Reluv

Fashion Resale in Australia

2022

Foreword

Welcome to the Reluv Fashion Resale in Australia Report for 2022. The resale sector in Australia is growing and it is amazing to see the progress over the past few years.

Reluv has been operating an online resale platform since 2020. As a resale business, we understand the unique challenges and opportunities for resale however as a relatively new business we were keen to learn more about what was happening with resale at a national level.
This led to creating the first resale report for Australia in 2021. This report highlighted the lack of Australia specific data which resulted in us conducting original research both with consumers and industry. We engaged with a number of businesses to understand the more specific challenges they are facing and the opportunities that are presented by resale.

In this, the second edition of the report, we share trends and consumer behaviour and resale data from the industry perspective. This year we evolved the content to understand how resale looks in practice. We have included case studies that demonstrate resale in a large marketplace, in a brand owned and operated resale offering and in a brand/resale partnership.

This report is the culmination of 6 months of hard work from the Reluv team and the dedication of students from Monash University.

Deepest thanks to Claire McCormack, James Longson, Benjamin Bratcher and Yifan Tian from Monash University, for the effort and energy they poured into the research and writing of this report. Thanks also to Susan Van De Meene for her guidance and advice on the industry research.

This report would not be possible without the data provided by the respondents, and we thank all the participants and businesses who contributed this year.

Sincere thanks to those businesses who were willing to share their experience of resale with us: eBay Australia, Birdsnest and ALPHA60, you have provided critical insights for the broader industry.

When reading this report, keep in mind that resale, on its own, is not a silver bullet to sustainability - it is but one part of the circular business framework.

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Introduction

Purpose of This Report

Following the release of the first report on Fashion Resale in Australia in 2021, this latest report builds upon the previously explored ideas and knowledge to present new insights into the current state of fashion resale in Australia. This report seeks to bridge the gap within the fashion resale industry by providing consumer and industry behaviour and trend data within an Australian context. We hope this report will inform and inspire individuals and industry professionals alike to make more responsible consumption and production choices by realising the potential that resale holds in contributing to a more sustainable future for the fashion industry.

Methodology

This report uses information gained from survey data collected by Reluv Clothing. 270 Australian individuals were surveyed regarding their engagement with the fashion industry in Australia between the 17th of August and the 5th of September. Fashion resale industry stakeholders were surveyed between September and October 2022 to gain insights into the current state of fashion resale in Australia from an industry perspective. The survey was voluntary and anonymous and included questions on current trends, opportunities, and challenges within this industry. A total of 53 businesses were invited to participate in the online survey. In addition, several individual businesses were interviewed to understand their experience of resale.

Fashion and the Environment

Fashion is a way for us to communicate to the world around us who we are. Fashion has afforded us the ability to adapt and change how we present ourselves depending on our moods, current trends, seasons, or events, but to meet our growing demands for wardrobes that reflect our individuality, the fashion industry has responded with ever-increasing levels of production. With our wardrobes constantly growing and changing, it is no surprise that the average number of times an item of clothing is worn has decreased by 36% compared to 15 years ago[1]. While clothing utilisation decreased, clothing production more than doubled between 2000 and 2014[2]. Global demand for clothing is predicted to continue rising in the coming years[2], and as we buy more, wear less, and discard at higher rates, and every second, the equivalent of one rubbish truck's worth of clothing is sent to landfill or burned[3].

Thus, it is no longer a question of if the fashion industry is harming the environment but rather one of how it can avoid causing further harm. As of 2018 the fashion industry accounted for roughly 4% of total global carbon emissions, equaling approximately 2.1 billion tonnes of CO_2[4]. Textiles production uses approximately 93 billion cubic metres of water annually, with the dyeing and treatment of textiles contributing to 20% of global industrial water pollution[1].

Most recycled material is currently downcycled for use in lower value applications, while the global majority of used textiles end up in landfills[1]. The current linear “take-make-waste” model of the fashion industry is incredibly harmful and wasteful. The current model of operations is limiting the fashion industry's future growth and missing out on approximately USD $500 billion in value annually due to clothing underutilisation, waste, and poor recycling practices.

> “Growing global populations, shifts in consumption patterns, and increasing demand for garments have caused damaging impacts to the environment, natural resources, and social welfare, presenting an immense global sustainability challenge that is yet to be resolved[5].”

For the fashion industry to align with the goals set by the Paris Agreement to limit the global average temperature increase to 1.5°C by 2030, CO_2 emissions within this industry must be cut by 50%[4]. As more than 70% of the fashion industry’s emissions come from production and manufacturing activities, this phase presents both the greatest challenge and greatest area of opportunity.

Circular Economy and Resale

Fashion and the Circular Economy

The circular economy presents a new economic model for the fashion industry that replaces the traditional linear model with one focused on keeping resources at their highest value and continually re-entering the market after use to avoid garments ending up as waste[1].

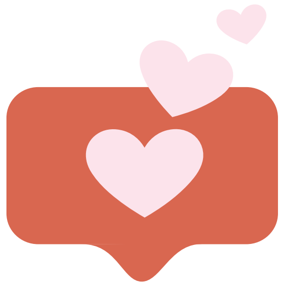
Currently, there are four main business models that can assist the fashion industry in shifting toward a circular economy: resale, rental, repair, and remaking[6]. These models have the potential to provide a third of the necessary emissions reductions the fashion industry needs to achieve to align with global goals to keep global warming to 1.5° [6]. Each of these models attempts to do the same thing: keep garments in circulation for longer, and reduce the amount of clothing ending up as waste. Resale is currently the most prominent model promoting circularity, representing around 7% of the fashion market[4].

Fashion Resale

Resale is booming with the global second-hand apparel market estimated to grow at a rate three times faster than the global apparel market overall by 2026[9]. Approximately 70% of emissions related to clothing are produced during the production phase[4]. Fashion resale is a way to directly reduce the environmental impacts of the fashion industry. Reducing the number of garments required to be produced can potentially drive the largest reduction in the FTI's emissions.

