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WHAT IS THE POTENTIAL OF THE LUXURY RESALE MARKET IN PORTUGAL?

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Abstract

The purchase of pre-owned luxury goods is becoming a worldwide trend. With growing concerns over sustainability and the search for different and unique pieces, new ways of consuming luxury have emerged, especially among the younger generations, giving a boost to the secondhand luxury market. However, in the Portuguese market this trend is almost non-existent and have just started to give its first step early this year. In an attempt to study the potential of growth for this market in Portugal, 14 in-store observations to the already established luxury resale business models were conducted, as well as 31 in-depth interviews to luxury consumers and 3 interviews to luxury resale retailers. Results showed that there is an interest both to purchase and sell secondhand luxury items, suggesting the high potential of the market in Portugal. Moreover, it was found that the best business model to be applied to the Portuguese market is a closed-doors system, with a personalized and exclusive service similar to a luxury store with an omnichannel interaction with a physical store and an online website.

Keywords:

Secondhand, Sustainability, Resale, Luxury

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1. Introduction

Context of the Research

“Historically, the luxury industry has been associated with concepts like excessive consumerism, extremely high costs, elitism or guilty pleasures” (Deloitte, Global Powers of Luxury 2019). However, in an age of growing concerns on sustainability, new trends are emerging towards a circular economy, leading luxury consumers’ perceptions to change, especially among the younger generations. Consumers have now a collective awareness of the environmental and ethical issues, consequently leading to greater incentives to re-use, re-cycle and to extend the lifecycle of the items.

As a consequence of this new ways of consuming luxury and new luxury consumers, a new market has born: the luxury resale market, defined as the resale of pre-owned goods, targeted to the masses, at a much lower price. This new market is not only a manifestation of this new environmental trend but also linked with the irreverence of the younger generations, linked to the vintage consumption as well. Thus, this is becoming a worldwide trend, with the luxury resale market having an expected growth of nearly 12% until 2021 (BCG & Altagamma, 2019 True-Luxury Global Consumer Insight).

However, the luxury resale market in Portugal is almost non-existent and is starting to follow the trend early this year. Taking into account that the Portuguese luxury market has been growing in the latest years, the vintage concept has been emerging a lot lately and there is a high willingness to spend on premium products (Barbosa, A., Nielsen Portugal, 2019), a study will be conducted to access the potential of this market in the Portuguese market, firstly by exploring the triggers of the luxury consumption to infer about potential drivers for the resale market and to analyze the different business models of the luxury resale being practiced across Europe and America, in an attempt to find the more suitable business model to the Portuguese Market. Throughout this research, the current work project will try to segment the market and

to find the consumption trends emerging in the country, with a particular attention to the younger generations, including the Millennials and Generation Z that are changing the perception of consumption worldwide. Ultimately, this work project will propose some recommendations to find the best strategy to implement a luxury resale store in Portugal and to penetrate this concept among the Portuguese market.

Problem Definition

To what extent is the Portuguese Market ready for the implementation of a luxury resale business model and how to adapt it to the Portuguese consumers in order to grow the Luxury Resale Market in Portugal.

Research Questions

In order to better fit the offering of a luxury resale business model in Portugal, some questions need to be addressed: 1) What is the potential of luxury resale in Portugal? and 2) What is the best luxury resale business model to implement in Portugal?

2. Contextual Background

1.1 What is Luxury Resale?

Luxury resale refers to the act of buying and selling previously owned luxury goods and designer items. In this market, secondary market sellers entrust their luxury items directly to the buyer or using a third-party platform, either physical or digital (Beuloye, F., Luxe Digital, 2019). The Secondhand Luxury Market is often used as a synonym of Luxury Resale Market, and this holds true for the purpose of the current dissertation.

1.2 Luxury Goods Definition

The luxury industry encompasses nine different segments: personal luxury goods, luxury cars, luxury hospitality, fine wines & spirits, gourmet food & fine dining, fine art, high-end furniture & housewares, private jets & yacht and luxury cruises (D'Arpizio, C., Levato, F., Bain & Company, 2018). The personal luxury goods are subdivided into soft Luxury, which stands for

clothing and fashion, including Accessories, Apparel, Beauty and Personal Care Cosmetics and, on another hand, hard luxury, which stands for watches and jewelry (Rufino, L, 2016). For the purpose of this dissertation, only personal luxury goods will be considered.

1.3 The origin of the Luxury Resale Market

Nowadays, luxury consumers are getting younger (Bain & Company, 2018), and a new segment has started to become increasingly relevant. This new segment is composed by the younger generations, the Millennials (people born between 1980 and 1994) that only represent 33% of spending in the personal luxury market but by 2025 they are expected to make up 55% of the total luxury market (Bain & Company, Luxury Goods Worldwide Market Study, 2018). Besides, Generation Z (people born between 1995 and 2015) represent only around 4% of the total luxury consumers, however, by 2020, it is estimated that they will drive 8% of the personal luxury market. (Danziger, P., Forbes, 2019) and have a huge influence over their parents and relatives due to their different shopping behavior and set of ideals. Therefore, 130% of the market growth will be attributed to these generations and, in particular, to the Millennials (Danziger, P., Forbes, 2019). These younger generations, Millennials and Generation Z, have very unique preferences and ways of consuming when compared to previous generations, and what they expect from luxury brands is radically different from previous generations. Therefore, they are driving the movements of the luxury market.

The consumers are changing their consumption behavior strongly influenced by the younger generations, opening space for new markets and niches to be settled. There are four main shifts on consumption that are shaping the traits of the luxury market: firstly, the rising desire of embracing sustainability and, secondly, the increasing interest over vintage and rare luxury items. “Since 2013, luxury consumers’ purchase decisions have shifted by their concerns about sustainability and social responsibility” (Danziger, P., Forbes, 2019), and recently this desire of embracing sustainability has become a driver for the luxury purchases. According to

recent data shown by the United Nations, the apparel and footwear industries are responsible for more than 8% of the carbon emissions to the environment (CBS News, 2019), and the generations are increasingly aware of this issue, especially the younger generations, Millennials and Generation Z, that have grown in an era of extreme climate change, sea level rises, and species extinctions while being exposed to all information available through digital, enabling them to become actively engaged on social and environmental causes on a mass level (Espinosa, N., Forbes, 2018). On another hand, there is a strong trend emerging around the vintage concept, with Millennials' interest in nostalgia increasing day by day, mostly due to the style-leaders and celebrities that have been wearing iconic vintage pieces from luxury collections on a daily basis (Cervellon, M.-C., Carey, L., & Harms, T., *International Journal of Retail & Distribution Management*, 40 956-974, 2012). Moreover, younger generations are constantly seeking for new outfits while having a strong need for uniqueness, valuing items that express individuality. Therefore, vintage pieces are authentic and irreverent pieces, one of a kind pieces, that differentiate younger generations from their friends' styles.

As a consequence of the new ways of consuming luxury and new luxury segments, a new scalable market has emerged: the second-hand luxury market, which has been growing in popularity, often called the "pre-loved" luxury market. This market has been shifting luxury towards a sustainable paradigm, namely the never-ending lifetime of a luxury good, suggesting that the life of a luxury good goes far beyond the period most people use it.

1.4 The Luxury Resale Market

According to Bain & Company, the secondhand luxury market was valued at an estimated 22 billion euros in 2018, representing 7% of the total 330 billion euros personal luxury market, while in 2015 it was valued at 17 billion euros, recording a growth of 9% per year. Moreover, it is predicted that by 2021 the market will value 31 billion euros, with an estimated growth rate of 12% per year and 41% between 2018 and 2021 (BCG & Altagamma,

2019 True-Luxury Global Consumer Insight). Comparing with the first-hand luxury market, the market is expected to rise 3% per year in the same time period and 9.5% between 2018 and 2021, which places the luxury resale market in a growth pace four times faster than the luxury market (Danziger, P., The Robin Report, 2019). Regarding the channels, the online channel has been growing in the past three years, representing 25% of the total luxury secondhand market, yet, physical stores still represent the majority of the purchases, with a weight of 75%. The most merchandised category within this market is accessories, namely watches and jewelry, which represents 80% of the total sales of the secondhand luxury items sold. (Bain & Company, Luxury Goods Worldwide Market Study, 2018). Geographically, Europe represents 55% of the luxury resale market in 2018, while U.S. has a 25% share of the total market and the rest of the world together with a share of 20%. Nevertheless, leading players of the secondhand luxury market have announced recently a desire to expand their businesses into new markets, namely Asia (Hoang, L., Luxury Society, 2019), with the main goal of raising brand awareness while promoting sustainability through resale, suggesting that Asia will become a source for expansion for this market.

Traditionally, luxury houses have been moving away and avoid secondhand luxury businesses, however, as the resale market grows, luxury resale business models can be relevant for luxury players, firstly by helping to recruit new consumers and to earn new revenue streams, to move towards a more sustainable paradigm and easily communicate that move, to get insights over consumers demands and to get back control of their brand image. Therefore, luxury brands are increasingly exploring ways to engage and take advantage of this emerging trend, either by partnering with well-established luxury resale platforms, by investing in consignment resale website or even by building their own resale business model” (Beauloye, F., Luxe Digital, 2019). By moving to this market, luxury houses are helping to advertise and promote this secondhand luxury market as well as assuming the potential of the fast-growing resale market.

The luxury brand Stella McCartney was the first luxury brands to endorse the consignment of its products in the luxury resale market by partnering with The RealReal, one of the biggest players within the luxury resale market, by offering a 100\$ voucher to shop in the brand's stores to the resellers of Stella McCartney's items. Recently, the luxury house Burberry started to offer a "personal shopping experience" at selected stores in the United States to anyone reselling a Burberry item at The RealReal website (Kent, S., *The Business of Fashion*, 2019).

