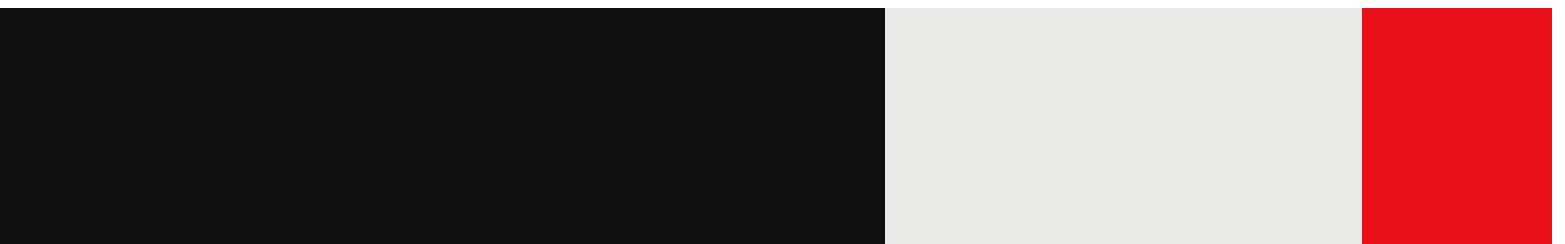


Reimagining Retail: How the \$100 billion resale market is evolving and what retailers should be thinking about

Audio



On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss how the resale market is evolving, why some retailers work with a third party instead of developing their own charitable programs, and the role of digital marketplaces in resale. Join our analyst Sara Lebow as she hosts vice president of content Suzy Davidkhanian and Nancy Youssef, chief global business development officer of Soles4Souls.

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Episode Transcript:

Sara Lebow:

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Hello, listeners. Today is Wednesday, March 6th. Welcome to Behind the Numbers: Reimagining Retail, an e-Marketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sarah Lebow. Today's topic is sustainability and resale. Before we get into that, let's meet today's guests. Joining me for today's episode. We have Reimagining Retail regular, VP of Content, Suzy Davidkhanian. Welcome back, Suzy.

Suzy Davidkhanian:

Thanks for having me.

Sara Lebow:

Thanks for being here. And also with us is a new guest on the podcast. Chief Business Development Officer at Soles4Souls, Nancy Youssef. Welcome, Nancy.

Nancy Youssef:

Thank you. So happy to be here.

Sara Lebow:

So happy to have you. Okay, let's get started with free sample. Our did you know segment where I share a fun fact, tidbit or question. I have another quiz for you today. We're going to be talking about shoes quite a bit today. So I went on the Crocs website and took a look at some of the options they have. My question for you is which of the following is not a real Croc option?

Suzy Davidkhanian:

Oh man, I'm not going to win this one. I'm not a Crocs person.

Sara Lebow:

I have four options. Lucky Charms Crocs, Shrek Crocs, Margaritaville Crocs and Red Bull Crocs. Those options again are Lucky Charms Crocs, Shrek Crocs.

Suzy Davidkhanian:

That's my vote.

Sara Lebow:

Margaritaville Crocs and Red Bull Crocs

Nancy Youssef:

Margaritaville.

Suzy Davidkhanian:

Oh, because they're not for kids, huh? Maybe, that's better. I don't know. I'm still going with Lucky Charms.

Sara Lebow:

Well, Crocs makes shoes for adults.

Nancy Youssef:

Yeah, they have adult shoes. They have some really cool platform. All kinds of things. French fries, all kinds of furry.

Sara Lebow:

Like fuzzy ones. Yeah.

Nancy Youssef:

Yeah.

Sara Lebow:

Okay. Lucky Charms Crocs are real.

Suzy Davidkhanian:

Oh, come on.

Sara Lebow:

They are magically delicious, maybe. Shrek Crocs also real. They have the little Shrek ears sticking out of them. Margaritaville Crocs also real.

Suzy Davidkhanian:

Stop. I thought she was going to win.

Sara Lebow:

Which I know because-

Suzy Davidkhanian:

We need another question. It's a tie.

Sara Lebow:

... when Margaritaville Crocs came out, so many of my friends sent them to me. Red Bull Crocs are not an option for sale on the Crocs website. I Googled them to make sure they weren't real. And there are a lot of Red Bull Crocs available for sale online but all of them appear to be coming from third parties. So they're not official Crocs. They're either fake Crocs or Crocs that have been customized and then resold.

Nancy Youssef:

I should know better. Sorry Crocs fam.

Sara Lebow:

I am still wearing the same pair of Crocs that I bought in fifth grade because my feet have not grown.