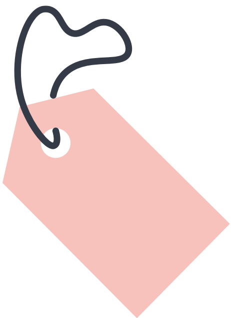
Consumer Insights

80% of people report wearing less than **60%** of their wardrobe on a frequent basis



Op shops and Second Hand Stores are the most popular places to buy preloved (**87%** of people)

People are spending on average **$344** on preloved clothing, and **$739** on new clothing purchases annually



20% of respondents began shopping second hand within the last 3 years.

73% of Australians reported they buy preloved clothing

36% of people who do not shop preloved cite hygiene concerns as one of their main reasons

Almost **70%** of people say buying preloved reduces the amount of new clothes they purchase

95% of respondents donate unwanted clothing to op shops, social enterprises, and social support services

Environmental concerns are the main reason people are shopping preloved (**77.9%**), closely followed by economic reasons (**70.4%**)

Everyone, including the consumer, has a role to play in shifting the fashion industry towards more sustainable practices. If the fashion industry is to align with the 1.5° pathway set out in the Paris Agreement, then 1 in 5 garments must be exchanged through circular business models by 2030[4]. Consumers will play a key role in achieving this, as their purchasing decisions can drive demand and increase support for brands that implement circular economy principles[7]. Not only that, but what a consumer chooses to do with a garment after they have no further use for it is an important step in closing the loop on post consumer fashion waste. By recycling products, consumers can significantly reduce the amount of textile waste being incinerated and sent to landfill[4].

For Australian consumers, sustainability is at the top of our minds when we shop. 8 in 10 Australians report caring about the environment and sustainability, with 3 in 4 considering sustainability issues when they shop[8]. Unfortunately, values do not always align with actions. When it comes to fashion, there is a global consumption problem, and Australia plays a major part in this issue.

Australia consumes the second highest number of textiles per person globally, consuming an average of 27kgs of new clothing a year, and disposing of an average of 23kgs to landfill annually[11]. One way that consumers are tackling this issue and aligning their values with their actions is through their engagement with the fashion resale market in Australia.

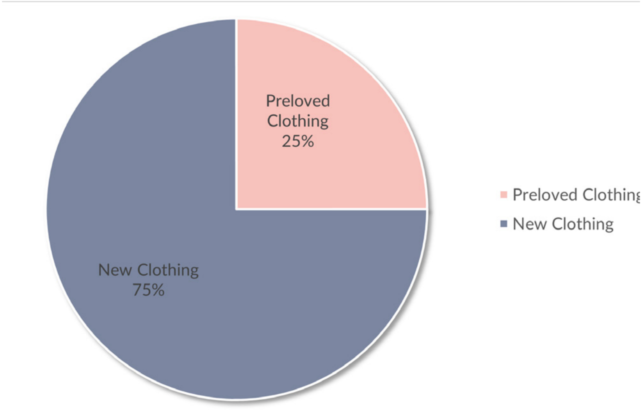
Responses from a recent survey conducted by Reluv showed that 73% of respondents are purchasing second-hand fashion, with 20% having taken up shopping second-hand over the last three years.

Australians who shop second-hand are spending an average of

$344

on preloved clothing annually...

...accounting for ¼ of their total clothing expenses



36% of survey respondents reported an increase in the amount spent on preloved clothing compared to the previous year.

Why are Australian shoppers choosing to buy second hand fashion?
The three top reasons Australians are choosing to shop fashion second hand are:

SUSTAINABILITY CONCERNS	**78%** of respondents say shopping preloved means they aren't contributing to the environmental cost of the new fashion market
ECONOMIC CONCERNS	**70%** choose preloved due to the affordability and access to higher end brands at lower prices
STYLE CHOICES	**46%** say shopping preloved gives them greater access to more unique fashion pieces

Research from the University of Tasmania has also found that the higher Australians rate themselves on their style consciousness, the more likely they are to shop secondhand[12].

How are Australians buying their second hand fashion?
87% of respondents are sourcing their preloved clothing from Op Shops and Second Hand Stores. Australian consumers are still favouring brick-and-mortar stores as their preferred source when it comes to shopping secondhand.

Amount of clothing sourced from Op Shops and Second Hand Stores by Generation:			
46.34% Gen Z	**29.65%** Millennials	**27.44%** Gen X	**34.72%** Baby Boomers +

While Facebook Marketplace and Online Marketplaces such as eBay and Gumtree are popular peer-to-peer platforms for consumers of all ages, it is interesting to note that Gen Z are more likely to purchase their secondhand clothing from alternative sources at higher rates than other age groups, including local markets and social commerce sites like Depop and Carousell.

7 out of 10 people who purchase preloved clothing believe that shopping second hand reduces the number of new clothes they purchase.

What are people buying when they shop for preloved fashion?

The most popular categories are...