1.5 Luxury Resale Business Models

Initially, before the secondhand luxury market was even called a market, reselling was a simple transaction, traditionally made through the word of mouth. However, an increasing number of players are entering the market of luxury pre-owned high-end timepieces (Gorra, C., Harvard Business School Digital Initiative, 2019). Therefore, as the market was developing, three different business models have emerged: auctioning through an auction house, consigning through a consignment store or selling through a host platform (Collier, K., *WatchPayer*, 2019).

Auction houses have traditionally been the model used to sell give luxury items a second life, mostly for art and watches, where the seller would sell the item for the higher auction offered and then pay a commission to the auction house. However, lately, the world's biggest auction houses are targeting the opportunity to enter the secondhand luxury fashion through their online websites (Abnett, K., *Business of Fashion*, 2015) and are launching live auction calendars on a weekly basis dedicated to handbags and accessories, as a strategic tool for engaging and reaching collectors through lower level items. Besides, auction houses have better access to collectors of art who generally possesses jewelry, watches and fashion items. For that reason, a higher number of secondhand luxury items can be available at these auction houses. For the seller, it can be risky as there is no way to determine the final sale price and a commission still needs to be paid to the auction house. Nevertheless, auction houses can be very appealing for sellers as well, given the increased resale value of new items at auction, with

brands such as Hermès, Chanel and Louis Vuitton to worth more on the secondary luxury market than its original retail price. “Going forward auction houses are looking to further link the gap between the world of art and luxury fashion” (Abnett, K., Business of Fashion, 2015).

On another hand, consignment service is the most famous model for the secondhand luxury market, either brick-and-mortar or online consignment store. A consignment service provides the listing, shipping, photographing, eventual returns and ensures the authenticity of the item. Moreover, these consignment stores usually take a commission fee only when the item sells, but it can happen that the store gives cash upfront for the most demanded brands and items. For the seller, it requires less time invested, low level of participation, little research and effort. Nevertheless, the margin for the seller can range from 75% up to 55%, which is much lower when compared to the peer-to-peer business model and the duration of the process of commercializing and selling the item might be extensive and the prices might be volatile.

Regarding selling directly to the buyer through a host platform, normally eBay, Tradesy and Poshmark, the transaction is made directly from the closet of the seller to the final consumer, normally called a peer to peer service. This service allows the seller to earn the maximum cash value on the sale, getting a margin of 80% or 90%, depending on the interface used. However, it also requires a high level of commitment and participation, as the seller is responsible for the listing, shipping, insurance, photographing and proving authenticity of the item being sold.

1.6 Major Players of Luxury Resale

The key player of auction houses within the luxury segment is Christie’s, one of the biggest auction houses throughout the centuries that offers around 350 auctions annually. Even though auctions were already made to wine and spirits and hard luxury goods, recently, on their website, a section was created to be fully dedicated to luxury goods, where weekly luxury auctions with luxury goods are available for soft luxury goods, including handbags.

The key players of the online luxury consignment stores are Vestiaire Collective and The RealReal. The Vestiaire Collective is a worldwide leader on digital luxury resale, being the platform chosen in the three top geographies of luxury consumption: Europe, United States and China (BCG & Altagamma, 2019 True-Luxury Global Consumer Insight). It was founded in 2009, in Paris, as an online website and have already expanded their business into the offline presence with a store located in United Kingdom. They upload twenty-five thousand new items every week and their commission fees start at 25% (Gorra, C., Harvard Business School Digital Initiative, 2019). On another hand, The Real Real is a leading luxury consignment website for fashion and accessories. It was founded in 2011 as a consignment service. The RealReal differentiates from its competitors due to the editorial content and social network incorporated in the website, (Decker, V., Forbes, 2019), their rigorous authentication process, including luxury brands authenticators, and the creation of a calculator that measure the positive environmental impact coming for the secondhand consumption. Recently, they expanded their offline business into three retail stores and nine luxury consignment offices (The RealReal website, 2019). Their market capitalization is 1.5 billion US dollars (Finance Yahoo, 27 November 2019) and their commission fees can go up to 45% (Gorra, C., Harvard Business School Digital Initiative, 2019).

A luxury consignment store that is a reference in Europe is Collector Square. Collector Square was founded in 2013, in Paris, and is the first European omnichannel retailer of pre-owned luxury items (Jahshan, E., 2019). Firstly, it was created as an online secondhand luxury store, however, to meet the consumers' needs of the physical luxury experience and exclusive service, they opened a showroom consignment store, only accessible by appointment. Early this year, a pop-up store was opened accessible to the normal public (Duval, P., Vogue Paris, 2019). Collector Square developed a tool, the LuxPrice-Index, that collects data from hundreds of thousands auction results of luxury goods and suggest a price for the pre-owned item.

Therefore, a fair and transparent pricing strategy is guarantee (Jahshan, E., 2019). Collector Square charges a commission fee of around 35% (Collector Square Website, 2019).

1.7 The Luxury Resale Buyers and Sellers

The luxury resale market has been recruiting buyers and increasingly arouses interest among the population. Boston Consulting Group (BCG) along with Fondazione Altagamma, conducted a study in 2019 using a sample of 12,000 luxury consumers from 10 leading countries, including United States and China, the two largest markets for the luxury market. In order to qualify for the survey, a threshold of spending of 5,000 euros in luxury goods during the past 12 months was established. According to this study, 26% of the respondents have already purchased secondhand luxury products and 60% expressed an interest in purchasing. Regarding the 40% of the respondents who said they were not interested on buying on the secondary luxury market, 34% pointed out concerns about counterfeit items and lack of trust on the resellers, and 13% shown doubts on the good condition of the luxury items. According to the survey respondents, 50% of the American true-luxury consumers and 43% of Chinese luxury consumers have already participated in the luxury resale market, which demonstrates the penetration of the market across the major markets of the luxury market. Moreover, the buyers of the second-hand luxury are either value-conscious consumers, true-luxury consumers that understand the retained value of some luxury items, or fashion-conscious consumers, defined as the first timers of luxury goods (D. Pam, The Robin Report, 2019). The generational distribution for luxury resale buyers was found to be as follow: Generation Z (people born between 1995-2015) represents 30% of the secondhand luxury buyers, followed by 27% of Millennials (born between 1980-1994), 23% of Generation X (people born between 1965-1979), 25% of Baby Boomers (people born between 1944-1964) and 31% of Silvers (people born before 1964).

Regarding the luxury resale sellers, according to the same study, 34% of the respondents have already tried to sell a luxury item in the secondhand luxury market, contrasting with the 26% that already purchased on this market, suggesting there is more supply than demand, at this stage. Moreover, the study has recognized the main drivers for selling on this resale market: first, 44% had the goal to diminish their wardrobes; second, 21% pointed the act of reselling as a way of financing new luxury items; thirdly, 17% referred sustainability as a potential motivator for reselling luxury goods, especially the younger generations. An interesting finding from the study is the fact that 44% of the secondhand luxury sellers already think about the resale value of a luxury item when buying it in the firsthand luxury market, with 57% of the respondents belonging to the Generation Z and 50% belonging to the Millennials. Even though Chinese consumers only represent 43% of the total luxury secondary market, they are more biased to sell secondhand luxury goods, with 38% Chinese consumers saying they already sold a luxury item in the secondary market, contrasting with the 32% of American that already sold. Regarding the generational split of sellers worldwide, Generation Z respondents represent 24% of the secondhand luxury sellers, followed by 21% of Millennials, 15% Generation X, 11% Baby Boomers and 10% Silvers.

1.8 Luxury Resale Market in Portugal

The secondhand luxury market in Portugal is starting to give its first steps. The online and offline stores that already exist in Portugal either have been established almost 10 years ago, much before the boom of the market, or have opened their doors lately this year of 2019. Therefore, there are very little information available about the market yet. Nevertheless, the concept of selling and buying pre-owned luxury items has started decades ago in Portugal, through a business model very familiar to the Portuguese society: auctions. These auctions sell pre-owned luxury items normally with the claim of vintage and rare pieces, usually from hard luxury goods, including watches and jewelry, available for bidding. However, recently these

auctions have been adapting to the high demand for secondhand luxury items and started to bid luxury handbags and accessories. Accordingly, there is an increasingly success of auctions in Portugal to the extent that one of the biggest online auction houses in Europe, Catawiki, created a Portuguese version of the website in 2016, as a result of “interesting and growing number” of Portuguese users in the website (Correia, G., Observador 2016), suggesting that Portuguese consumers are interested in purchasing secondhand items. Additionally, P55 is a Portuguese pre-owned luxury goods auction house that resells hard luxury goods, including watches and jewelry, art and furniture that in the late three years has surpassed 5 million euros on sales volume. On another hand, the vintage concept has been growing in Portugal for the past five years, especially in the region of Porto, where more than one dozen of vintage stores had opened since 2013. The interest of vintage pieces in Portugal has always existed, and an evidence of that is the great number of antique stores scattered around the country. Even though these antique stores usually sold, in its majority, hard luxury goods (watches and jewelry), and now they are following the vintage trend towards soft goods (clothing and accessories) as well. This market is propelled by foreigners living in Portugal, as they demonstrate a higher interest to purchase, thus, influencing the Portuguese consumers to adopt vintage lifestyles as well (Vieira, A., Público, 2018). Additionally, Portuguese consumers have been shifting their consumption to premium and luxury items in the past three years (Fernandes, S., Dinheiro Vivo, 2019), as a consequence of three main factors: firstly the higher disposable income of the Portuguese population; secondly, the proliferation of physical and digital stores of premium and luxury products, reaching a higher number of consumers; and, finally, the increasing willingness to spend more on indulgence items (Barbosa, A., Nielsen Portugal, 2019). According to a study conducted by Nielsen in 2018, 21% of the Portuguese respondents claim to purchase premium products in online stores from local retailers, a 3% growth compared to 2016. Besides, 17% respondents purchase premium products in online stores but from international retailers, while

89% claim to purchase in the physical stores of local retailers, a percentage that is well above the European average that settles at 60% (Nielsen, Da crise ao luxo, 2019). According to the same study, the categories where Portuguese consumers are more willing to spend are clothing, shoes and handbags and the most valued characteristics for a premium and luxury item on the eyes of Portuguese consumers are, by order of importance, its quality, the experience of the purchase and the distinctive offering. Additionally, more than 1/3 of the respondents claim they would be highly willing to pay more for sustainable and natural items.

