

Fashion resale is popular among consumers, but platforms struggle to make money

Article

The trend: Shoppers embraced fashion resale platforms in 2021, with multiple companies reporting record sales and revenue growth.

- **ThredUP** generated **\$251.8 million** in revenues in 2021, a **35%** year-over-year (YoY) increase, **per** its earnings statement.
- **The RealReal's** gross merchandise value (GMV) rose by **50%** YoY, while revenues grew by **56%**, the company **said**.
- **Poshmark's** Q3 2021 revenues increased by **16%** YoY, and GMV rose by **18%** YoY, **per** the company's quarterly statement.

A closer look: Despite those strong percentage increases, several of the biggest names in fashion resale are not yet profitable.

- The RealReal had a loss of **\$236 million** in 2021, widening from \$176 million in 2020.
- ThredUP's net loss amounted to **\$63.2 million**, 25.1% of its revenues.

However, both companies are taking a longer-term view of success.

- The RealReal's CFO **Robert Julian** said the platform is expected to be profitable by 2024.
- ThredUP CEO **James Reinhart** said in the company's Q4 **earnings call** that the company is focused on creating "the foundation for strong growth and increasing profits over time" through infrastructure and technological investments.

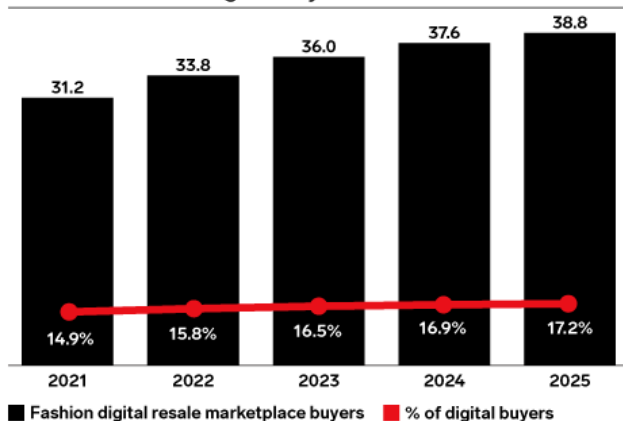
Analyst take: ThredUP's strong 2021 illustrates "resale's sustained appeal among fashion consumers," said **Sky Canaves**, eMarketer principal analyst at Insider Intelligence. "However, the company's big investments in infrastructure and expanding into the European market have added up and will continue to cut into future profitability. ThredUP is really betting on an 'if we build it, they will come' strategy, but they won't all come this year."

The appeal of resale: Fashion resale is growing in popularity among consumers, thanks in part to increased interest in sustainable shopping and vintage styles. And with luxury brands continuing to **raise their prices**, buying secondhand allows consumers to get access to the goods they covet without emptying their bank accounts.

- We **forecast** the US online fashion resale market will grow by **46.6%** YoY in 2022 to \$15.50 billion, but most of this growth will be driven by existing buyers spending more, rather than new shoppers entering the market.

US Fashion Digital Resale Marketplace Buyers, 2021-2025

millions and % of digital buyers



Note: ages 14+; internet users who made at least one purchase via a digital resale platform during the calendar year, regardless of method of payment or fulfillment; digital resale platforms are dedicated to the sale of secondhand apparel, accessories, or footwear, with sales formats that include consignment, direct sales, or peer-to-peer; also includes retailer-run or brand-run platforms established solely for the sale of secondhand apparel; excludes secondhand sales via social media, Craigslist, eBay, or at physical locations
Source: eMarketer, Oct 2021

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Paths to profitability: With the number of online fashion resale shoppers growing slowly, resale platforms must find other ways to make money.

- Some, like The RealReal, are growing their brick-and-mortar presence to raise brand awareness and attract shoppers who prefer physical experiences to digital.
- Others, like thredUP, are focused on offering “resale-as-a-service” capabilities to brands that want to establish a resale business but lack the experience and technical know-how. ThredUP currently has 28 brand clients, including **Walmart**, **adidas**, and **Madewell**, per its earnings call.
- Poshmark’s “Brand Closets” program lets brands open a storefront on the platform to sell directly to consumers.

The big takeaway: For fashion resale platforms to succeed, they must be able to maintain an engaged and loyal user base. Not only will doing so enable them to increase lifetime value per customer, but it also means the platform becomes top-of-mind when the consumer has something to sell.

As the competition for customers and inventory heats up, platforms will have to decide which perks to offer users, from lower seller fees to exclusive brand partnerships, that will keep them coming back.