

The RealReal and thredUP inch closer to profitability

Article

The trend: The RealReal and thredUP are targeting more premium buyers in their push to achieve profitability.

- The RealReal significantly reduced the amount of merchandise priced at less than \$100 on its platform in Q2, leading to a year-over-year decline in gross merchandise volume but an

increase in average order values.

- ThredUP is focusing on “incrementally more premium buyers,” co-founder and CEO **James Reinhart** said, because of their relative stability during economic volatility and greater lifetime value.

Zoom in: Despite growing resale demand from consumers worried about price and sustainability, both companies have found profitability a challenge.

- There were signs of progress in Q2: The RealReal’s gross margins expanded by 908 basis points year over year to 65.9%, while thredUP’s improved by 220 basis points in the US.
- The shift toward more premium buyers and inventory—as well as incremental revenue streams like The RealReal’s nascent advertising business and thredUP’s resale-as-a-service offering—should help both companies achieve their goal of reaching profitability next year.

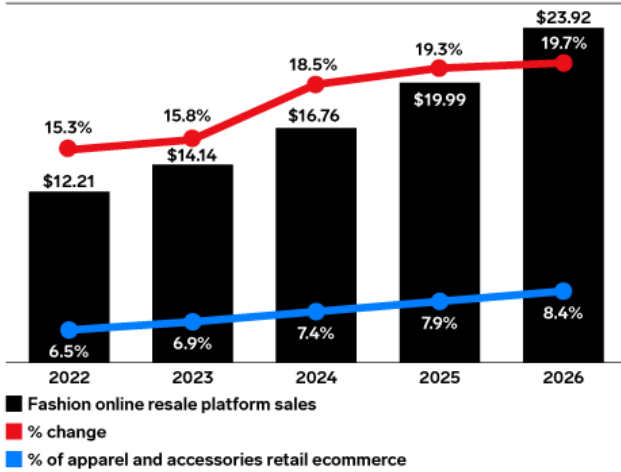
The big picture: The secondhand apparel market is booming. [US ecommerce resale volume](#) will grow 7.5% this year, more than twice as fast as total retail sales, as consumers prioritize value and sustainability.

While there are signs that US consumers are [cooling on full-price luxury](#), secondhand players like The RealReal and thredUP have an opportunity to attract aspirational shoppers who can’t pay the retail price but still want to purchase name brands.

Go further: Check out our [US Online Fashion Resale](#) report.

US Fashion Online Resale Platform Sales, 2022-2026

billions, % change, and % of US apparel and accessories retail ecommerce



Note: includes purchases on digital platforms dedicated to the sale of pre-owned clothing, accessories, and footwear; excludes purchases via online marketplaces (e.g., Craigslist, eBay) or social media (e.g., Facebook Marketplace)

Source: eMarketer, Dec 2022

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