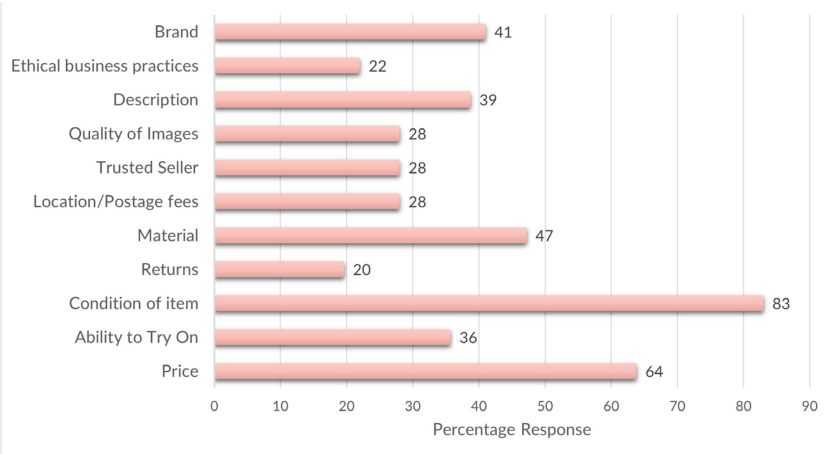
1. **Tops -** blouses, t-shirts, tops
2. **Outerwear -** coats, jackets
3. **Bottoms -** jeans, pants, skirts, shorts
4. **Dresses & Jumpsuits**
5. **Jumpers & Knitwear**

...with the least popular being

1. **Sleepwear**
2. **Activewear**
3. **Jewellery**
4. **Footwear**
5. **Accessories -** scarves, hats, belts, etc.

When shopping for second-hand clothing, consumers consider a variety of factors beyond just **what type of item** it is they are purchasing. With fast fashion producing increasing quantities of lower quality items, it is no surprise that a garment's condition and composition are important factors for people shopping preloved. Respondents reported that the condition of an item, its price point, the material composition of the garment, and the item's brand all play an essential role in the decision making process.

What's important when buying preloved?



Not all Australians have made the switch to resale. 27% of survey respondents reported that they do not purchase any preloved clothing, with the main reasons for this being:

36.1% Hygiene Concerns	**33.3%** Convenience Factors	**31.9%** Size Availability	**26.4%** Quality Concerns

% of respondents who selected each reason

These results correspond to data that suggests that hygiene is one of the main barriers preventing people engaging with the second-hand fashion market within the Asia Pacific region, due to consumers' concerns regarding the hygiene and handling of the item during previous ownership[6]. Getting people to engage with the second-hand fashion industry is one of the ways in which the fashion industry can reach the goal of having 1 in 5 garments traded through circular business models[4]. So it is vital to recognise the barriers and concerns raised by consumers and offer solutions to these when designing resale models for the future.

Regardless of if people are buying second hand clothing or not, clothing utilisation rates for both groups remain very similar, with

80% of respondents frequently wearing less than 60% of their wardrobe

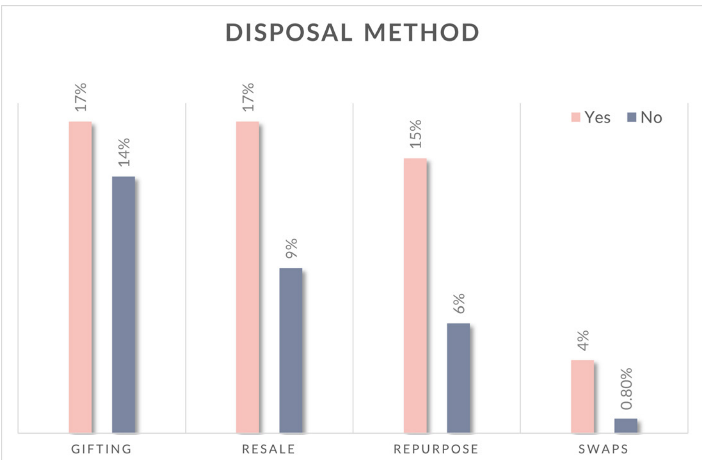
Low utilisation rates are a key challenge for the fashion industry, with the worldwide average number of times a garment is worn decreasing by 36% compared to 15 years ago[1]. Research from the Australian Fashion Council found an annual 5-8% increase in owned clothing, meaning that we are not only wearing our clothes less, we are also holding on to a greater number of clothes for longer[13]. Retaining clothes we no longer wear, prevents any new potential use by others following donation or resale activities[13]. Even then, when clothing is disposed of instead of retained, only 13% of the material input is then recycled and recaptured, and only 1% of this will be used to produce new clothing[1].

How are Australian consumers disposing of their clothes?

Regardless of whether or not consumers engage with the second hand fashion market, donations were reported as the most common method for discarding clothing in Australia.

1. DONATE	**95.2%** of respondents will donate unwanted clothing to op shops, social enterprises, and social support services
2. GIFTING	**36.5%** will gift and pass on unwanted clothing to friends, family, or acquaintances
3. RESALE	**33.9%** will participate in reselling their garments through marketplace platforms, buyback programs, consignment stores and similar outlets.

Interestingly, 54% of people who do not buy preloved fashion will donate their clothes, while almost 40% of people who buy preloved fashion will donate their clothes. This is due to preloved fashion purchasers being more likely to seek alternative methods of disposal for their garments, including:



Our survey results indicated a relationship between where people source their preloved clothing and how they choose to dispose of it. Of people who source their preloved clothing through op shops and second-hand stores, 88% will dispose of their clothing through donation.

Similarly, of the people who purchase their clothing through online preloved clothing sites, 50% will dispose of their clothing through resale methods.

People who do not buy second-hand clothing, while most likely to donate their clothing at the end of their useful life, are **twice as likely to discard their clothing** through waste streams than people who shop preloved.

Resale businesses have an opportunity to grow by meeting the needs of existing second-hand consumers by incorporating some qualities of the existing new fashion market into their operations. The most popular suggestions given by respondents included resale businesses allowing consumers to return unsuitable items and suggest improving size variety and availability.

Industry Insights

Resale businesses were surveyed to understand the progress and growth of the industry. Qualitative data was also gathered by interviewing businesses that were engaging with resale.

The survey was distributed to over 50 resale businesses within Australia and had a 40% response rate. There were several limitations with the industry survey, including a lack of baseline data to compare results to (this was the first industry survey of its type), lack of buy-in from brands/businesses to complete the survey as the previous report was not known to them and credible communication channels were not yet established, time limitations to promote and conduct the survey.