The Portuguese market has been following the worldwide trend of luxury products and vintage pieces by offering new spaces and disrupting business models to satisfy the shifts in Portuguese luxury consumption. Currently, there are three mature businesses of secondhand luxury based in Portugal: Le Quartier Latin, La Petite Coquette and Du Chic à Vendre. Early this year, a digital-only platform, Maudde, was created with a disruptive business model from the ones operating in Portugal so far and The Bonder Store was a store opening this summer as well. More details will be given in the Appendix II for these last two stores opened this year. Regardless of the years of foundation, these businesses all work as consignment services, in which the pieces are evaluated by experts of the luxury market according to the conditions and market value of the item and then a price is proposed to the seller (Oliveira, M, Ekonomista, 2018). All the businesses offer the opportunity to the seller to have the item back if does not sell after a specific time period and offers the possibility to the buyer to return the item after the purchase if it does not correspond to the expectations or a counterfeit concern arises and they all have available for sale clothing, shoes and accessories, such as handbags, belts, hats, jewelry, sunglasses and scarfs.

The pioneer of the secondhand luxury market in Portugal was Le Quartier Latin, created in 2009, in Aviz, Porto and it is located next to luxury and premium brands. Even though the business had a digital platform, it was only a catalogue until very recently, where it was

transformed into an online store. They ask for a commission fee of 50% and they claim their business as a “Vintage Luxury Store” (Le Quartier Latin Website, 2019). Regarding Du Chic à Vendre, it was created in 2010, in Lisbon, in Estoril, having moved to the city center of Lisbon, to Campo de Ourique, in 2016. They collect a margin of 40% over the resell items and the average number of items in-store is around 300. The business only operates as brick-and-mortar and does not have an online platform. On another hand, the physical store has three floors with one of them being a space dedicated to fitting rooms and an atelier with tailor-made pieces by seamstresses (M., Inês, NIT, 2016). La Petite Coquette is another store located in Porto, founded in 2014, operates in a “private closed doors system, with a unique and personalized service”. The business has a strict quality and authenticity control system provided by experts subcontracted by the owners. They have a digital platform, but it is not possible to buy online. Details about each store can be found in Appendix III.

According to the literature review presented above, it is possible to infer the following propositions that will further be tested in the current dissertation:

Proposition 1: The stigma for the secondhand luxury items has largely disappeared; **Proposition 2:** The consumers that are not interested in the luxury resale market have concerns about counterfeit items and present distrust on the resellers; **Proposition 3:** The main drivers for the purchase in the luxury secondary market are the lower prices appeal for less affluent luxury consumers and rare/vintage pieces for the true-luxury consumers; **Proposition 4:** The main drivers for reselling in the luxury secondary market are the desire to relieve wardrobe from unused items and to finance new luxury items; **Proposition 5:** The luxury resale market sellers are the firsthand buyers of the luxury market; **Proposition 6:** The luxury resale market appeal more the younger generations, Generation Z and Millennials, either for purchasing and for selling.

2. Work Project

2.1 Methodology

For the purpose of the current work project, many sources of evidence were used, allowing the development of similar story lines to confirm facts through a process of triangulation (Denzin, 1984 cited in Tellis, 1997; Yin, 2013), thus resulting in more accurate conclusions. The current dissertation was designed according to the exploratory research, which was based on two different methods: i. Secondary Data, in which academic papers, public journals and archival records were used; ii. Primary Data collected according to three different methods: 1. in-store observations, where 14 observations across established portuguese secondhand luxury stores were recorded in a total of 8 hours, 2 for each store. The goal was to collect first insights about the market and in-store experience as well as the luxury environment level. The observation grid can be found in Appendix IV; 2. the mystery client experiment, as it is crucial to understand at what extent does the luxury secondhand market offers an exclusive and personalized service similar to luxury stores; and 3. qualitative research, in which in-depth interviews were conducted, as it is used when there is little knowledge about the research topic, the sample size is not representative and there is flexibility of the procedures and techniques for the researcher (Haradhan, M., 2018), which happens to occur in this emerging market in Portugal. For the in-depth interviews, two different segments were chosen: i. potential buyers and sellers of the luxury secondhand market, in order to develop an understanding of the consumers' perceptions, opinions and motivations towards the secondhand luxury concept, to further develop hypotheses and define key variables for the success of the luxury resale market in Portugal; ii. Founders of already existing secondhand luxury businesses in Portugal, that might give useful insights about the market, consumer's profiles, dynamics of supply and demand of the market and possible challenges in Portugal. In order to recruit interviewees for the first segment, a pre-recruiting questionnaire was conducted. The questionnaire was conducted as if it was regarded to luxury consumption in Portugal, given the still higher price

points of the secondhand luxury items and inaccessibility to find secondhand luxury consumers, and the goal was to recruit respondents who have purchased at least one luxury item in the past 5 years by showing a sequence of categories with a price associated, taking into account to a proxy established by BCG and Fondazione Altagamma commonly used to identify a true-luxury consumer. Details can be found in the Appendix V 1.1.

3.2 Sample Population

The pre-recruiting questionnaire was answered by 82 respondents, from which 40 were successfully recruited for the in-depth interviews. Nevertheless, only 31 agreed to participate in the research, including 4 men and 27 women. Moreover, 14 of the respondents are in the age of 20 to 25 years old, belonging to the Generation Z; 9 of the respondents are Millennials, with ages between 26 and 35 years old; 5 from Generation Y, aged between 36 and 45; and 4 from Generation X, aged between 46 and 55 years old. Regarding nationalities, 3 different nationalities figure in this study, including 24 Portuguese, 4 Brazilian and 3 Angolans that have been living in Portugal for the past five years, as they are in the top 3 of the nationalities that spend the most in luxury consumption in Portugal (Global Blue, 2017). More details can be found in Appendix VI 1.1. Additionally, 3 interviews to the owners of Portuguese secondhand luxury businesses were conducted, including Le Quartier Latin and Le Petite Coquette and the co-founder of the online consignment store Maudde.

3.3 Primary Data Analysis

A. In-depth interviews to potential consumers crossing with in-store observations

According to the interviews conducted to men, it was possible to infer that the men's behavior has similarities to the women's behavior. Therefore, only when the behavior differs, a note will be written. The interview guide for the in-depth interviews to the consumers can be found in the Appendix VI 1.2 and it was constructed according to five different sections. These five sections were merely representative and only to guide the interview to the final topic of

secondhand luxury. The first category was the luxury consumer behavior, where luxury purchasing habits is included, such as the frequency of luxury purchases, the occasions of the purchase, the channels used, and which categories and products are normally bought. As the secondary market for luxury is a replication of the luxury environment, knowing the purchasing habits of the Portuguese population within the primary market might give useful insights of what needs to be replicated for the secondary market. According to the respondents, two different behaviors were identified: firstly, 8 out of 14 interviewees aged between 20 and 25 years old, from the Generation Z, did not reveal a tendency for the frequency of consumption. On the contrary, they tend to purchase entry-level items of luxury, such as makeup, sunglasses and accessories once or twice a year; secondly, 6 out of 9 interviewees aged between 26 and 35, Millennials, tend to purchase luxury categories such as handbags, clothes and shoes, and buy the luxury item as an indulgence item, when they enter a store and like the item. The interviewees aged between 36 and 45 have a similar behavior as the ones aged between 46 and 55, purchasing one of the following categories: handbags, clothing, shoes, accessories, watches and jewelry, once every three months and normally buy bigger amounts when they travel to the capitals of fashion, outside Portugal, as they believe a higher product assortment is offered there. These generations above 36 also buy luxury products to offer to their daughters, with the Angolan and Brazilian women interviewed being the ones that spend the most to offer as a gift. The main channel used to buy is common across all generations: physical stores. For the younger generations, it is triggered by online interaction first. The interviewed men already bought suits and watches, claiming that years pass by until they purchase a new luxury item given the durability and quality of the product.

On a second stage, to better understand the underlying luxury consumer's expectations and motivations, the drivers of the purchase and the most important characteristics when buying a luxury item were explored. For this matter, two different generational behaviors were

identified: 10 out of 14 from the younger generations, between 20 and 35 years old, converged to the following characteristics: quality, price, sustainability and brand. 6 of those 10 said they are usually triggered by their mothers to buy specific brands and influencers and already started to purchase vintage and unique items to avoid style imitation provided by the highly visited fast-fashion houses from their friends. Regarding the interviewees aged between 36 and 55, Generation X and Silvers, they have the same expectations, with the most important characteristics being quality, durability, brand name and unique offering experience. Regarding makeup, they can be triggered by social influencers, but for the high-level categories, they already know the brands they identify the most with.

