



Secondhand luxury marketplace: a perfect home for leather



Growing interest from consumers in a more sustainable, circular marketplace, coupled with demand for affordable, high-quality products, have resulted in a dynamic and thriving market for secondhand luxury goods. Why are leathergoods perfect for this market? Leather ticks the boxes of sustainable, high-quality and luxury, while the growing availability of secondhand bags, garments and shoes covers the affordable part.

Well, it's not all "affordable". In the last few months alone, pre-owned Hermès Birkin bags have made headlines for their notably high price tags. Milan Station Holdings, a secondhand luxury bag trader in Hong Kong, reportedly acquired more than ten Hermès crocodile handbags that are valued at more than \$38,000 each. In early June, the UK's Fellows Auctioneers announced it expected a rare 'Endless Road' leather Birkin bag to fetch at least \$27,000 to \$35,000 at auction. At this very moment, even rarer pre-owned versions of the bag are going for more than \$100,000. Birkins are the high end of high end, but numbers reported by leading luxury consignors and online marketplaces show that the entire secondhand luxury market is in the ascendancy.

The market for secondhand luxury goods is thriving, with leather leading the way.

Year-end figures for The RealReal, an online marketplace for authenticated consigned luxury goods, showed that in 2019 the company passed the \$1 billion mark in gross merchandise value (the total value of all the products sold on its platform) for the first time, up 42% year-on-year. Total revenue that The RealReal generated from this was \$318 million, up 53% from the previous year.

Another leading platform for pre-owned fashion, the Vestiaire Collective, recently announced the completion of a \$64 million round of financing. For the Paris-born company that launched in 2009, this brought the total raised to more than \$230 million, signifying that investors believe in the future of the luxury secondhand marketplace.



Credit: Freestocks/Unsplash

Last year, the BCG-Altgamma True-Luxury Global Consumer Insight study said the luxury secondhand market is growing 12% per year — faster than overall personal luxury — and is on track to be worth \$35 billion in 2021. Secondhand marketplace thredUP, which carries items at a wider range of price points, shows similar trends in its 2020 Resale Report. The overall secondhand market is set to hit \$64 billion in the next five years, the thredUP report says, with resale expected to overtake traditional thrift and donation by 2024. Within that marketplace, from auction houses to online marketplaces, leather products are proving to be the stars of secondhand luxury.

Leather superstars

Some brands and products tend to fare particularly well the second time around. Alexandra Whittaker of Fellows Auctioneer tells *World Leather* that although bids for that ‘Endless Road’ Birkin ultimately did not meet the much-anticipated reserve, the designer auction sold three other Birkins: a 2003 bag for £5,100, a 2006 bag for £3,300 and a 1987 bag for £3,750.

“People gravitate toward classic investment pieces that consistently see strong resale value”, The RealReal’s Christine Heerwagen says. She points to their Luxury Resale Report 2019, which includes a segment on the ‘Classics’ — those investment bags considered to retain high resale value steadily over time. The report said the Hermès Kelly Sellier has a resale value of 93%. Right now, on The RealReal website, a shopper can buy a limited edition 2016 matte white crocodile Hermès Himalayan Kelly Retourne 25 for \$115,000. Over at Farfetch, another luxury marketplace, one can find a 2009 pre-owned, limited-edition Hermès Kelly Sellier 25 tote with a 100% lizard skin outer for around \$129,000. On Christie’s auction website, a matte ash grey Himalaya Niloticus crocodile diamond Birkin 30 is estimated to be worth up to \$194,000.



Christie’s online auction currently features this Birkin bag, possibly worth up more than \$190,000. Credit: Christie’s



Levi’s bought Einstein’s leather jacket from Christie’s for £110,500 (\$146,744). Credit: Levi Strauss & Co.

And it is not only bags. British leather retailer Hidepark recently partnered with antiques valuer Jon White to revalue a range of famous leather coats. Among his findings: The Terminator leather jacket is now worth \$26,000, Sylvester Stallone’s Rocky leather jacket is worth \$160,000, and Michael Jackson’s iconic jacket from his Thriller days is worth around \$2 million. Leather jackets famously hold their value long after the original owner has passed it along. Christie’s sold Albert Einstein’s brown leather ‘Cossack’ jacket for £110,500 in July 2016 to Levi Strauss & Co., the brand that originally made the jacket. Einstein knew leather lasts. Scientist Leopold Infeld, who worked with history’s best known genius at Princeton, wrote that the minimalist Einstein felt that owning one leather jacket “solved the coat problem for years”.

A love for long-life products

The Birkin bag and Michael Jackson’s Thriller leather jacket are of course relatively extreme examples, but the growth in the secondhand luxury market suggests we can expect to see a growing number of pre-owned leather handbags, jackets and other such goods to become available to new buyers. The likelihood of a leather handbag having multiple owners throughout its life is in fact a selling point further up the supply chain. In a press release announcing that its new antiviral treatment would be applied to bags manufactured by Shinsung — a company that manufactures for Marc Jacobs, Giorgio Armani, Coach and Gucci — chemicals manufacturer Polygiene wrote: “An expensive branded handbag could change hands in the vintage market many



times before being discarded.”

