

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

THE POTENTIAL OF THE SECOND-HAND PERSONAL LUXURY MARKET IN PORTUGAL

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Abstract

The Portuguese luxury market is quite undeveloped, due to social and financial factors. Such financial factors could be mitigated through second-hand, which has had a recent global rise, yet to reach Portugal, however. In order to understand the second-hand luxury market potential in Portugal, this Work Project analyzes the behavior of Portuguese towards the market. Thereby, a qualitative and quantitative analysis were conducted to consumers. The results show untapped market potential, which differs from the global one, in terms of consumer profile, motivations, channels, shopping experience and offer. Therefore, market players should be adapted to market specifications, as to succeed.

Keywords: Second-Hand; Luxury; Potential; Portugal.

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1. Introduction

1.1 Research Context

The luxury market in Portugal has consistently been much smaller and different from other countries'. This has been explained by a number of factors, mainly the different culture and social aspects, as Portuguese are a more discrete population, as well as the economical factor, as globally standardized luxury prices are less attainable through the Portuguese standard of living.

In parallel, a second-hand luxury market has been growing tremendously on a global level, fueled by changing market characteristics and consumer behavior. This new market has created an entry to luxury for new consumers, through a lower price point than the first-hand market. Much like the luxury market, this new variant has had a delayed and slower entrance into the Portuguese market, still today undeveloped. However, a market in which luxury has been unattainable due to pricing, should be the appropriate environment for second-hand to flourish. On the other hand, the social characteristics of the market may be explanatory of an overall indifference towards luxury.

1.2 Problem Definition

Given the conditions of the Portuguese luxury market, as well as the global context of the second-hand rise, it becomes relevant to understand whether the Portuguese market has potential for second-hand, having a consumer profile better aligned with this new market.

1.3 Main Research Objectives

This work project aims to study the Portuguese luxury market and its consumers, in order to infer the potential of the second-hand market. Moreover, it seeks to understand where the potential lies, in order to advise market players on business decisions.

2. Contextual Background

As to understand the luxury market and its consumers, as well as the Portuguese market, several definitions and former research are analyzed hereon after.

2.1 Personal Luxury Goods

Personal Luxury Goods is defined by Bain as one of the nine segments of the luxury industry, together with “luxury cars, luxury hospitality, luxury cruises, designer furniture, fine food, fine wines and spirits, private jets and yachts, and fine art” (D’Arpizio et al, 2017). For this Work Project analysis, only this segment of the luxury industry will be considered, as it is not a perishable nor a service, therefore having a resale value. Moreover, other segments, such as luxury transportations, have a more mature second-hand market, which has been further studied.

The segment of personal luxury goods accounts for approximately 23% of the total luxury industry. It includes four sub segments: watches and jewelry (accounting for 39% of the segment’s revenues), accessories (25%), apparel (21%), and perfumes and cosmetics (15%) (BCG, 2018).

2.1.1 Personal Luxury Goods Market

The personal luxury goods segment generated revenues of €330 billion in 2018, and has an expected growth rate of 3% between 2018-2025. This revenue stream is concentrated mostly on the Top 10 largest worldwide markets, which account for 85% of total sales value: Brazil, USA, UK, Germany, France, Italy, Russia, China, Japan, Korea (BCG-Altgamma, 2019).

2.1.2 Luxury Definition

Firstly, it is crucial to understand the concept of luxury. Luxury has been broadly defined as a condition of abundance or great comfort. It is distinguishable from premium, which is defined as the best product for a given product category, as luxury shapes the market, rather than responding to it. However, the definition has varied throughout time and still varies between entities, and consequently, the luxury market constitution does too. There are five main definition approaches, as presented below.

2.1.2.1 Traditional Definition

According to the traditional definition, luxury is a set of traditional qualities, combining (1) physical rarity, which derives from the need of qualified labor and the scarcity of the inputs; (2) a multisensory experience; and (3) a strong human content or origin.

2.1.2.2 Luxury as a Distance

Under this approach, luxury (originated from *luxatio*, which means distance) expresses the distance between the desire for an item and the access to it. Consequently, to manage a luxury brand is to manage the balance between the desirability, through high visibility and awareness, and access, by controlling the availability (Kapferer, 2009).

2.1.2.3 Luxury as The Creator's Light

Considering the third approach, luxury (originated from *lux*, which means light) expresses the aura of the creator, commonly the founder or artistic director. This creator builds a unique creation, at a higher price level product category, from which the aura is derived to lower-priced product categories, which generate the needed investment for the unique creation (Kapferer & Bastien, 2009).

2.1.2.4 Luxury as a Social Marker

On the other hand, under this approach, luxury creates a social stratification, providing a tool for higher-income level consumers to signal their status. Moreover, luxury is a means of entrance to social groups (Kapferer & Bastien, 2009).