In order to test marketing knowledge and awareness, as well as underlying psychographics regarding the concept of secondhand luxury, image and perceptions were explored. All the interviewees knew the existence of a secondary market, especially for vintage items. In fact, interviewees already knew about the secondary market for luxury, but did not know about its existence in Portugal. The younger generations, namely Generation Z and Millennials have demonstrated an interest to buy in the secondhand luxury market, while Generation Y and X, aged between 36 and 55, would be willing to sell its items rather than purchasing. Regarding Generation X in particular, 3 out of 4 have demonstrated a particular interest on the limited editions that might be available for sale on this market. Moreover, they all agreed that these type of secondhand luxury businesses would be more similar to a luxury shop environment.

Finally, the interviews were guided into the world of the secondhand luxury world, in which the main goal was to understand the behavior and expectations when entering a secondhand luxury shop as well as the incentives for consumption of these type of products. None of the interviewees have purchased a luxury item in a secondhand store. The younger generations would expect the products to be of excellent quality and would be much cheaper

than the homologues items in the primary market. Therefore, the price and the quality would be the main drivers. For the older generations, they would be more willing to sell than to buy, namely the Generation X, between 46 and 55 years old, where 3 out of 4 demonstrating concerns regarding counterfeit items and certification to sell the brands in the secondary market. The Angolan and Brazilian interviewed would “never purchase” a secondhand luxury item and would be more willing to make their luxury items available for resale in store they already knew the owner. Transversal to every generation interviewed, was the positive aspect of contributing to a more sustainable industry and all of them expect an online interaction on this market.

B. In-depth interviews to secondhand luxury retailers crossing with mystery client

In addition to the interviews to the consumers, interviews to the owners of Portuguese secondhand luxury businesses were also conducted. The interview guide can be found in Appendix VI 1.3 and the mystery client analysis in Appendix VII. The first topic approached was the source of supply of secondhand luxury goods in Portugal, given the low awareness of the market and the low frequency of luxury consumption by Portuguese luxury consumers. In a first stage, these products came from friends and family, however, famous people are strongly contributing to the supply of this market in Portugal. For all the businesses, new items are received every week and typically a luxury seller tend to repeat the experience of selling. On another hand, in the literature review section, it was founded that the millenials are the biggest buyers of the luxury resale market worldwide, however, in Portugal, that trend does not repeat. In fact, the younger generations are the ones that reveal a greater interest over the market, mostly due to this connection with sustainability, however, they still cannot afford the luxury products being sold in these stores, even if the price reduction can go up to 70% in some cases. Another interesting finding was the fact that the most searched categories and brands in the online websites do not correspond to the most purchased items, which are normally handbags with lower price points.

Regarding the supply and demand side of secondhand luxury items, the current profile for luxury resale buyer is a woman between 30 and 45 years old, from the Millennials and Generation X, living in suburban areas, from the medium-high level of society. The profile for the luxury resale seller was described in three different ways: i. a woman above 50 years old, Generation X, that sell luxury items through their daughters or younger relatives; ii. consumers that are both sellers and buyers that purchase a luxury item occasionally in stock-offs and outlets and want to recover the investment to be able to buy another luxury product; and, finally, iii. consumers that inherit luxury items, mostly from their grandparents, and do not give them the proper use. Thus, the secondhand luxury sellers are from Portuguese and Brazilian nationalities, yet, the Angolan nationality is starting to enter the market as well.

Concerning the stigma associated with the secondhand luxury market, the owners believe that this stigma is disappearing, mostly driven by the foreigners that frequently visit and purchase on this market in Portugal. Nevertheless, the category in which they believe there is a relatively high stigma is the shoes category. Though, the biggest challenge for the retailers is not the stigma associated with buying pre-owned items, but instead, the low awareness of the market in Portugal, as whenever the consumers enter the store, they realize the products have indeed an excellent quality and are truly authentic. According to the luxury resale retailers, the motives behind the secondhand luxury consumption are the one-of-kind items and the constant product assortment renewal align with the price reductions of luxury items and not the sustainability contributor to enter the circular economy.

3. Discussion

In this section, secondary data collected in the contextual background will be crossed with the primary data analysis. Moreover, the propositions presented in the contextual background section will be further deconstructed.

3.1 Market size of Secondhand Luxury Market in Portugal

The luxury resale market in Portugal is still emerging, and no data is available regarding the current market size for the country. However, it is quite relevant to determine the market size, as it tells the underlying value of a market. An effective manner of determining the market size and growth potential of a market is through the revenues the market as already made or the total sales it already accounts (Cremades, A., Forbes, 2018). The revenues of the luxury resale market in Portugal are still not available, however, the revenues of the luxury goods market in Portugal are known and amount a total of 1,25 billion euros (Statista, Luxury Goods Report, 2019). Knowing that the Luxury Resale Market represents 7% of the total Luxury Market, an estimate of 87,5 million euros to the Luxury Resale Market was determined. Moreover, and according to data collected for the contextual background, Europe already represents 55% of the total secondhand luxury market, and this number is predicted to increase in the following years, mostly because the majority of the firsthand luxury consumers in Portugal have not been impacted by this market in Portugal yet. Given that the market is starting to emerge in Portugal and low awareness seems to be the main challenge for lack of penetration, there is a high potential of growth for the Portuguese market.

3.2 Drivers of secondhand luxury items match with the most valued characteristics of Portuguese luxury consumers

According to the contextual background, the four main drivers for secondhand luxury consumption were identified as the desire of embracing sustainability, the access to rare and vintage luxury items and the access to luxury items at more affordable price points. In fact, looking to the insights from the primary data collected, the top 3 characteristics most valued match with those characteristics but for different generational behaviors: for the younger generations, including Generation Z and Millennials, they are looking for unique pieces with high quality and, if possible, more sustainable. For the older generations, Generation X and Silvers, the top 3 characteristics they value the most are: unique pieces with high quality and,

if possible, more sustainable. Therefore, **Proposition 4:** “The main drivers for reselling in the luxury secondary market are the desire to relieve wardrobe from unused items and to finance new luxury items” cannot be totally confirmed with the data collected.

On what regards Portuguese secondhand luxury sellers, Generations Y and X, aged between 36 and 55, would be more willing to sell its items rather than purchasing, especially the Angolans and Brazilians interviewed. Therefore, data suggests that the firsthand luxury consumers are the sellers of the secondhand market in Portugal. Hence, **Proposition 5:** “The luxury resale market sellers are the firsthand buyers of the luxury market” is confirmed for the Portuguese market, including Angolan and Brazilian nationalities. On the contrary of the international market, the biggest luxury resale buyers in Portugal would be Millennials and Generation Z, therefore, **Proposition 6:** “The luxury resale market appeal more the younger generations, Generation Z and Millennials, either for purchasing and for selling” is not applicable to the Portuguese population, mostly due to the still higher prices of the secondhand luxury market non reachable by the Generation Z, below 25 years old. Regarding the Portuguese secondhand luxury buyers, they can be defined in two ways: i. the more affluent crowd, already first-hand luxury consumers, that have been in contact with luxury brands for a long time and understand the value that some luxury collections retain over time, with the main driver for these luxury consumers is the accessibility to rare items and vintage collections, usually one-of-a-kind pieces that are extremely rare to find and are only reachable in the secondary market; ii. luxury first timers, that have always dreamed about luxury brands and didn't have the financial resources to acquire a luxury item. As such, **Proposition 3:** The main drivers for the purchase in the luxury secondary market are the lower prices appeal for less affluent luxury consumers and rare/vintage pieces for the true-luxury consumers holds true to the Portuguese population.

3.3 What is the best luxury resale business model to apply in Portugal?

When contrasting the business models, there are three differentiator factors that detaches consignment models from the auction houses and peer-to-peer platforms: 1. The personalized service offered by a consignment store is similar to a true luxury house experience, by providing a unique service to the seller in a luxurious environment, integrating the offline experience, while providing digital engaging platforms. Auction houses and peer-to-peer service don't offer this personalized service and are moving away from offline, which is considered a key difference when shopping luxury; 2. The authentication and experts' certification offered by consignment stores is another key differentiator, as these stores offer the possibility to return the item back and guarantees certification from key experts on luxury goods, taking the risk. Auction houses and peer-to-peer models don't communicate this authentication, and even if they communicate, in the case of auctions, these houses do not accept returns or give backs; finally, 3. The negative social perception associated to the resale of luxury goods is disappearing mostly due to the luxurious service offered by luxury consignment stores. Sociologically speaking, selling a luxury item in a luxury environment increase the perception of the resale concept, in fact, it gives the sense that the seller is offering the chance to the luxury item to become timeless, thus giving credit for the act of reselling. On the contrary, auction houses and peer-to-peer models convey a negative social perception that the seller are only doing reselling the luxury item because of the monetary return of the act. Moreover, according to the in-depth interviews' insights, the Portuguese population does seem to demonstrate a negative perception of this market. In fact, there is a high demand over vintage items, which are secondhand items, as well as luxury items, suggesting that the connection to the brand is the motivator behind the purchase of secondhand luxury items. The only category that seem to create a greater resistance is the shoes category. Therefore, the **Proposition 1**: "The stigma for the secondhand luxury items has largely disappeared" holds true for the Portuguese population, suggesting, once again, the potential of market growth in Portugal.

3.4 Potential Challenges for the Luxury Resale Market in Portugal

3.4.1 The Supply of Luxury Goods in the luxury resale market

According to the data collected, it was inferred that the potential sellers of the secondary market for luxury are more likely to be older generations and firsthand luxury consumers. However, whenever a secondhand business becomes scalable, the supply of the luxury items can be a constraint. Nevertheless, knowing that firsthand luxury consumers might turn into potential sellers for this category, the only manner to reach the desirable amounts of product assortment is to create a circle using word-of-mouth and communicate through the online platforms to reach the entire population. Retailers would not buy from other countries for two big reasons: i. firstly because the costs would be extremely high, including transportation and fees; ii then because by targeting Portuguese residents, including Angolans and Brazilians, luxury consumers in Portugal would be stimulated as well through the cycle of buying-using-recycling.

