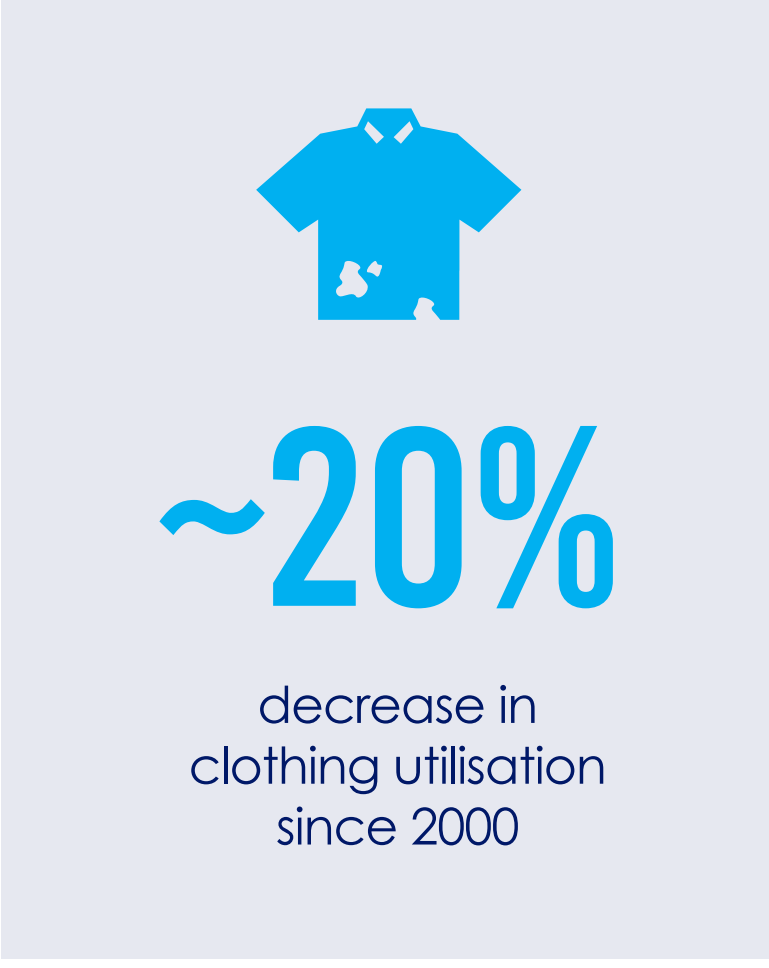
Reported GHG emissions of the fashion industry vary significantly due to differences in scope, sources and assumptions, but there is a broad consensus on the requirement to act decisively, especially in light of unhalted consumption per capita growth.

Source
Systemiq analysis, Mckinsey, Ellen MacArthur Foundation, Quantis, Twig, World Resource Institute, House of Commons Environmental Audit 2019, Energy Saving Trust, European Parliament 2020