Suzy Davidkhanian:

Oh my God. I've never owned a pair. I'm not sure I ever would.

Sara Lebow:

Well, you can buy them many, many years ago, would keep wearing them forever. If Crocs wants me to spend more money on Crocs, they need to make their shoes worse.

Nancy Youssef:

They have great and they do last a long time and they donate to us, which is awesome. So we'd love them.

Sara Lebow:

Okay, donate to us is a great segue for getting into the meat of this episode. Our next segment retail me this, retail me that, where we discuss an interesting retail topic. Today's topic is sustainability and resale. Okay, so sustainability, resale, circular economy. These are all words that get tossed around all the time. Suzy, can you break down some of the distinctions between what we're talking about here?

Suzy Davidkhanian:

Sure. So I think sustainability is a catch-all in every industry. It's not just retail in terms of let's do things that are better for the environment, but this is the context we're using it. I think there's lots of other different contexts for sustainability depending on the industry and what you're trying to do from a business perspective or just even as a person. For us in retail, circular economy is the bigger umbrella term, which is really around, and it's across the supply chain and also after to extend the life cycle of the product.

And it's really around how do we produce and then consume things in a more sustainable way. And once the product is made and purchased, it's things like, do we refurbish it? Can we reuse it in a different way? Can we donate it? Can we resell it? And so then there is a whole model around resale, whether it's peer-to-peer or brands taking back items to sell again. And we can have a whole discussion on resale, but I think probably for today we're going to spend more time talking about the circular economy.

Sara Lebow:

So peer to peer it would be like a Depop, brands taking back things to sell.

Suzy Davidkhanian:

Facebook marketplace would be one. Whereas lots of brands like Lululemon who want to have better control over the brand experience will take back the goods and often either give the consumer money or potentially a coupon for them to come back to their site or give them money to spend on their site so that they have a better control of the brand. Now, it is really hard to do as a brand. And so there are lots of different tech companies that help with the movement of goods to make resale profitable of sorts because if you think about it's a lot of onesies, so that makes it very hard to manage.

Sara Lebow:

What do you mean by onesies?

Suzy Davidkhanian:

So when you are merchandising things, you usually have multiple colors and multiple sizes, and so that is when you have a whole collection. And then when you're doing resale, it's because someone's brought something that they, and it doesn't have to be in season, it could be three seasons from now. So it's just these individual things is the onesies. So a red pair of shoes from Nike from 1985 that you're ready to part with and resell.

Sara Lebow:

Okay. Yeah, and we've talked about this a lot, like resale as a service and retailers building out their own resale programs. In the US, total resale volume is over a hundred billion dollars according to our forecast. What we haven't talked about as much is the role of nonprofits and other third parties in resale on a global scale. Nancy, could you talk about this a bit?

Nancy Youssef:

Absolutely. One of the things that's interesting and unique about Soles4Souls in particular as a nonprofit had and in this role is we have a pretty unique take on circularity. And what I mean by that is there are millions of people around the world who are really socially and economically excluded from being able to pursue a better life, to have the opportunities for work, etc. And we are able to create a wider circle of circularity for these folks. So we are taking and providing access to product. So donated goods. You and I might clean out our closet or a retailer does a take back program in which consumers bring back their old product, clothes, shoes, accessories.

We're taking that on, providing it to wider audience where people may not otherwise have access. They're able to buy this product at a nominal cost. They're then bringing it into their countries and their marketplaces, cleaning it up, refurbishing it and reselling it into another marketplace. We also educate and partner with another nonprofit on how do you create a business? How do you create jobs? How do you buy and sell product? And so they're able to then have a better access to a better life. We're creating a cleaner planet. Soles4Souls since 2006, which is when we started. We've diverted 91 million pounds of product out of the landfill. So we're doing our small part to keep a huge piece of this puzzle out of landfills and into people's hands who can create more opportunity for themselves.

Suzy Davidkhanian:

Well, I think everybody knows how much I love Soles4Souls, so I get very excited about it because it's like multiple things that are happening in this space. They are helping save items from going into landfills. So that's sustainability just in its purest way, helping make the planet a better place. But then they're also helping from a circular economy, extend the life of things that we like to call gently loved, not used. Gently loved things that then they refurbish and give away at a very small cost to then kickstart the resale part of that. So I owned it here in New York, goes through Soles4Souls through a lot of their different retail partnerships, and then it ends up in Haiti and then it gets resold to someone else. So I think it's like triple win in some ways.

Nancy Youssef:

Exactly right.