3.4.2 Operational Issues: certification of items

In a world where there is an increasing concern over counterfeit goods, there are some operational issues in certifying the luxury items to resell in the secondary market. Therefore, two options can be considered to certify the luxury items: i. subcontract expert from fashion houses to certify the luxury items; ii. develop of a software able to detect possible threats of counterfeit. As developing a software would require a higher investment and engineering know-how, subcontracting experts from luxury houses that no longer work there, would be a good claim to share with the consumers. Nevertheless, according to the data collected, the overall interviewees did not demonstrate a concern regarding the authenticity of a particular online luxury resale store, as the policy of returning items is applicable. However, the older generations, mostly Generation X, would be less willing to purchase on the luxury secondary market because of the counterfeit goods and, thus, are more likely to enter this market as secondhand sellers. Therefore, **Proposition 2:** “The consumers that are not interested in the

luxury resale market have concerns about counterfeit items and present distrust on the resellers” can be considered confirmed by the grounds of the current research, however, only applicable for the older generations.

4. Recommendations

According to the data collected, the luxury resale market in Portugal has a high potential for growth and penetration as a result of the high demand for vintage items as well as luxury items, with the stigma over secondhand luxury items disappearing and the desire to consume in a more sustainable way emerging in Portugal. However, there is little awareness of the luxury resale market by the Portuguese population. To increase the awareness of the market, partnering with influencers might be an interesting move, as the influencers themselves already started to have their own closets on sale with a lot of luxury items in-between. Similarly, given the main findings of the current dissertation, a suggestion regarding the best business model to implement in Portugal would be to implement an omnichannel business, where the brick-and-mortar physical store would be a closed-doors consignment shop in a small apartment in the city center of Lisbon, Príncipe Real, where most of the antique stores are located in. By having a closed-doors consignment shop, only the target would be reached while providing the personalized and luxury environment of a true luxury store. According to the data collected, the Generation Y is the generation that purchases the most, and they like the newness and different garments. Thus, having a seamstress in-store might be another luxurious service that would attract the younger generations. Knowing that the market has a relatively low awareness, this consignment store would be accompanied with a digital platform that, in a first instance would be only an online showroom and a blog as well, where journals and articles related to sustainable fashion and luxury would be published. Subsequently, into an online website as well, whenever the business is scalable. It is important to have both the online and the offline channels to reach the population: Online i. for the secondhand luxury sellers in order to check the product assortment

and the most desirable products to then pick at the store or order upon store-visit; ii. For the secondhand luxury sellers, as it is the platform easier to reach potential buyers through word of mouth and by daughters that use digital and find the website for these types of transactions. Even though the scope of the work project is not to run a profitability analysis of the secondhand luxury market in Portugal, a Profit & Loss analysis was designed in order to complement the insights and to provide further foundations to the potential of the market. According to the margin charged by the current Portuguese businesses, an average commission of 40% would be a reasonable fee to charge, as it would be in line with the rest of the market, and it would vary according to the condition of the item. A scale of “Good”, “Very Good”, “Excellent” would be settled to define the secondhand luxury items on sale. According to the profitability analysis, there is potential to this market, with an initial expected net profit of around 160 000€ per year. The analysis can be found in the Appendix VIII.

5. Research Limitations

The research developed for the purpose of this work project had some limitations. Firstly, the sample size used for the in-depth interviews is relatively low, with only 31 luxury consumers successfully recruited. Moreover, the impact of nationality is not representative as well, as little people from the Angolan and Brazilian nationality were successfully recruited. Secondly, there is little knowledge about the secondhand luxury market among the recruited people. Even though the luxury resale market is increasingly growing worldwide, specifically in United States of America and France, the market is still very small in Portugal. Therefore, the insights and main ideas derived from this work project also reflects the reality of the market. However, this project might help researchers to develop further research on the topic of the secondhand luxury market.

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WHAT IS THE POTENTIAL OF LUXURY RESALE IN PORTUGAL?

APPENDIXES

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A Project carried out on the Master in International Management Program, under the
supervision of:

Christophe Maincourt

Professor Catherine da Silveira

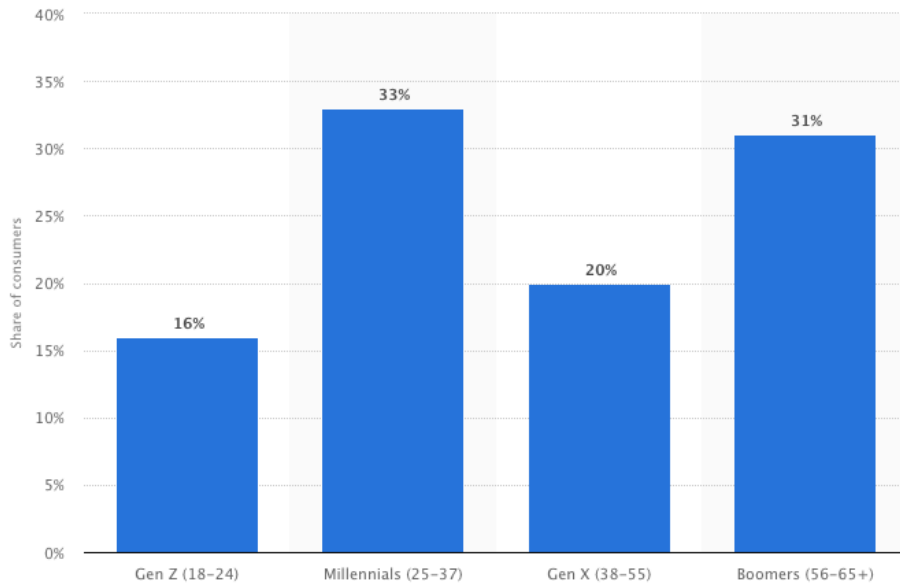
3rd January 2019

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APPENDIX I: SECONDARY DATA GRAPHS

Figure 1: Generational distribution of global secondhand personal luxury goods in 2019

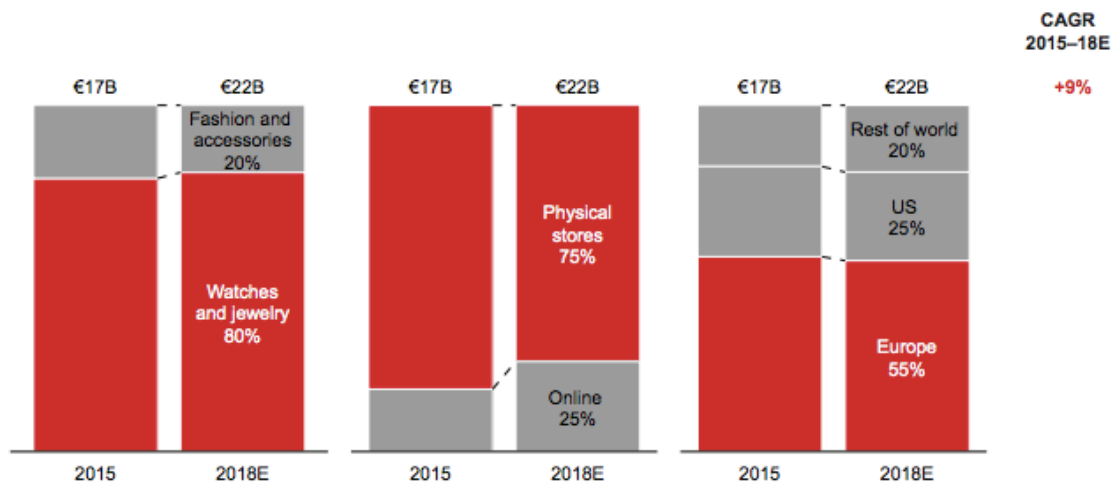


© Statista 2019

Source: Thredup report, 2019; Statista, 2019

Figure 2: Share of global secondhand personal luxury goods by category, channel and region in 2019

Share of global personal luxury goods secondhand market, by category, channel and region



Note: Growth shown at current exchange rates
Source: Bain & Company

Source: Bain & Company, 2019

APPENDIX II: RECENT LUXURY RESALE BUSINESSES'

Figure 3: Details of the Portuguese luxury resale businesses that recently opened in 2019

Name of the store	Bonder Store	Maudde
Date of foundation	April, 2019	2019
Local of foundation	Campo Pequeno	Online
Details	Maudde is an online platform created in April this year, 2019 that works both as an online store and a blog, where articles associated to sustainability and circular economy are uploaded on a weekly basis. The categories available for sale are clothing, shoes, bags, accessories, jewelry, as the other businesses, but also swimwear, kids' collections and books are made available. The website does not sell luxury items only, there are also specific collections of premium and designer brands.	Maudde works as a consignment service and rely on experts of the luxury area for the authentication of the items. As the store is only available online, Maudde offers the possibility to other businesses to sell through the platform, helping physical businesses that do not have the skills nor the know-how to enter the digital world (Costa, T., Dinheiro Vivo, 2019). The price reductions of a luxury item can go up to 70% of its original price (Duccini, K. NIT, 2019).
Competitive Advantage	authentication of items provided by experts from international auction houses with more than 15 years of know-how, ensuring the authenticity of the items) AND high stock renewal every week	authentication of the items provided by experts of the luxury area AND selling other businesses' secondhand luxury items, guaranteeing a higher supply and every week catalogue's renewal AND online platform that works both as an online store and as a blog
Commission Fee	No data available	12% up to 50%, depending on the condition of the item
Physical Point of Sale	Physical Store	-
Store's website	https://bonderstore.com/	https://www.maudde.com/

Source: Thesis Author, based on the businesses' websites and interviews with retailers