2.1.2.5 The New Luxury Paradigm

Considering the last approach, luxury takes form when two characteristics are present: (1) the substance; and (2) the symbol, which accounts for the social statement, which can be a high profile, in which one uses luxury to display to others, or a low profile one, in which minimalism is the highest form of luxury. Furthermore, new market trends have created a third social statement: high profile based on responsible luxury.

2.1.3 Luxury Consumers

The ‘luxury consumer’ term defines all consumers who have previously purchased a luxury item, which varies between 15 and 35 million people, depending on the luxury definition. This value is growing to an expected 900 million consumers by 2024 (BCG, 2018). The average yearly expenditure of these consumers is of €39 thousand (2019), with a positive trend of yearly growth.

2.1.4 Market Trends

BCG-Altgamma’s report detects twelve key current trends shaping the luxury industry. Some trends have extended from the past years, such as (1) the relevance of influencers in shaping consumer behavior; (2) the importance of social media as a media channel; (3) the growth of online as a main distribution channel; (4) the increase of customization; and (5) the growing impact of sustainability on consumer behavior. The latter has an impact on the purchase behavior of 60% of luxury consumers, with 17% of them purchasing pre-owned items due to this trend, and 13% shifting to niche brands associated with

sustainability. Moreover, 56% of overall luxury consumers research a brand's social responsibility (BCG-Altgamma, 2019). Retailers are reactive to this consumer behavior, taking initiatives towards sustainability, therefore leading to the same behavior by brands (Kent, 2019). Furthermore, the report detects two new trends: (6) the interest in collaborations, driven by its novelty and uniqueness; and (7) the rise of the second-hand market, as 34% of luxury consumers sell their luxury goods and 26% buy resold goods (BCG-Altgamma, 2019).

Another trend of the market is ownership being increasingly substituted with other business models, such as rental, as it has happened in other product categories (Sherman, 2018). Furthermore, luxury brands have consistently increased prices of products across time, which has led to an inflation of prices of this market (Business of Fashion, 2019). Finally, this market has been shaped by the different needs between generations. Generation Z (consumers born between 1997-2015) and Millennials (born between 1980-1996), which together constitute 36% of the personal luxury goods market, have a substantially different set of needs from Generation X (born between 1961-1979). The needs of the first two groups include customized experiences, interactions with brands across digital platforms, an emotional context towards luxury brands, the consideration of the resale value in the purchase moment, the influence of sustainability in purchase decisions, the use of social media to interact with other market players, and the shift from traditional luxury brands to others (BCG-Altgamma, 2019). Both of these generations are the drivers of sales' growth, and have created a widespread "millennial state of mind", which has affected purchases across all generations, and resulted in brands redefining their strategies, as their success depends on effectively reaching these younger generations (D'Arpizio et al, 2017).

2.2 Second-Hand Personal Luxury

Focusing on the new market of second-hand, it is important to firstly define it. Second-hand consists on the sale of a good which had been previously purchased. This phenomenon has been increasing across different product categories, as consumers search for non-ownership methods of access to products, driven by the apparently paradoxical combination of the (1) desire for variety, as an average consumer buys 60% more items of clothing, keeping it for only half the time (compared to 15 years ago), and the (2) desire for sustainability. Adding this to the above aforementioned market trends has resulted in the rise of a second-hand market within the personal luxury goods one (Business of Fashion, 2019).

2.2.1 Second-Hand Personal Luxury Market

The second-hand personal luxury market has an estimated size of € 22 billion, accounting for 7% of the total personal luxury goods market. This share of the market is expected to grow at a 12% rate until 2021, while the overall market is expected to grow by only 3% (BCG-Altgamma, 2019). According to the BCG-Altgamma report, there are four main drivers contributing to the high level growth rates observed recently for second-hand personal luxury: firstly (1) the professionalization of the trade channels, as local consignment shops have been substituted by digital platforms, which provide seamless experiences and guarantee authenticity. Secondly, (2) consumer preferences for shorter ownership, caused by the constant exposure to new trends, as well as concern for sustainability. Moreover, (3) the market's access to rare and iconic products, easily located through digital platforms. Lastly, (4) the better price-quality ratio on luxury products, adding to a future income opportunity.

A further market trend has been the rise of vintage desirability. Vintage, previously defined as an item of a certain age, now covers items of any age that possess archival

value. The vintage desirability derives from a feeling of discovery and exclusivity, a statement against modern consumerism, and the past's authenticity and quality. This leads to pre-owned items selling at a price which doubles their estimated value. However, in theory, items in the second-hand market are valued according to their demand and supply, the primary market price, its condition, its color, the rarity and its edition, among other factors (Business of Fashion, 2012).