Sara Lebow:

Yeah. I mean, I get the appeal of Soles4Souls as a business, as a nonprofit that helps create business, that helps keep things out of landfill, that helps get shoes on feet. What I might sound a little cynical about here is that if I am a retailer, where do I come into play here? Because a lot of retailers over the past few years have been taking over their own resale programs. This is a way that they can protect their own brand, that they can get the profits off of their own products, that they can really own their own name. How do I benefit from working with Soles4Souls and from my products being sold at nominal prices without my control?

Nancy Youssef:

Absolutely. Yeah. The resale piece is really just one small part of that circle. And so one of the great things and why our partnerships are so successful is a retailer or brand once the full aspect of protecting the planet, which means not everything is resold. There are goods that can't go into resale for whatever the reason is. They're too damaged, they're maybe too new or whatever the situation is. And so we're able to take product back, whether it's new, whether it's used, whether it's excess inventory, damaged goods, whatever the cadences of where it has been in the life cycle, we can take that back. We can take it into our sorting facilities, process it to say, "Okay, this could go into donations, this could go into your resale program. This actually has probably truly reached the end of its life and needs to go to another avenue,"

maybe recycled if it's apparel or polyester or if it's footwear, there's specific types of recycling you can go into.

Or finally it could reach this waste to energy opportunity. So there's different paths for the product's life. And I think where we can be supportive and help and alleviate not only costs internally because we have donation centers across the United States and the globe and so we can be closest to source, we can be close to where the product is at people's warehouses. So we can eliminate carbon footprint and but reduce carbon footprint and also help identify where this product should go. So we're fulfilling all of it for the brands.

Suzy Davidkhanian:

And I think the other thing to think about is retailers and businesses know that this is an important thing to do, but in the many surveys that I've looked at, it is not a priority for marketers. It is not a priority for businesses. It's costly, it's hard to do. There's a lot of this greenwashing happening. So we know it's important. We know we have to do it. Climate change is real, but then it's not at the top of the priority list when it comes to spending money. So companies and brands and nonprofits like Soles4Souls can come in and do that tech supply chain management in a much more efficient way for the retailer so that they're still doing it, but it's just not costing them a lot. From the consumer side, it's the exact opposite. For consumers, this is critical. There was that study that, I can't remember whose study it was, but for Gen Z, it's one of the top three things.

Sara Lebow:

I have this in front of me actually.

Suzy Davidkhanian:

Oh, do you?

Sara Lebow:

I have an ICSC and big village study in front of me that shows that the environment, climate change and sustainability is the number two value that Gen Z wants from brands and companies where they shop. 47% of them want that and it's behind only mental health support.

Suzy Davidkhanian:

And it's not just Gen Z, it's everybody and it's across all the products. And when we think about sustainability when it comes to products, it's also things like packaging, how it was made. I mean, there's a lot going on with the word sustainability, so that's why we were just talking about the circular economy component and potentially resale also at the very end of that process for Soles4Souls. But it is really important. There are lots and lots of consumers who this is a critical part of their decision making is how embedded is a brand and a retailer when it comes to doing good for the environment. So Soles4Souls comes in and makes it a little bit cheaper for the retailer.

Nancy Youssef:

I think it's cost-effective, but I also think that there's the opportunity to do good and realize the impact of what you're doing on humanity, the people. That's the most critical part. And so we can report back how much we're increasing household income. We can report back how much product life has extended, or in our programs where we're putting new athletic shoes on kids experiencing homelessness or that are unhoused in the United States. We can share the number of students that are impacted by these athletic shoes, how their health has improved. There are so many effects of just this used product. It goes into everybody's whole life.

Sara Lebow:

Well, and we're talking about retailer strategy. I think that data is where this is critical because Suzy mentioned greenwashing, just want to make sure we define that term, which is saying that you are acting in the interest of sustainability without actually any proof of that or real action. But that data is vital to really proving that you are acting in the best interest of the climate and of people. And I think it's what Gen Z is looking for. And I also think that you can call this a PR push, but that's not to understate that. I don't know. Brands should have good PR and they should try and act in interest of developing that.

Nancy Youssef:

To the point of the PR. It's about creating awareness. It's making people aware there is a problem, there's production, there's all of that, but we're also trying to create a solution or do better with what is existing.

Suzy Davidkhanian:

And then I would just add to that, there's the PR component. We're helping from a carbon footprint, we're reducing landfills. So that's the outwardly facing information that if you're cynical and in retail, you would say like, "Okay, yeah, this is why I have to do this because I can show with real numbers, so it's not greenwashing the impact I'm having." If you're human brand, then you're also talking about the kids who are doing better in school. So not just about the carbon footprint, but also about the kids doing better in school, the entrepreneur in different parts of the world that are making an income and now able to send their own kids to school because before they weren't able to do it. But if you are purely looking at margin and you're a balance sheet, then you can also say, "Oh, this is really helping me because it is streamlining my supply chain on the back end after the products have been made and not sold so that I can get it into the right hands." So it's like a chain reactions.