APPENDIX III: LUXURY RESALE BUSINESS MODELS IN PORTUGAL

A. La Petite Coquette



Figure 4. Entrance of La Petite Coquette



Figure 5. Handbags room



Figure 6. Shoes room



Figure 7. Waiting room



Figure 8. Clothing room

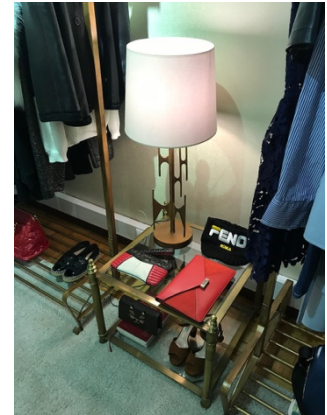


Figure 9. Details

B. Le Quartier Latin



Figure 10. Entrance of Le Quartier Latin



Figure 11. Inside Le Quartier Latin

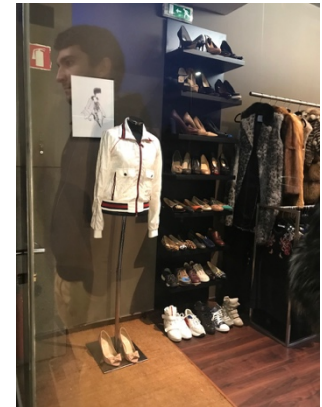


Figure 12. Clothing area

C. Du Chic à Vendre



Figure 13. Entrance of Du Chic à Vendre



Figure 14. Fitting floor



Figure 15. Inside Du Chic à Vendre

D. The Bonder Store



Figure 16. Entrance of the Bonder Store

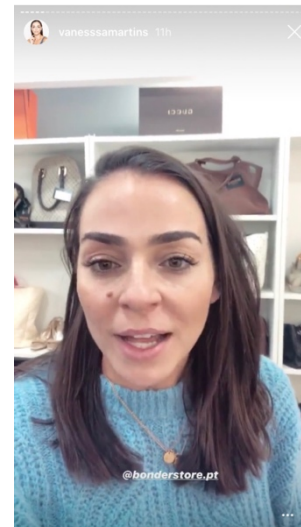


Figure 17. Influencer Vanessa Martins promoting The Bonder Store

APPENDIX IV: IN-STORE OBSERVATIONS

Figure 18: Brands available for resale across the Portuguese Luxury Resale Business Models

Brands Available for Resale	Shoes	Aquazzura, Balenciaga, Casadei, Chanel, Chloé, Christian Louboutin, Dior, Dolce&Gabbana, Fendi, Givenchy, Gucci, Hermès, Jimmy Choo, Lanvin, Louis Vuitton, Marca Jacobs, Maxmara, Miu Mil, Nicholas Kirkwood, Pino, Prada, Red Valentino, Saint Laurante, Sergio Rossi, Stella MacCartney, Valentino
	Handbags	Alexander Wang; Balenciaga; Bottega Veneta; Burberry; Chanel; Charlotte Olympia; Chloé; Christian Louboutin; Céline; Dior; Dolve&Gabbana; Fendi; Givenchy; Goyard; Gucci; Hermès; Jimmy Choo; Lanvin; Louis Vuitton; Marc by Marc Jacobs; Marc Jacobs; Miu Miu; Prada; Proenza Schouler; Ralph Lauren; Yves Saint Laurent; Stella McCartney; Valentino
	Clothes	Same as Accessories
	Accessories	(BELTS - JEWELRY - SUNGLASSES - WALLETS) Burberry; Chanel; Chloé; Dior, Dolce & Gabbana; Emilio Pucci; Fendi; Gucci; Hermès; Louis Vuitton; Miu Miu; Prada; Yves Saint Laurent; Versace; Hermès
	Watches	Rolex, Cartier, Petik Philippe, Tissot, Omega, Piguët, Bvlgari, Hugo Boss, Chanel, Dolce & Gabbana
	Jewelry	Dior, Chopard, Chanel, Hermès

Source: Thesis Author, based on the 4 Portuguese businesses' websites

Figure 19: Part I of the Observation Grid of the 14 in-store observations made among 4 different luxury resale businesses in Portugal

		1.	2.	3.	4.	5.	6.	7.	
0. Day		9th November	9th November	9th November	9th November	9th November	9th November	9th November	
1. Store		La Petite Coquette	La Petite Coquette	La Petite Coquette	La Petite Coquette	La Petite Coquette	Le Quartier Latin	Le Quartier Latin	
2. Location		Porto	Porto	Porto	Porto	Porto	Porto	Porto	
3. Salespeople in-store	Personalized service	Yes	Yes	Yes	Yes	Yes			
	Less luxurious service						Yes	Yes	
4. Categories	Shoes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Handbags	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Clothes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Accessories	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Watches	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Jewelry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
5. Customer	Number	Alone			Yes		Yes	Yes	
		Group	Group of 2	Group of 4	A couple		Yes		
	Gender	Male	2 Males	3 Males	1 Male				
		Female		1 Female - the buyer	1 Female	1 Female	2 Females	1 Female	1 Female
	Age	<24					Both seemed young, below 25		
		25-34		Yes, the four of them between	Both				
		35-44	Both between 35-44						Yes
		45-54				Yes		Yes	
		>54							
	Nationality	Portuguese	Yes	2 Portuguese - The buyer + male	Yes	Yes	Yes	Yes	Yes
Brazilian			2 Brazilian						
Angolan									
Other									
6. Profile	Buyer	Choose immediately				No	Yes		
		Ask for help getting in		Yes	Yes				
	Seller	Being guided by the salespeople	Yes	Yes					Yes
		Go directly to sell				Yes			
7. Consumer Journey	Which categories	They were not purchasing nor selling		1) Clothing	1) Handbags	1) Shoes	1) Clothing	1) Watch	1) Handbag
				2) Handbags		2) Handbags	2) Accessories		
8. Behavior in-store	Describe everything (Comparisons? Tests the products? What are they looking to? Ask for the certification of the brands? Ask a lot of questions about the business?)	They were not purchasing nor selling - just talking with the salespeople	The customer was a regular client, as she was talking with the salespeople about previous items she bought and sell. She was always with the salespeople by her side and after the purchase, she also gave a bag with some items inside to resell. She was both a seller and buyer	The woman was looking for a specific vintage item. At the end, the store didn't have the item and she left with the husband.	The woman entered the store as went straight to the salesperson so deliver a bag with several luxury items. She had previously contacted the store before going physically there.	They were talking about the brands and they were looking for a specific belt of Gucci, which were available in the website but, meanwhile, had sold out.	The woman entered the store directly to the cashier, where the salesperson was, to pick up an online order.	She wanted to sell a luxury item, a vintage Birkin Hermès handbag from her mother. She seemed to be a regular client, as the conversation with the salesperson was very personal.	
9. Final Decision	Purchased items?	YES		YES			YES		
		NO			NO		No		
	Sold items?	YES		YES		YES		YES	
		NO	NO						

Source: Thesis Author

Figure 20: Part II of the Observation Grid of the 14 in-store observations made among 4 different luxury resale businesses in Portugal

		8.	9.	10.	11.	12.	13.	14.	
0. Day		2nd November	2nd November	2nd November	2nd November	2nd November	2nd November	2nd November	
1. Store		Bonder Store	Bonder Store	Bonder Store	Bonder Store	Du Chic à Vendre	Du Chic à Vendre	Du Chic à Vendre	
2. Location		Lisbon	Lisbon	Lisbon	Lisbon	Lisbon	Lisbon	Lisbon	
3. Salespeople in-store	Personalized service					Yes	Yes	Yes	
	Less luxurious service	Yes	Yes	Yes	Yes				
4. Categories	Shoes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Handbags	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Clothes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Accessories	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Watches	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Jewelry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
5. Customer	Number	Alone	Yes		Yes	Yes	Yes	Yes	
		Group		Yes			Yes		
	Gender	Male			Yes				
		Female	YES	2 Females		Yes	2 Females	Yes	Yes
	Age	<24							
		25-34				Yes	Yes		
		35-44	Yes	Yes	Yes			Yes	Yes
		45-54						Yes	
	Nationality	>54					Yes		
		Portuguese		Yes	Yes		Yes	Yes	Yes
Brazilian		Yes			Yes				
Angolan									
6. Profile	Buyer	Choose immediately	Yes				Yes		
		Ask for help getting in		Yes	Yes		Yes	Yes	
	Seller	Being guided by the salespeople				Yes			
		Go directly to sell							
7. Consumer Journey	Which categories	1) Handbag	1) Handbags	1) Watch	None one in specific	1) Clothing	1) Shoes	1) Clothing	
			2) Jewelry			2) Shoes			
8. Behavior in-store	Describe everything (Comparisons? Tests the products? What are they looking to? Ask for the certification of the brands? Ask a lot of questions about the business?)	The woman had already seen the luxury item on the website, a vintage Gucci bag, and went directly to pick up the bag at the store.	They were talking about some luxury items they have bought lately this year and about the Louis Vuitton luggage available for sale in-store. Then they were looking to a necklace from Chanel. She purchased the Louis Vuitton bag.	The man wanted to pick up an item that her wife had purchased online for her - a handbag from Prada.	The woman in her 30s was asking about the business model of the store. She saw the website online and wanted to sell some luxury products from her mother.	They were mother and daughter looking for a specific dress from Carolina Herrera. Afterwards, they went to the shoes category to see the Stella McCartney shoes. At the end, they bought one red dress in-store.	The woman had already seen a pair of shoes of Christian Louboutin and bought the pair in-store after trying them on.	The woman entered the store with a item she already bought at the store, a dress, that was too large for her. The store has a seamstress that make the adjustment whenever necessary and she just drop the dress to then pick it later.	
9. Final Decision	Purchased items?	YES	YES	YES		YES	YES	No	
		NO							
	Sold items?	YES						No	
		NO			No			No	