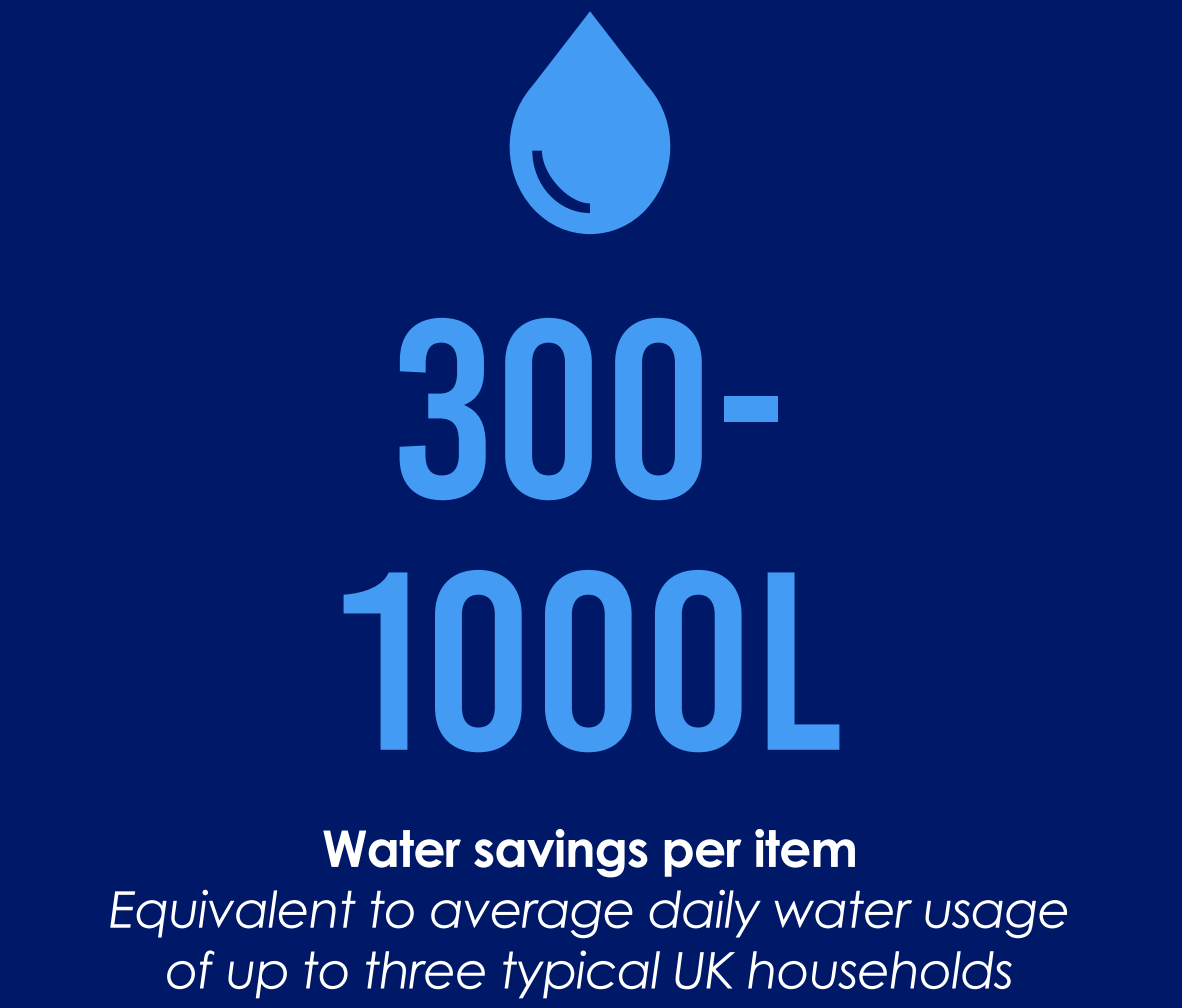
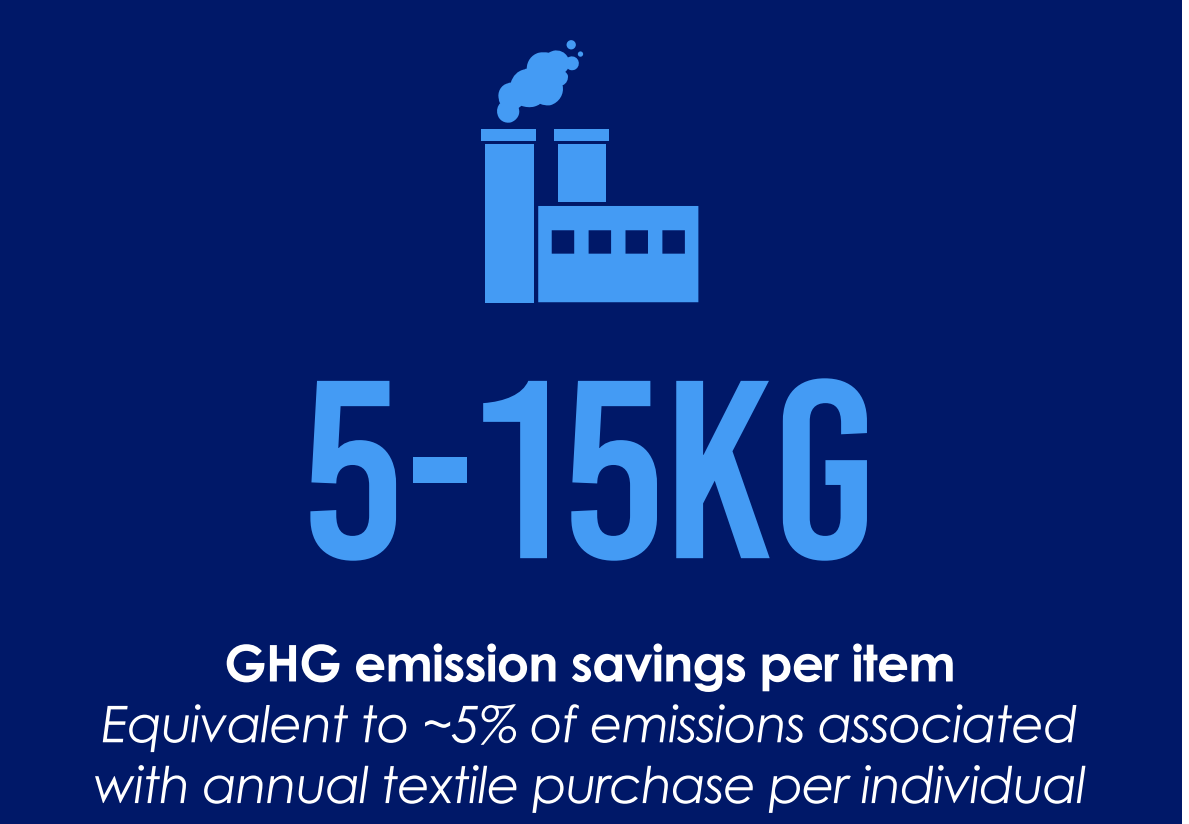
Heavy footprint