Business Platform

From the survey respondents, businesses operating in both the online and physical space were the most popular, accounting for 67% of businesses. Online only businesses were second most popular at 22%, and physical only stores were the least popular, at 11% of responses.

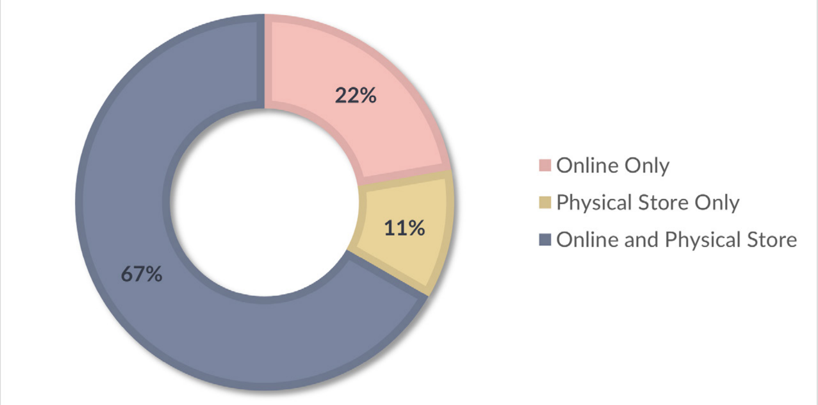


Figure 1: Breakdown of business platform utilised by resale brands and business.

Gender Breakdown of Clothing

When looking at gender breakdown, women's clothing was the most commonly available at 38%, followed by men's clothing at 28%. Finally, unisex clothing, children's clothing, and other clothing followed at 19%, 9.5%, and 5% respectively.

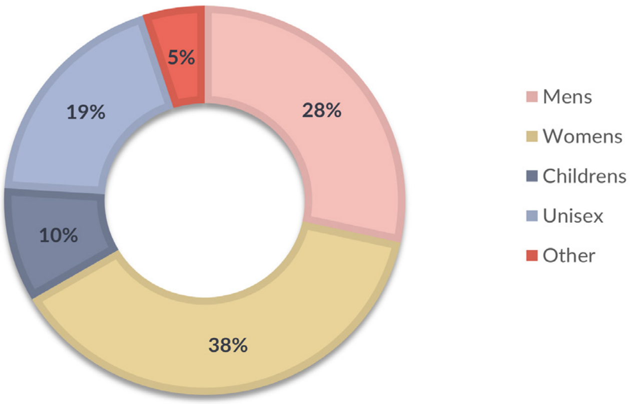


Figure 2: Gender breakdown of clothing sold by resale brands and businesses.

Most Popular Categories of Clothing Sold

Resale businesses indicated the most popular categories of clothing sold. The three most popular categories of clothing were dresses at 30%, shirts/tops at 17%, and other clothing (e.g., handbags) at 13%.

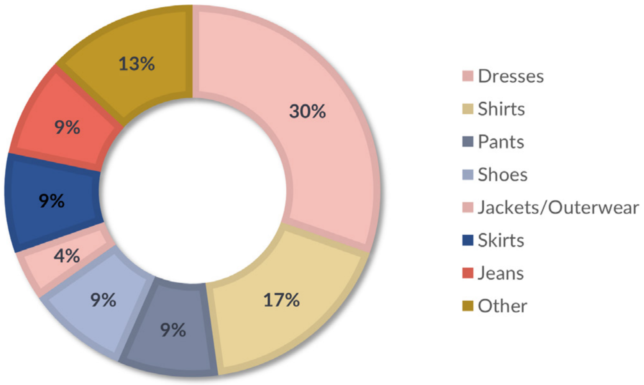


Figure 3: Most popular categories of clothing sold as reported by resale brands and businesses.

Brand Specialisation

The survey looked at whether resale brands or businesses specialised in the sale of specific brands. 33% of respondents reported that they specialised in the sale of a particular brand, with 67% of brands not specialising.

33%
of respondents specialised in the sale of a specific brand

11%
of respondents had an existing partnership with a fashion label

56%
of respondents had an existing partnership with a textile recycling platform

Biggest Challenges in Operating a Resale Business in Australia

The biggest challenges to operating a resale business within Australia include - operational time and cost being the largest challenge at 45%, followed by stock acquisition and other challenges at 18% each. Finally, system integration and shipping costs were reported as the biggest challenge by 9% of responders.

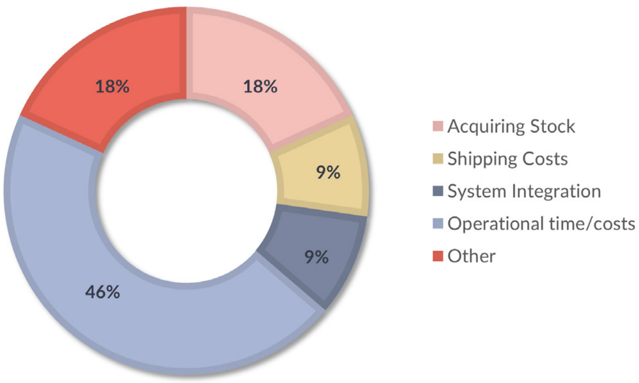


Figure 4: Biggest challenges in operating a resale business in Australia.

The Future of Resale

Barriers to Large Scale Adoption of Fashion Resale

Three (3) key barriers were examined to understand how they impact the Australian fashion resale industry.

- **Fast Fashion and its impact on the operation of the fashion industry**
- **Geographical limitations and connectedness across Australia**
- **Consumer behaviours and acceptance of fashion resale**

1. "Fast Fashion" and Its Impact on the Operation of the Fashion Industry

The practice of fast fashion has resulted in the fashion market greatly increasing the speed that new garments are delivered to market at the expense of quality and lifespan[14,15,16]. It is estimated that 73% of textiles used within the fashion industry are disposed of to landfill, rather than reuse, resale, or recycling[17]. Further, the average number of times garments were worn decreased by 36% between the year 2000 to 2015[1]. "Fast fashion" garments and apparel are made to be purchased cheaply and disposed of quickly to make room for the next season of clothes and are unlikely to be of high enough quality to be resold[17,18].