Source: Thesis Author

APPENDIX V: PRE-RECRUITING QUESTIONNAIRE

1.1 Pre-Recruiting Questionnaire Details

Figure 21: Explanation of the rationale behind the elaboration of the Pre-Recruiting Questionnaire

	Goal
Question 1	To understand the potential of luxury resale within the Portuguese consumers
Question 2	A top 15 luxury brands were chosen to ask if the person has in his possession of product of the top 15 brands, in order to understand if they at least like the luxury brands and are interested about the luxury world. The top 15 luxury brands were chosen according to a ranking published by Luxe Digital, a digital magazine for modern luxury, constructed according to the brand's online popularity, as the share of online interest is a reliable indicator of future sales and each of the brands of the ranking "are at the center of what matters to modern affluent consumers and influencers", according to Luxe Digital.
Question 3	To understand if the respondent is indeed a true luxury consumer to an extent to be able to sell its luxury products to a luxury resale store, several categories were shown to the respondents, including handbags, shoes, sunglasses, coats, sweaters, shirts, pants & skirts & shorts, fragrances, cosmetics, jewelry, suits, dresses all of them shown with a price associated. The prices shown were based on a threshold of spending per category defined by The Boston Consulting Group along with Fondazione Altgamma, to identify the "True Luxury Consumer". According to this proxy, the threshold price for a luxury good vary according to the category it belongs: handbags above 1,000€; shoes above 300€; sunglasses above 180€; coats above 1,400€; dresses above 1,200€; suits for men above 1,600€; sweaters above 400€; shirts above 200€; pants/skirts/shorts above 250€; fragrances above 100€; cosmetics above 80€; and jewelry above 1,200€. This proxy was developed in 2017 and took into account a minimum spent of 5,000€ per person over the year of 2016 on personal luxury goods
Question 4	To understand if the respondents are true luxury consumers or are simply users of luxury items from their mothers, perhaps.

Source: Thesis Author, based on threshold developed by The Boston Consulting Group along with Fondazione Altgamma on the 4th Edition of the report "The True-Luxury Global Consumer Insight" (BCG, Altgamma, 2017)

1.2 Pre-Recruiting Questionnaire Questionnaire

"My name is Catarina and I am student of the International Master's in management from Nova School of Business and Economics (with a stream in Luxury Management). On the behalf of my MSc thesis, I am developing a study regarding the luxury consumption in Portugal and I would like to you to help me by answering this quick questionnaire that I've elaborated.

The questionnaire will have a duration of less than 2 minutes and the confidentiality of the information given will be ensured.

Thank you in advance for your time.

Catarina

1. Do you live in Portugal for more than 5 years?
 1. Yes
 2. No

2. Do you have in your possession at least one item of the following brands? (you can select more than one option)

<ol style="list-style-type: none"> 1. Gucci 2. Chanel 3. Louis Vuitton 4. Hermès 5. Rolex 6. Tiffany 7. Dior 8. Armani 9. Prada 	<ol style="list-style-type: none"> 10. Balenciaga 11. Cartier 12. Burberry 13. Lancôme 14. Yves Saint Laurent 15. Bulgari 16. Não tenho nenhum artigo destas marcas 17. Other
--	---

3. Which of the following items did you purchased, at least, once in the past 5 years, in Portugal? (you can select more than one option)

<ol style="list-style-type: none"> 1. Bags above 1,000€ 2. Shoes above 300€ 3. Sunglasses above 180€ 4. Jackets above 1,400€ 5. Jersey above 400€ 6. Shirt above 200€ 7. Pants/Skirts/Shorts above 250€ 8. Perfume above 100€ 9. Makeup above 80€ 	<ol style="list-style-type: none"> 10. Jewelry above 1,200€ 11. Suits above 1,600€ 12. Dresses above 1,200€ 13. Watches above 400€ 14. Belts above 180€ 15. Scarfs above 180€ 16. Purses above 180€ 17. I didn't purchase any of the items with the prices mentioned
--	--

4. The item above was offered as a gift or did you purchase for yourself?
 1. I purchased for myself
 2. Offered as a gift
 3. I do not have any of the metioned items

5. Gender:

1. Feminine
2. Masculine

6. Age

1. Below 20
2. 20 to 25
3. 26 to 35
4. 36 to 45
5. 46 to 55
6. 56 to 65
7. Above 65

7. Occupation:

1. Student
2. Worker
3. Unemployed
4. Retired
5. Student Worker
6. Other: _____

8. Level of education completed:

1. High School
2. Bachelors
3. Masters
4. PhD
5. Other: _____

9. Monthly income of your household:

1. Below 1500€
2. Between 1500€ to 3000€
3. Between 3000€ to 4500€
4. Above 4500€
5. Other: _____

In a next stage, in the needing of additional data for the market study I am conducting, I would like to contact you for an interview. For this purpose, I would like to ask your name, email and telephone contact (if you are willing to provide it)

Name:

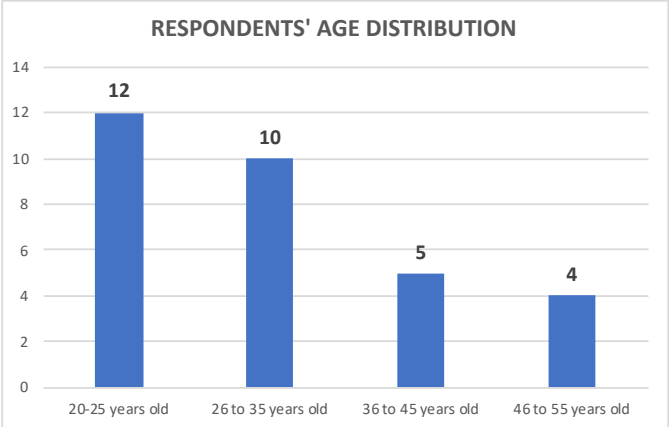
Email:

Telephone (not mandatory): “

APPENDIX VI: INTERVIEW GUIDES

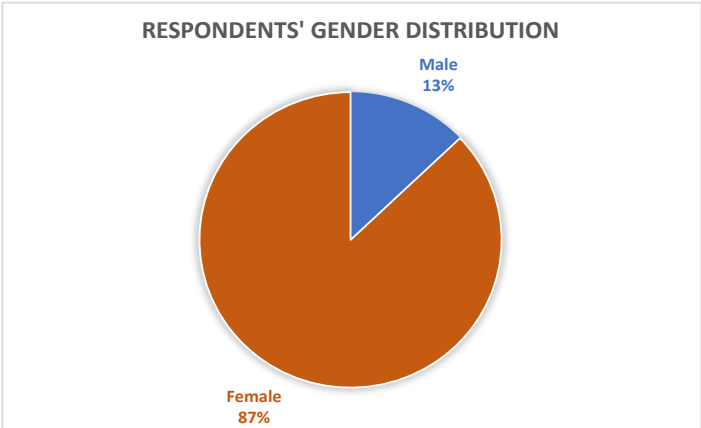
1.1 Interviewees Demographics

Figure 22: Age distribution of the 41 interviewees



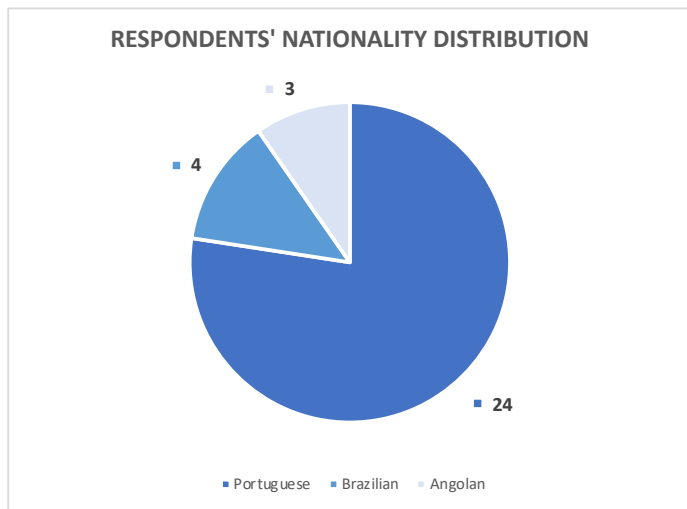
Source: Thesis Author

Figure 23: Gender distribution of the 41 interviewees



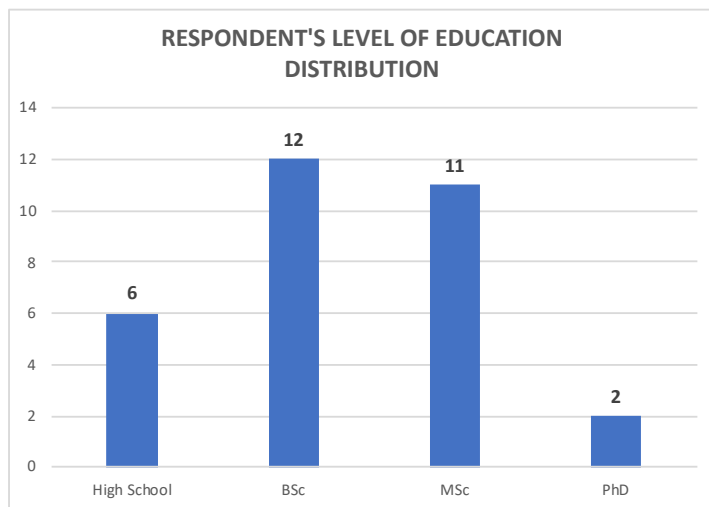
Source: Thesis Author

Figure 24: Nationality distribution of the 41 interviewees



Source: Thesis Author

Figure 25: Level of education distribution of the 41 interviewees



Source: Thesis Author

1.2 Interview Guides to Potential Luxury Resale Consumers

Figure 26: Interview Guide to Potential Consumers of the Luxury Resale Market in Portugal