Overconsumption



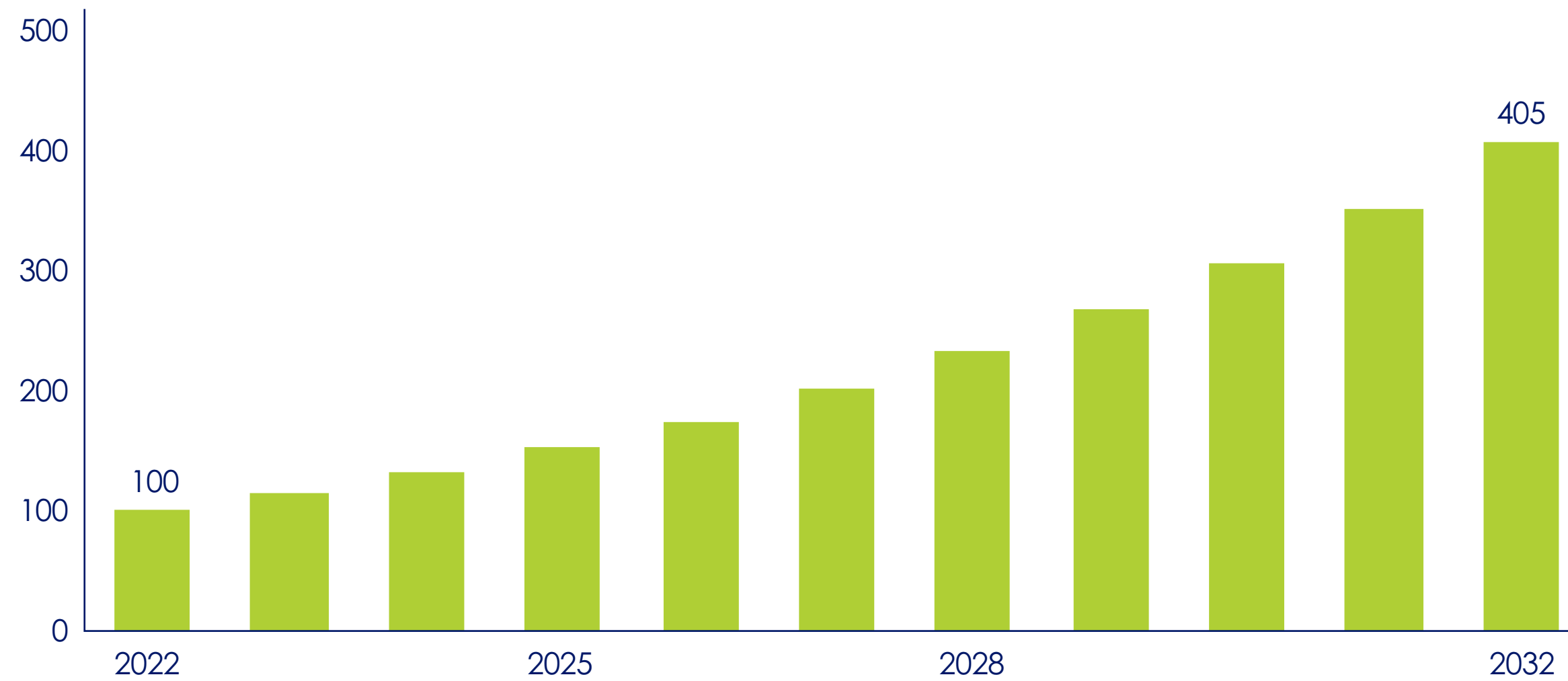
Every recommerce item reduces the fashion footprint industry's



FASHION RECOMMERCE WILL GROW RAPIDLY DUE TO STRONG CONSUMER DEMAND AND REGULATORY INCENTIVES

GLOBAL RECOMMERCE GROWTH WILL OUTPACE THE MARKET

Expected recommerce fashion market size
\$bn USD



~15%

Expected CAGR of fashion recommerce market from 2022-2032 (globally and in Europe) vs. 4% for broader fashion market globally