2. Geographical Limitations and Connectedness Across Australia

Most existing supply chains are designed for the 'cradle-to-grave' approach, consisting of moving goods from point A to point B, and are not designed for the continued movement of goods back through via the resale model[17,18]. As such, many resale businesses rely on couriers and postal services to transport goods. Australia is subject to large distances between major population hubs with sparsely populated towns in between. This means that the operating and shipping costs can be a major barrier to entry without financial backing to overcome initial periods where many businesses operate at a net loss[17]. Online businesses which operate on consignment models, which utilise existing couriers or postal services such as Australia Post, may face challenges when their business model means that they first must receive an item before it can be listed and sold online.

Furthermore, unexpected impacts on shipping networks, for example, those brought about by the COVID-19 pandemic, can severely affect businesses that rely on these pre-existing shipping networks[19].

3. Consumer Behaviours and Acceptance of Fashion Resale

The following key consumer barriers were identified as consistent barriers to engaging in fashion resale:

- Inconvenience due to the inability to find specific styles which are offered by fast fashion[20]
- A lack of trust in the pricing of resold products[21,22]
- Preferences between online platforms and brick-and-mortar stores, the availability of access to these platforms, and the availability of goods[23,24]

Partnerships in Resale: Opportunities and Barriers

Opportunities for partnerships have primarily focused on harnessing digital technologies to scale-up resale and the use of government policy and interventions. Barriers to partnerships across resale stakeholders within the fashion resale sector identified focussed on knowledge and economic factors.

Opportunities

1. Digital Technologies

Online platforms are significantly increasing access to the resale market as new means arise to connect brands and customers. An emergent theme in online resale platform partnerships was the growing use for circular knowledge and resource sharing (among other themes) for fashion companies to integrate resale into their business models[25]. The high consumer demand for product authentication and supply chain transparency in resale is driving huge investments into digital technologies such as the initiative to develop unique identifiers or 'product passports' which is being piloted[5]. Fashion companies are now partnering with independent resale platforms, seeking to drive sustainable outcomes, ease operational processes, and identify new revenue streams to target and influence their consumers[26].

2. Government Intervention and Policies

Within international markets, new markets for resale that significantly improved the textile waste sector were observed within France following the government implementing an extended producer responsibility (EPR) policy targeted at end-of-life apparel[27]. New legislation to mandate separate collections from textile waste enabled the local fashion industry to become environmentally responsible for their products, rather than the motivation resting solely on brand image and meeting consumer expectations[28].

Barriers

1. Knowledge

A study by ThredUp[9] reported that 48% of the retail industry does not align resale as an arm of their business or brand narrative. The resale sector is estimated to double in size in the next five years, approaching a value of approximately 77 billion USD in 2025[29]. However, luxury brands are reluctant to engage in resale due to the fear of cannibalisation of sales for new products and damage to their brand reputation[29]. A lack of awareness of the value of resale and the fear of damaging the brand's image can be attributed to stakeholders outside of the resale sector not understanding fundamental concepts and principles of the circular economy.

2. Economic

Profitability of new resale businesses is also seen to be an issue. Resale companies 'TheRealReal' and 'ThredUp' showed net losses in 2021 of $236 and $63.2 million USD, respectively[30]. Additional challenges identified include denied loan applications due to the high-risk nature of the business and the ongoing complexities and challenges that arise when independent resale companies try to meet buyer price expectations and high material costs[17].

3. Resale Platforms and their Impact on the Effectiveness of Fashion Resale

While online platforms were more abundant compared to brick-and-mortar stores within the Australian fashion resale market, physical stores are still the most popular choice in terms of sale conversion[9,31]. An important factor here, however, is that most physical store conversions come from thrift and charity stores rather than new resale businesses operating via a physical platform. As digital technologies continue to advance, it is expected that online resale marketplaces will become dominant as soon as 2024, due to innovations that enhance visual inspection of second hand products, via augmented reality and being able to 'try on' a product digitally through your smartphone[9,32]. The continued development of these digital technologies will also be crucial in overcoming existing consumer barriers, such as trust in the quality of online products, which consumers cannot physically interact with.

In an interview conducted with Marg Parris of Birdsnest, an Australian fashion label who have recently opened their own resale platform, it was revealed that by operating their own resale marketplace, they are able to directly control the quality of product available online, ensuring consumers only have access to products which meet their strict standards. Clothes that do not meet their strict standards are not wasted, instead being sold within existing brick amd mortar stores through the resale arm of the business, allowing consumers to inspect the products. Through innovations such as these, consumers will be able to build trust and overcome the existing consumer barriers within the fashion resale marketplace.

Can Brand Specialisation Increase the Effectiveness of Fashion Resale Businesses?

Across many categories, the growth in sales of high-value goods surpassed that of low-value goods[33]. The pre-existing established resale market designed around the sale of specific brands, including Australian fashion brands designing high-quality items such as Country Road and international brands like GUCCI and Prada, have provided important revenue streams for companies in the resale industry.

Results from the survey found that businesses that specialised in the sale of luxury products saw an increase in sales, following an initial decrease in sales due to COVID, both in the online and within physical stores. Two key reasons were identified as potential drivers for this:

1. **The benefits that are derived from luxury brands**
2. **Consumer perceptions around luxury brands**

Luxury products are better suited for the resale market due to their high quality, long life spans, and high retained resale value, luxury products tend to be better suited for the resale market. Those businesses that specialise in luxury resale can build a dedicated consumer base that will directly benefit the life and success of their

According to Brooke Eichhorn, Head of Fashion at eBay Australia, "authentication is important for Australian shoppers purchasing luxury items, it's why we launched eBay's Authenticity Guarantee for luxury handbags and sneakers. Our dedicated team of authenticators ensures the item is the real deal and matches the listing by reviewing the details, packaging and hardware. Once verified as authentic, each item gets a unique NFC-enabled card with detailed information about the item and an easy relist function to help extend its life when selling it on."