Interview Guide to Potential Consumers of the Luxury Resale Market in Portugal
As you remember, I'm currently developing a study on luxury consumption in Portugal on behalf of my Master Thesis.
<p>1. Warm-up:</p> <p>“For this research, a particular technique is being used: the non-directive method, which means that specific questions will not be asked about the subject, as in a standard questionnaire.</p> <p>After the first question, please be free to tell whatever comes to your mind about the topic.</p> <p>If you don't mind, I will record the interview. This interview will last approximately 1 hour.”</p>
<p>1. Initial Question:</p> <p>“Last time you bought a luxury product in Portugal for yourself or as a gift, which luxury product did you buy and where?”</p>
<p>2. Topics to be developed:</p> <ul style="list-style-type: none"> - Luxury Consumer behavior: frequency of luxury purchases, in which occasions, which categories and which products normally consumes, in which stores, with whom, offline or online - Luxury Consumer expectations: drivers of the purchase, who influenced the purchase, what is more important when buying a luxury product: price, brand, quality, sustainable? - Image and perceptions of the luxury secondhand market: awareness of the market, where did she/he heard for the first time, already visited a luxury secondhand store, knowledge of the process of these stores, understanding of the offer in PT, consider buying a luxury secondhand product or consider selling, - Luxury Secondhand Consumer Behavior: (if already bought a luxury secondhand product) how does one choose? What, when and where did he/she buy? How was the experience? - Luxury Secondhand Consumer Expectations: what expects when buying a luxury secondhand market; incentives for consumption
<p>3. Demographics (Respondent's profile):</p> <p>3.1 Age</p> <p>3.2 Gender</p> <p>3.3 Occupation</p> <p>3.4 Education Level</p>

Source: Thesis Author

1.3 Interview Guide for Luxury Resale Retailers

Figure 27: Interview Guide to Retailers of established secondhand luxury businesses in Portugal

Interview Guide to Retailers of the Luxury Resale Market in Portugal
1. Being the Portuguese Secondhand Luxury Market still very recent, and knowing that around 70% of the luxury consumption in Portugal is made by foreigners, how do you find the supply for pre-owned luxury goods?
2. The secondhand luxury market is especially attractive for millennials in the countries where this market is thriving, and they are the segment that consumes the most in foreign countries, namely the United States. Therefore, do you think that the portuguese millennials will follow this secondhand luxury consumption trend?
3. How frequently do you receive luxury items for resale, on average?
4. Which are the most demanded brands and categories? (e.g. handbags, shoes, clothing and accessories)
5. Have you ever felt the need of buying secondhand luxury items in other countries to meet the demand in Portugal, namely websites such as Vestiaire Collective and RealReal?
6. Who is the consumer of secondhand luxury items in your store? What is their nationality?
7. Who is the seller of secondhand luxury items in your store? What is their nationality?
8. How do you certify the items that you receive to resell? Do you pay an expert to certify the brands and, as a consequence, avoid counterfeit items?
9. Do you feel that exists some sort of resistence from the portuguese consumers to buy secondhand items?
10. Why did you choose a website instead of a physical store, as the majority of the portuguese secondhand luxury businesses?
11. Do you think it is necessary to have a physical store to thrive in Portugal?
12. What is the best business model to operate in Portugal, in this market, in your opinion?
13. What is the biggest challenge for you in this emerging secondhand luxury market in Portugal?

Source: Thesis Author

APPENDIX VII: MISTERY CLIENT

Figure 28: Approach chosen to practice the method of the mystery client in-store

Approach	Looking for a handbag. Knew about the store through a friend and not sure about the certification of the brands. Don't really like the products in-store, when more products will come? Is this store new?
Objective	How they certificate the products and the brands? Who is their supplier and what is the frequency of the products' arrival. Knowing about the past of the store give insights about the beginning of the market in PT.

Source: Thesis Author

Figure 29: Part I of the analysis of the mystery client made in 4 different luxury resale stores in Portugal

	O1.	O2.
0. Date	12nd October at 3pm	12nd October at 6pm
1. Location	Oporto	Oporto
2. Store	La Petite Coquette	Le Quartier Letin
2. Salesperson behavior	2 salespeople dressed very formal, very exclusive and personalized. It is needed to ring to enter the store, which is located in the first floor of a building, accessible through the main stairs. When entering, they ask what are we looking for and explain a bit of the business model. They both look like models.	1 salespeople which is the owner of the store as well. She asks if anything is needed and if wanted, she is available to receive us. The store was locked until I got in - not the perfect customer service.
3. In-store experience	Each category is located in a different division of the apartment and displayed according to the brand. A fitting room is available and it is possible to reserve item to bring later. A card is given at the exit by one of the salespeople, with personal phone numbers to keep in contact later.	Even though the store is located next to some premium and designer brands, such as Maxmara and art expositions, the layout of the store is similar to a fast-fashion store, but even more desorganized. The clothing are too many in-store, and some of the items are not the
4. Certification of the brands	They have a team of experts that certify the luxury items and are held responsible if any problem of counterfeit emerge.	The owner itself certifies the items given her vast experience of more than 10 years within the luxury resale market
5. Suppliers info	A lot of famous people are now becoming secondhand luxury sellers and a lot of their consumers are from Lisbon.	The majority of secondhand luxury resellers are from Lisbon and famous people as well. The majority of ages above 50 years old.
6. Store Challenges	Their demand are almost reaching the supply they have. But as the store becomes more well-known, the more luxury resellers it attracts.	The owner believes consumers are not attracted into the luxury resale market due to the linkage with sustainability. They are motivated by the newness and funny of always finding different items every time they go to the store or to the website. Therefore, having new items on a weekly basis is crucial.
9. Advertising	Through some influencers - they do not advertise the store, instead they incentive the recycling of luxury items and then show the store	Being the pioneer of the luxury resale market in Portugal, no advertise is made - only trough word-of-mouth

Source: Thesis Author

Figure 30: Part II of the analysis of the mystery client made in 4 different luxury resale stores in Portugal

	O3.	O4.
0. Date	14th October at 5pm	28th October at 4pm
1. Location	Lisbon	Lisbon
2. Store	Du Chic à Vendre	The Bonder Store
2. Salesperson behavior	2 salespeople at the store. They have a very personalized service with one floor dedicated to fittings and seamstresses arranges. Very familiaried with the luxury world.	1 salespeople at the store, which is the owner. Even though the store is relatively small, more stock is available and the salespeople reinforces that. A normal customer service similar to a fast fashion store.
3. In-store experience	The store itself looks more like a vintage store. However, there are three floors, one for each of the categories (clothing & accessories) and the third one dedicated for fittings and arranges. The thrid floor is luxury-inspired, which increases a lot the in-store experience.	The store is organized as a fast-fashion store. Located inside a building where more small businesses are located in. A lot of stock available and recent editions as well. Relatively small store.
4. Certification of the brands	The authentication of the items is made by experts from the luxury market with a vast experience.	The authentication is made by a team of experts that work for the store and treat the items to be resale.
5. Suppliers info	No info regarding supplying was given.	A lot of famous people, including actresses, influencers and brazilian people (as the owner is brazilian as well). Friends and relatives are the biggest word-of-mouth transmissors.
6. Store Challenges	The major challenge is to attarct younger generations, as the store recently moved from Estoril to Campo de Ourique. The usual clients still go there, bu they lost a lot of younger people.	The major challenge is to get known by the population, as the store as only oppened a few months ago, in a relatively "hidden" building.
9. Advertising	No info regarding advertising. But they do not have a website.	Infuencers are strongly advertising the business - brazilian actress and portuguese influencer Vanesse Martins.

Source: Thesis Author

APPENDIX VIII: RENTABILITY ANALYSIS FOR A POTENTIAL LUXURY RESALE BUSINESS IN PORTUGAL

Figure 31: Draft of the Profit & Loss Statement for an year of a potential luxury resale business model in Portugal

Profit & Loss Statement (year)	
Revenues	991 680 €
Revenues assuming a 40% commission fee	396 672 €
Expenses	
Maintenance Costs	54 120 €
Clothes (wash & dry)	14 400 €
Handbags (special treatment for special raw materials)	9 600 €
Jewelry / Watches arrangements	1 920 €
Shoes	16 200 €
Accessories	12 000 €
Wages	94 800 €
Seamstresses - 2 seamstresses	30 000 €
2 salespeople	28 800 €
2 experts certifying the luxury items	36 000 €
Rent	
Apartment in Príncipe Real	16 800 €
Advertising	
1 influencer chosen to incetive the luxury resale concept	30 000 €
OPERATING PROFIT	200 952 €
Interest and income taxes	40 000 €
NET PROFIT	160 952 €

Source: Thesis Author

Figure 32: Details for the construction of the P&L presented above

		Assuming a price reduction of 60%		
	Average price according to the threshold established by BCG & Altgamma to identify a "True Luxury Consumer"	Average price of secondhand luxury watches	Suggested number of items in-store	Average sales per category
WATCHES	2 000 €	800	72	57 600 €
JEWELRY	1 200 €	480	120	57 600 €
ACCESSORIES	180 €	72	1200	86 400 €
SHOES	300 €	120	1080	129 600 €
HANDBAGS	1 000 €	400	960	384 000 €
CLOTHING	720 €	288	960	276 480 €
				991 680 €

Source: Thesis Author, based on the the threshold defined by the The BCG & Fondazione Altgamma report of the True-Luxury Consumer, 2017 and retailers interviews