Sara Lebow:

I think that if you're cynical and in retail could be the tagline for this podcast. You do mention the supply chain though, Suzy. Nancy, can you talk about what those last mile and supply chain efforts include when it comes to sustainability?

Nancy Youssef:

Absolutely. In our world, and not dissimilar to the retail world, we're always trying to create the smallest path possible to where the product is located. So because of our locations, because of our ability to be nationwide, we're able to take product either from stores directly. So there are some brands that work with us and they're just shipping it directly from the store to the most local warehouse or consolidating. So they're reverse logistics. So they're bringing their product back to their own warehouse and then shipping it again to the closest source to them, and we're then taking it out closest. So if product is coming into the Americas, unless it has other restrictions, it'll generally stay in the region. If we're bringing product into Europe, for example, same thing stay there, Asia, et cetera, and what have you. And so we're trying to be closest to source to really support that and to minimize cost of logistics.

It's our number one cost. It's probably the number one cost for most retailers, is that logistics piece. And so we're constantly trying to reiterate and understand, "Okay, how can we minimize that cost?" We have one of our major brands, retailers that we work with that was consolidating all their shipments, sending it to one location. It was very costly. And so we together did analysis, realized that if we ship it to the various locations across the US, it's a US-based retailer. We ended up saving almost half a million dollars. I mean, that's real savings.

It's a big number. And so we're talking to our retailers and our brands about how to be more strategic in our partnership rather than just a do good. We're also creating foot traffic in their slopes, so they're publicly saying, we're able to see an uptick in foot traffic because people want to do this.

Sara Lebow:

The last thing I want to talk about here is a shift in gears. We mentioned Facebook marketplace earlier. I think of Facebook marketplace as the place where I bought my bookshelf that's broken, but still works. Nancy, what you said earlier to us is that Facebook marketplace has a huge role in resale in emerging markets. So what is that? What's the role of digital marketplaces in these emerging markets?

Nancy Youssef:

Yeah, digital markets are growing unbelievably. Where you would imagine, you think about a Haiti, you think about a Honduras, a Guatemala. In your mind, you're like, "Yeah, it's definitely street level vendors. They're all hanging out there with the shoes and the clothes and maybe there's a cow hanging next to it, whatever." But it really is. It's digital now. You talked about Gen Z, you talked about the younger generation. I mean, everybody has a phone. Everybody, more or less has access one way or another to internet and wifi and so they're putting this product up on Facebook marketplace or WhatsApp. WhatsApp is a big communication tool, so they're just uploading pictures and people are coming and buying it in that way like you would've picked up your broken shelf. Same thing.

Suzy Davidkhanian:

It's very cool to see how it's shifting and how every country is moving online in some way, shape or form. Makes it easier. It's harder in one way because it's all onesies but if you think about your Facebook experience, it's very different or WhatsApp experience. It's very different than going to Lululemon's website and that's okay too. It's totally fine. It is just showing what is available for purchase and the size that is and hopefully it fits for you and you make the purchase.

Sara Lebow:

Yeah, I mean, our forecasts show that more than half of the world is mobile internet users. Obviously that leaves around half of the world, 48% that are not. There are definitely still, I

guess, unconnected spots, but more than half are. So people are online almost everywhere.

Nancy Youssef:

Absolutely. And they know brands and they want brands. I mean, that's also part of this story is our entrepreneurs are very excited about the top brands or at everything else. They're very aware of what's out there

Suzy Davidkhanian:

And it's access that they might not have had otherwise to brands.

Nancy Youssef:

Absolutely.

Sara Lebow:

Okay. That is all we have time for today. Thank you so much for joining us today, Nancy.

Nancy Youssef:

Absolutely. It's been such a pleasure. Thank you.

Sara Lebow:

So great to have you. And thank you as always, Suzy.

Suzy Davidkhanian:

Thanks for having me. One of my favorite nonprofits. I'm so excited that we got to chat.

Sara Lebow:

Yeah. Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @insiderintelligence. Thank you to our listeners and to Victoria who edits the podcast and always puts her best foot forward. We'll be back Wednesday with another episode of Reimagining Retail, an e-Marketer podcast. And tomorrow join Marcus for another episode of the Behind the Numbers Daily.

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