Tom Berry, Farfetch’s director of sustainable business, agrees that leather handbags tend to do particularly well in the secondhand luxury market. “The iconic styles such as the Chanel 2.55 and the Hermes Birkin and Kelly bags are known to hold their value and even increase over time,” he tells *World Leather*. “There are other iconic bags worth mentioning that are recently getting more interest from our customers, such as the Dior saddle bag, Fendi baguette and the Lady Dior.”

This parallels what The RealReal has seen with its shoppers. The platform’s resale report refers to “Revivals” — those “sleeper styles that make major comebacks and surge in value one to two years after making it back on the scene” — that can explode in value. Dior’s saddle bag is said to have experienced resale value growth of +373%; currently on The RealReal, a cerulean leather version is selling for \$1,545.

The BCG-Altagamma True-Luxury Global Consumer Insight study is the report’s sixth edition. For this most recent round, researchers spoke to more than 12,000 “true-luxury” respondents in ten countries, all of whom spent on average €39,000 on personal and experiential luxury. Some 45% of those true-luxury consumers participate in the secondhand market.

Why is this segment growing so rapidly? The study points to consignment stores being replaced by digital platforms; these are not only reachable by everybody, many allow a means to ensure authenticity and quality, as well as easy access to rare and iconic items, lower price points and the potential for income appeals to consumers who enjoy constantly changing trends. But, importantly, these are also consumers who value sustainability. In fact, 17% of the consumers studied say they shop the secondhand market because they consider doing so to be “sustainable behaviour”. This increased consumer conscientiousness is prompting the industry to respond.

Farfetch is a London-based online luxury fashion retail platform that began in 2007, and last year the company launched Second Life, a resale programme for designer handbags. Consumers can trade-in designer handbags in exchange for credit to be used toward future purchases on Farfetch.

“Second Life is a key part of our Positively Farfetch sustainability strategy, which is all about enabling people to make positive choices and take positive actions,” Mr Berry says. So far the service, which initially was available in the UK only, has been well received; now Farfetch Second Life can service nearly all EU countries too.

“We are seeing some signs of an increased environmental and social consciousness amongst consumers, which will help the success of a service like Second Life in the future,” he says. “In all the programs under Positively Farfetch, we are trying to engage people naturally and authentically on the topic of sustainability. We are learning all the time in terms of what is effective to reach our customer base and are hopeful we’ll be increasingly successful over time.”

The “rise of sustainability” was described as a trend that helped define the decade in the Luxury Resale Retrospective of the 2010s, another report published by The RealReal. Assessing the millions of items sold to millions of shoppers during that decade, the company found that resale value of sustainable brands grew 1.5 times stronger in value over the course of ten years. In the past two years alone, the report says, there has been a 360% increase in searches for sustainable brands.

A market for our times

Most of the figures in this article related to the growth of the secondhand luxury market predate the outbreak of covid-19 that brought much of the world’s commerce to a halt. The pandemic has caused countless companies across the globe to drastically change their forecasts and reassess their business models, devising strategies to weather the uncertainty that lies ahead. In many ways, the secondhand market is no different. And yet, in some ways, it is ideally positioned for this moment.

“Despite economic decline, demand for investment pieces is still strong,” says Ms Heerwagen. Price increases from brands such as Louis Vuitton and Chanel, as well as less available supply in the market overall (due in part to closures of bricks-and-mortar stores), are driving resale value up. “We’ve seen resale value increase by as much as 8% for Louis Vuitton and 12% for Chanel, just in the last few months.”

It is the unique traits of the online secondhand luxury market that allow it to serve the evolving needs of today’s consumers, according to The RealReal’s CFO, Matt Gutske. “We believe value wins during recessions, and we offer our buyers incredible value,” he writes in a recent letter to shareholders. “Currently, online resale is a much easier way — and in some cases the only way — to access certain coveted brands and products”

He adds that in a recession, people often think about ways to sell goods to turn their personal assets into money. “From our experience, those consignors often turn into buyers, which further strengthens the flywheel effect of our marketplace.”

It is too early to tell what long-term impact the covid crisis will have, says Farfetch’s Mr Berry, but he feels consumers’ growing desire for greener ways of shopping will also ensure growth in the secondhand luxury market. “We expect the pre-owned category to keep growing strongly,” he says. “Customers will continue to look for rare and quality investment pieces and because they are increasingly sensitive to sustainability and the idea of a circular economy.”

The Dior Saddle Bag is what the RealReal calls one of the “Revivals” pieces.

Credit: The Realreal