2.2.2 Second-Hand Retailers

The market is being supplied by different business models, mainly digital platforms, as 80% of consumers purchase second-hand items online (BCG-Altagamma, 2019), (both peer-to-peer, in which the sellers are responsible for the entire sale process, and consignment, in which the retailer is responsible for the sale process and the seller is paid a pre-defined percentage, only when the sale occurs) (Chen, 2019), local individual consignment shops, specialist vintage stores, and auction houses (Abnett, 2015).

The competitive landscape was formerly constituted by a high number of local physical consignment stores. This was followed by a high growth in the number of digital players, after which the market has stabilized with fewer yet bigger digital players, which have been competing for capital in investment rounds, in order to scale their businesses, which is essential to win market leadership (Sherman, 2016).

The current market leaders, according to most used by luxury consumers, are Vestiare Collective, Vinted, Instant Lux, Le Bon Coin, Vide Dressing, Depop, Hardly Ever Worn It, The RealReal and Vite en Vogue (see Appendix I for details on market players). These digital platforms provide a meeting point for buyers and sellers, providing additional services, such as authentication of the items and shipping.

2.2.2.1 Challenges

The retailers face many challenges, such as difficulties in reaching profitability, consequence to high costs of services, authentication and sellers' commissions. Moreover, supplying the right inventory is difficult, for which many retailers provide their sellers with education on consumers' demand and market trends (Sherman, 2016), and it may be contaminated with counterfeits and stolen goods, which easily damages the retailer's reputation (Sherman, 2018).

2.2.3 Luxury Brands

Luxury brands, the most important players of the primary market, still do not have an active role in the second-hand market. Correspondingly, the relevancy of a brand shifts between the two markets: the brands with the highest second-hand index (calculated by the share of second hand brand purchases divided by the brand's market share), do not correspond to the brands with the highest market share (see Appendix II) (BCG-Altgamma, 2019).

2.2.3.1 Brands and Resellers

Luxury brands are still adapting to the recent and fast rise of this new market, with contrasting positions. While most brands have opposed and fought this trend, such as Chanel filling a complaint against The RealReal, due to alleged counterfeits' sale (Chen, 2018), others have joined it, such as Stella McCartney launching a partnership with The RealReal (Business of Fashion, 2019). This divide has developed from a lack of clarity on whether the second-hand market is a threat to the primary market, as it "dilutes the aspirational branding of a luxury label" (Chen, 2019) and removes the distribution control from the brand, where the branding is made tangible; or if the second-hand market is a growth mechanism, providing affordable entry points for first-time buyers and serving as a customer acquisition channel, moreover providing luxury consumers with earnings to

invest in new purchases. As the market develops, brands need to choose how to participate in this market, and if adhering to it in order to gain control over supply, price, presentation and authentication, there is the choice of partnerships, in-house development or M&A (Business of Fashion, 2019).

2.2.4 Second-Hand Luxury Consumers

This growing market is completed by two groups of consumers. Firstly, 45% of first-hand luxury consumers participate in it (both as sellers and consumers), due to the perceived price-quality ratio, the search for products no longer available through the traditional channels, and due to social and environmental concerns. However, 35% state they would never buy, due to concerns over counterfeits and the items' conditions (BCG-Altgamma, 2019). The remaining consumers are new to the luxury market, taking part only in the second-hand format. BCG and Altgamma (2019) have identified the second-hand consumers to be different from those who sell their items into this market, which are considered to be the traditional first-hand luxury consumers. The second-hand consumers differ, as they do not have the means to access the products through the first-hand market, and thus use this new market as a way to enter the luxury segment.

Regarding the first-hand consumers and second-hand sellers, this group is driven by younger generations (as 45% of Generation Z sells, compared to only 23% of Silver Generation), and is motivated by the possibility to finance new purchases, in order to unclutter their wardrobe, and by sustainability concerns.

2.3. Luxury in Portugal

Focusing on Portugal, the country is visibly not luxury-driven, for which there is not a vast source of information on this market. Moreover, having a small luxury industry, the country is not commonly presented on global research.

2.3.1. Portuguese Luxury Markets

The Portuguese luxury market is mostly composed of foreign purchases, with foreign residents accounting for over 80% of all luxury purchases (Turismo de Portugal, 2018). Even though 87% of Portuguese luxury consumers' purchases are made in the country, this still accounts only for approximately 20% of the market, which clearly shows that this market is not driven by locals.

Regarding second-hand, the market is quite undeveloped in Portugal, with no sizable competitors, not local nor international. Apart from the national e-commerce luxury retailer, Farfetch, which has a "Pre-owned" section (Farfetch, 2020), the market is composed of small local shops and social media-based players.