~15%

Potential share of recommerce in total fashion market by 2030

~60%

of growth in recommerce fashion will come from Millennials and Gen-Z

REGULATORY SUPPORT FOR CIRCULAR FASHION IS ALSO INCREASING

	Extended Producer Responsibility (EPR)	Sustainability reporting	Waste shipment	Sustainable product design
Key regulations	<ul style="list-style-type: none"> EU Waste Framework Directive Revision France L-541-10-3 	<ul style="list-style-type: none"> EU Corporate Sustainability Reporting Directive EU Directive on Green Claims 	<ul style="list-style-type: none"> EU Waste Shipment Regulation 	<ul style="list-style-type: none"> EU Ecodesign for Sustainable Products Regulation (ESPR)
Implications	<ul style="list-style-type: none"> Improve quality and repairability Encourage closed-loop recycling 	<ul style="list-style-type: none"> Incentivise investment in circular business models 	<ul style="list-style-type: none"> Encourage closed-loop recycling 	<ul style="list-style-type: none"> Improve quality and repairability Guarantee authenticity
Expected timeline	Late-2023 & End of 2022	Late-2023 & Mid-2022	Late-2023	Mid-2024

Source: Systemiq analysis; thredUP 2023; BCG 2022; KPMG 2021; Bain 2022; Persistence Market Research 2022; Future Market Insights 2022; Statista 2022; PYMNTS 2022; EMF 2021;

MULTIPLE RECOMMERCE BUSINESS MODELS HAVE EMERGED AND CONTINUE TO EVOLVE, BOLSTERED BY THE EXPANSION OF VARIOUS ENABLING SERVICE PROVIDERS

Recommerce business models		1. C2C Marketplace	2. C2C Concierge	3. B2C Aggregator	4. B2C Retail	5. Brand Proprietary
Brands and retailers	Description	Marketplace establishes direct connection between recommerce buyer and seller (peer-to-peer)	Marketplace manages the item's sale on behalf of the seller	Intermediary platform that aggregates and sells products from affiliated marketplaces and professional sellers	Sources items from individuals or professional sellers (incl. charities) and resells them to individuals	Brand offers proprietary recommerce channel, either fully integrated and managed B2C, or via new branding, or C2C
	Inventory ownership	Individual seller		Retailer or professional seller		Brand or individual seller
	Example players					

Enabling services		Turnkey	Specialised
Enabling services	Turnkey	Enable brands and marketplaces to create their recommerce offering by providing them with a customisable/whitelabel recommerce platform (incl. online store and operations)	
	Reverse logistics	Leverage network of collection solutions (e.g., boxes, in-store, dedicated centres, brand rejects), usually including sorting and wholesale	
	Fulfillment	Focus on a certain set of enabling services, incl. software and operations (e.g., repair, authentication, cleaning, etc.)	
	Digital	Provide digital product ID or software that facilitates the connection of sellers, buyers, brands, & marketplaces with multiple recommerce platforms	

Key
 Significant exposure to European market

KEY TAKEAWAYS

Several challenges have to be tackled to unlock economic and environmental benefits.

Impact case is clear

ECONOMIC BENEFITS

Recommerce offers a growth opportunity for brands and market platforms, driven by strong demand from young consumers and emerging regulation, increasing resilience of fashion businesses

ENVIRONMENTAL BENEFITS

Recommerce contributes to the fashion industry's net zero and nature-positive journey by fighting overconsumption and reducing waste

But how to tackle the challenges?

1.

Design compelling offerings for buyers through an effective assortment strategy

- Implement take-back and trade-in schemes that can improve buyer choice
- Build brand loyalty over multiple product use cycles and customer interactions

2.

Reduce frictions of buying/selling

- Adopt digital support solutions and standardised digital product identification to facilitate transactions and improve reliability
- Shift the communication of marketing departments, influencers, media

3.

Improve business viability through partnerships

- Facilitate rapid scaling of recommerce solutions through strategic partnerships with recommerce enablers
- Support policy development to build enabling conditions

1.

Adopt sustainable design choices that enable value retention

- Durable, long-lasting design improves product value at recommerce

2.

Enable recommerce to be a viable replacement for new sales at scale

- Implement specific and measurable recommerce revenue goals and performance KPIs

3.

Support sustainable consumer choices and mindset shift towards recommerce

- Educate and engage consumers on extending the useful life of garments and replacing new purchases with recommerce
- Facilitate closed-loop recycling through trade-ins and collection at the true end-of-life