Encouragement from Government for Resale Businesses to Scale-Up

In 2022, the Australian Minister for Environment announced clothing textiles will be listed on the product stewardship register with various action items to tackle Australia's textile waste problem[34]. While this is a step in the right direction to drive circularity, industry experts are questioning whether this is enough to combat the sustainable challenge faced by Australia's FTI. Increased government support for the development and execution of clothing Extended Producer Responsibility (EPR) is imperative in strengthening the announced Product Stewardship Scheme (PSS) to further assist Australia in transitioning the FTI to a more circular model[35]. This also supports improving sustainability outcomes recommended by the Australian Fashion Council, Australia's FTI industrial body[36].

The implementation of mandated EPR provides a means of combating unsustainable practices within fashion, reducing the amount of waste generated and helping to support circularity within the fashion industry through the reuse of disposed textiles[37]. New legislation to mandate separate collections from textile waste can enable a local fashion industry to become environmentally responsible for their products, rather than the motivation resting solely on brand image and meeting consumer expectations.

With enormous amounts of clothing going to landfills each year, the Australian government can utilise the theory and practice of PSS and EPR to encourage resale businesses to scale up through implementing levies or incentivisation to increase the capabilities, capacity, and visibility of the industry. A levy on all textile products brought into the market can "assist in funding infrastructure needed for the recycling and reusing of textile products"[35]. For resale businesses, the infrastructure and industry knowledge are established but need support from the government to scale up its practices to meet the requirements to transition the industry to a circular model.

Transitioning Australia's FTI to circularity is a complex endeavour that requires persistent government intervention. However, a systems approach to building recommendations and opportunities for immediate implementation supports the broader goals of transitioning the FTI to a circular model and pairing environmental and social goals alongside financial ones.

Partnerships in Resale Are Not As Realised in Australia

Partnerships within Australia's fashion resale industry are not as realised compared to European or American resale markets. Literature results showed that businesses that developed partnerships, either within the industry or through external partners, were more successful long-term, seeing faster growth and increased scale-up compared to those without[38].

In Europe and the US, resale-as-a-service (RaaS) partnerships between brands and online resale platforms are a budding trend to utilise the secondary marketplace as a new revenue stream and a sustainable business strategy to appease customers[5]. These partnerships have shown that resale increases the quality of consumer experience, drives sustainability, and taps into the multi-billion-dollar resale market in the USA[39].

These partnerships are a direct response to changes in consumer expectations and to capitalise on the opportunities provided by digital technologies.

Additionally, the case studies illustrate how RaaS partnerships enable fashion retail businesses to access resale independent databases, proprietary data, and patented bespoke infrastructure that enables better resale services while increasing the scale of the resale business model[40]. This technology supports circularity initiatives in allowing consumers to have constant access to the information of the second-hand garment's life cycle and authenticity[5].

While Australia is certainly seeing similar examples of brand partnerships between fashion companies and resale platforms, it is not at the same relative scale compared to European and USA markets. Only 11% of business survey respondents had a working partnership with established fashion labels or brands. Utilising brand partnerships to generate interest from fashion companies in resale and accessibility to bleeding-edge digital technologies are potential areas hindering Australia's resale industry from broader industry scale-up opportunities.

Opportunities for Australia's Fashion Resale Industry

This report shows that Australia's fashion resale industry is growing, enabling resale businesses to grow their revenue streams and connect with consumer preferences. However, it seems that the industry itself continues to lag due to specific barriers to large scale adoption. Partnerships between resale stakeholders are not as realised in Australia and digital technologies that have assisted with scaling resale opportunities internationally are potentially underutilised or less available for Australia's FTI.

Figure 5 below illustrates the growth trajectory of Australia's resale industry in comparison to more mature resale markets, both in resale fashion and also electronics, and automotive[41]. The evidence from this report indicates that Australia's fashion resale industry is not at the significant maturity levels seen in more developed resale fashion markets nor the more established electronics and automotive industry[41].

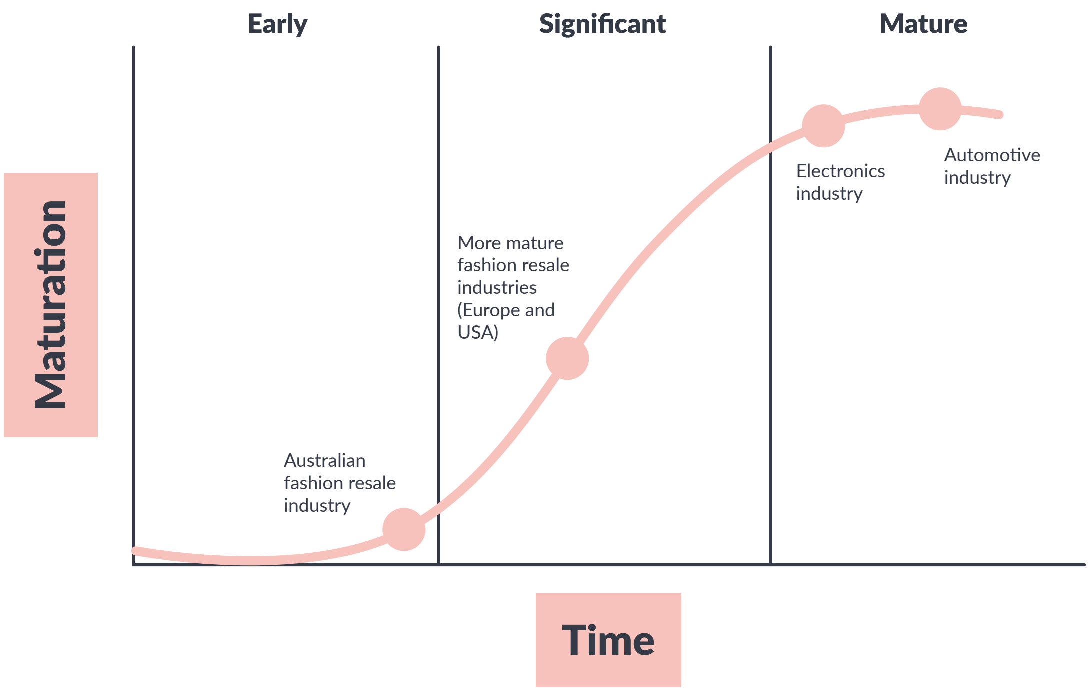


Figure 5: S-curve relationship of resale industries over time and maturation phase. Adopted from the Business of Fashion[41].

Encouragement and support from government to scale-up Australia's FTI; harnessing circular approaches to fashion production and the use of partnerships in the broader FTI needs to be addressed to assist in the industry's transition to circularity.

How Australian Brands Are Approaching Resale

ebay

Global marketplace eBay, entered Australia in 1999. eBay is a pure third-party marketplace and exists to facilitate a safe and trusted way for businesses and consumers to transact with confidence. Twenty-three years on, thousands of Australian businesses now sell via the marketplace, and millions of unique visitors come to eBay every month[1].

According to eBay's second annual Recommerce Report, which surveyed eBay users globally, approximately 64% of eBay sellers state that selling second-hand products has become easier in the past year[2] with 48% sharing that they sell more pre-owned goods now than in the last several years[3]. The report found that 32% of sellers globally who started selling on eBay in the past year identified as Gen Z[4] - the largest of any generation.

According to Brooke Eichhorn, Head of Fashion at eBay Australia, a mindset shift towards the acceptance of pre-loved is happening, mainly due to Gen Z shoppers opting for eco-conscious purchases. Gen Z is the highest proportion of consumers of pre-owned goods. 80% of Gen Z had purchased pre-owned goods in the past 12 months compared with 78% Millennials, 75% Gen X, 70% Boomers and 62% Post-war[5]. About 20% of survey respondents named the circular economy — keeping products and materials in use for longer— as their top reason for purchasing pre-owned goods[6].

Eichhorn says, "in recent years, pre-loved fashion has seen a surge in demand and is now considered part of the mainstream and we are really seeing Gen Z drive this trend. Gone are the days when pre-loved clothes were perceived as less stylish. Now we're seeing people choose to shop pre-loved fashion from clothes to accessories as well as luxury goods."

Another factor driving the pre-loved market is the rising cost of living which has led Aussies to sell their clothes on eBay to make extra cash or buy pre-loved clothes to save money. Others buy pre-loved clothes to contribute to the circular economy with the environmental benefits top of mind.

1,2,3,4,5,6. April 2022 eBay Recommerce Report birdsnest

Established over 15 years ago, Birdsnest is a family owned retail business in Cooma, regional NSW, with a mission to help women discover outfits they fall in love with. In launching online, founder Jane Cay had a vision to mirror the warmth and support found in the best in-store experience, inspiring confidence in her customers.

The birdsnest experience offers customers personalised styling advice, a wide and inclusive range of brands and sizes for all body shapes, fast delivery with no hassle returns, and above-and-beyond customer service.

In 2021, Birdsnest launched Rehatched - the resale arm of their business - which offers customers a lifetime returns guarantee and a range of preloved styles available to purchase alongside their current season.

The management of this program is handled in-house by the birdsnest team including the collection of the second hand pieces from our birdsnest community, the listing of those online and dispatching them to their new owners. Birdsnest recognises that there were several challenges that needed to be overcome to ensure the success of their resale business. While the goal is to be more environmentally sustainable, the program's viability long term also relies on it being financially sustainable.

"Birdsnest Rehatched is part of us taking responsibility for the clothing we bring into the world. Our mission is to make participating in a more circular fashion economy simple, fun and convenient for our community, as that will naturally change shopping habits and extend the life cycle of our clothes." says birdsnest founder, Jane Cay.

While thrifting is not a new concept, birdsnest have differentiated their model by hosting the platform from start to finish and creating a one-stop-shop where new and secondhand items can be purchased simultaneously.

Birdsnest worked with eCommerce experts Moustache Republic (NZ) to figure out how best to leverage their tech infrastructure to make the unique Rehatched offering work. Building on their current platform, it involved some clever solutioning with their data model, updated integrations and some revisions to internal process.

While Birdsnest considered partnering with a third party service provider, the benefits of keeping the program in house proved far more attractive for business processes and the customer experience alike. In doing this customers are guaranteed the same first class experience whether they are shopping preloved or new items. The business also has authority over the quality control of products being sold online, moving items that don't meet the like-new condition requirements to be sold in physical birdsnest Market Days where a percentage of sales are donated to charity. Other pros include; direct communication with preloved customers, transparency around processes, and creating new jobs and areas of professional growth for the team.

With respect to cannibalisation of new sales, it comes down to the values of the business, which, for birdsnest, is about putting the customer and sustainability at the centre. Customers are rethinking their wardrobes and the lifecycle of their clothes and birdsnest wants to be a partner in that, making them a relevant wardrobe solution into the future. The current goal is to make the initiative at least break even within the existing profitable business model, however there may be a future upside with increased internal efficiencies down the track.

There were a number of challenges in establishing a resale model;

- The technology solution - getting stock management systems to handle both new and second hand items and APIs running seamlessly so stock on hand is accurate
- Individual stock management - dealing with one off items of stock can be a barrier to efficiency and accurate inventory control (i.e a single item can get lost in a warehouse easily).
- Ensuring there is enough supply - customers must send in enough worn items to maintain the resale arm of the business.
- Manual processing of each item - Birdsnest staff check over each item for quality before listing the item on the website. Customers receive a store credit for each item accepted which is manually calculated and issued, costing significant time and labour.

In short the technology, stock acquisition, ongoing resources, transportation logistics, as well as the marketing, all need to be considered well in advance of launching.
For birdsnest, who kicked off the Rehatched concept in 2020 in physical markets, the project to launch Rehatched online took a lot longer than anticipated. The customer response was very encouraging when Rehatched did launch - with 50% of the 1,200 items it went live with selling out within a week.

The innovation behind the birdsnest Rehatched program is a positive industry model for moving into resale. Through social listening, testimonials, and general feedback around the birdsnest Rehatched program, it is clear that birdsnest customers and the wider community feel really positive around the way that the business is approaching fashion resale - contributing to the 'feel good experience' and positive brand association that

> “If you are considering resale, give it a go. Resale provides a positive impact both to customers and the people working on it. There are a lot of benefits beyond direct revenue.”

Key Learnings

- **Establishing a resale program needs to be strategically important to your business as it is a significant investment of time and resources to implement and ongoing.**
- **The stock management process involves human intervention and cannot be solved with technology alone.**
- **Benefits are more than financial but ultimately it needs to be financially viable for long term sustainability.**

ALPHA60

Melbourne fashion label ALPHA60 was established by sibling duo Alex and Georgie Cleary in 2005. ALPHA60's fresh take on classic styles and cuts coupled with a 'sophisticated quirk ' has woven it into the fabric of Australian fashion.

The brand operates ten boutiques across Australia and in 2016 they opened their 400sqm Chapter House concept store and exhibition space on Flinders Lane.

ALPHA60 embraces creativity and quality in its direct-to-consumer product. The brand boosts its sustainable practices with ALPHA60 having recently embarked on the resale journey through its partnerships with Airrobe.

The Airobe partnership enables ALPHA60 customers to purchase an item and list it on Airrobes' marketplace at a later date when they no longer reach for the item.

ALPHA60 committed to the partnership in an effort to address resale and boost online sales conversion rates. Airrobe successfully demonstrated their ability to increase online sales conversion rates as initially marketed.

At inception, ALPHA60 found that conversion rates went up 1 - 2%; however following a period of educating its customers about the resale program, conversion rates have increased to 14%.

ALPHA60 reports that the advantage of the Airrobe partnership includes increased sales conversion rates and that it is motivating them to progress their sustainability journey. Disadvantages reported by ALPHA60 relate to accessibility of data. Currently analytics are provided by Airrobe; however ALPHA60 does not receive the raw data related to their product listings.

ALPHA currently does not have a sustainability strategy however its operations team is looking at ways to boost sustainable practices. They currently transfer any unsold stock to their Fitzroy outlet store to prevent new garments from ending up in landfill.

The brand is exploring whether to head down a consignment route for sales/ deadstock that would otherwise go to their outlet. However, ensuring a seamless transition into the current POS system is essential.

Key Learnings

Resale without a sustainability strategy is not circularity, however stepping into circular fashion at any point (in this case resale) can help drive action and support a company to embrace sustainability and circularity

The Ethics of Resale

With the current scale of the resale market and projected growth of the sector, there has been growing concern about the ethics of a resale economy.

The ethics of an individual purchasing a garment second-hand and reselling it for a profit has become a point of contention in recent years. Consumers are already concerned about the rise in second-hand fashion prices, and when resellers buy bulk quantities of clothing from op shops and second-hand stores, they contribute to higher prices and gentrify resale. These rising prices become issues for individuals beyond the vintage style seeker, and can impact those people who rely on the affordable prices offered by these outlets to source their clothing.

Outside of peer-to-peer resale, there are questions arising regarding the ethics of fast fashion retailers introducing branded resale platforms. Fast fashion's core business model relies on a brand's ability to manufacture and retail high volumes of cheap clothing within short periods. The clothing produced is typically of low quality, made of synthetic materials, and follows a linear production and disposal model. If a garment is not manufactured with longevity and durability in mind, there is limited opportunity for resale to extend its lifespan.

Another consideration for fast fashion brands adopting resale services is whether or not production has been reduced because of these recaptured garments. As discussed earlier, the majority of the fashion industry's emissions come from a garment's production phase, so without addressing unsustainable rates of production, are fast fashion companies attempting to integrate a circular business model? Or are they just creating another revenue stream? Research into the ethics of resale is limited. However, with the global preloved fashion market expected to grow 3 times faster than the global apparel market 9, it is an important area for future studies to examine.

Conclusion

The global sustainable challenges the fashion industry is faced with are complex and require more than conventional problem-solving approaches...

However, opportunities for the Australian fashion resale market are emerging. , There has been significant growth due to increasing opportunities with digital technologies that target consumer confidence and retail supplier revenue streams. In addition, government policy and intervention in the resale sector - and, more broadly, the FTI industry - has seen legislation recognising the importance of the resale sector and its connection to achieving broader sustainability goals to reduce greenhouse gas emissions. Key recommendations outlined are the first steps in solving this broader sustainable development challenge, and resale is crucial to its success.

Recommendations to Strengthen and Increase Australia's Fashion Resale Sector

1. Create an Australian resale fashion industry group to connect, share ideas, and to collaboratively push for greater changes and shifts towards circular fashion;
2. Seek partnerships and collaboration from within and outside the fashion resale industry to drive circularity and increase awareness; and
3. Provide education and create awareness within the broader Australian fashion industry and for the general public to improve consumer and industry awareness of circular fashion (and remove the stigma associated with second-hand fashion).

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