2.3.2 Portuguese Luxury Consumers

The Portuguese consumer is mostly traditional and is not driven by status, but rather by a discrete approach to luxury and quality. Most purchases are motivated by special occasions, rather than a frequent basis. Regarding the consumer channels, Portuguese are quite traditional, preferring brick and mortar channels to digital ones, as only 37% of consumers have made an online purchase in the past year (2018), compared to a 60% European consumer average (PORDATA, 2019).

3. Addressing the Work Project Question

3.1 Methodology

Having understood the current relevancy and growth of the personal luxury second-hand market, as well as its seemingly still small adoption in the Portuguese market, it becomes relevant to further understand the potential for this market. Moreover, due to the conclusion that the first and second-hand consumers are distinct from each other, demographically and purchase-motive wise, a question for the Portuguese market arises.

Considering the low penetration of first-hand luxury consumption in Portugal, the new second-hand market could be a means to introduce luxury to more Portuguese consumers, meaning that Portuguese would more closely approximate the above aforementioned second-hand consumer profile, than the first-hand one. Therefore, research was conducted in order to understand the second-hand market potential for Portugal, considering the different elements of the market.

The research conducted was divided into two stages, completed by a qualitative and quantitative research. Firstly, given the lack of previous research on this topic, for the Portuguese market, and in order to understand the current conditions of the luxury market and its consumers, a qualitative research was performed, completed by 18 qualitative in-depth semi-structured interviews. As to find the right sample of consumers, composed of both current luxury consumers and potential ones, who were detected by their current premium purchases, a pre-recruiting filter was applied (see Appendix III), considering price as a proxy for luxury. The final sample was composed of 18 Portuguese consumers, 12 women and 6 men, in order to have an accurate representation of the market. Regarding age, interviewees were equally distributed between Generation Z, Millennials and Generation X, as to test international research regarding generational differences (see detailed sample in Appendix IV). The 18 consumers were interviewed both regarding the first-hand personal luxury market, considering their purchase behavior and luxury consumption; as well as the second-hand personal luxury market, covering their and perceptions of it, and their potential to sell (see the Interview Guide in Appendix V).

Secondly, having inferred the current landscape of the market and understood its consumers through the interview research phase, such preliminary insights were tested through an online quantitative questionnaire, the second phase of research. In order to improve statistical relevance of the preliminary insights, the survey was distributed to 100

Portuguese consumers, 75 women and 25 men, of all three generations considered (see the detailed sample in Appendix IV). The same pre-recruiting filter of the interviews was applied to the questionnaire, in order to compare the different consumers, and its questions covered the topics and main insights of the interviews.

3.2 Main Insights from Research

By combining the quantitative and qualitative research, many insights became visible regarding the market potential. However, firstly it was essential to understand whether there was any considerable potential for the market as a whole.

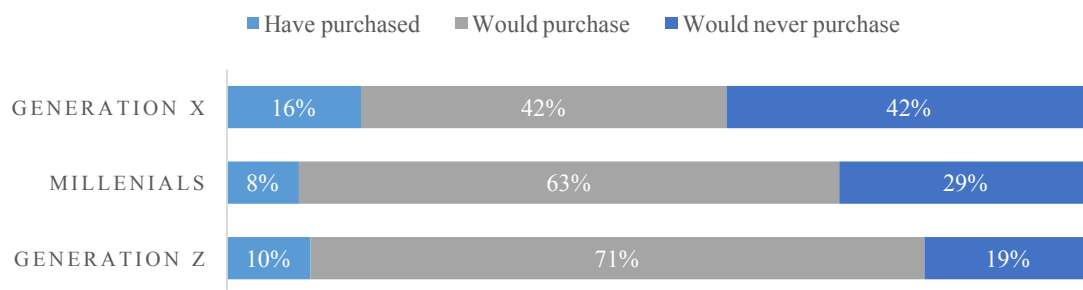
During the first phase of research, throughout the interviews, it was possible to observe a generalized distance from this market, in spite of its awareness. Quantitative testing confirmed this, as 77% of Portuguese had heard of this market, however, only 12% had previously participated as consumers, showing a current low penetration. However, from the current non-consumers, 64% state they would consider participating, which results in 68% of all Portuguese being willing to consume in this market. This value shows a considerable potential for the market in Portugal, as approximately two in every three Portuguese would participate.

Moreover, upon a more detailed analysis, the interviews also created a visible pattern of where the growth potential lied, revealing contrasting opinions, which showed to be associated with contrasting market elements too. Having understood this, a more in-depth analysis of research insights was conducted, by dividing the results into the referred market elements, seeking the most favorable opinions and conditions of the current market scope, thus finding its potential locations for growth. This led to five main insights, concerning demographics, consumer experience, purchasing channels, offer, among others.

3.2.1 Greater potential in younger generations

The first research insight was the greater existing market potential among younger consumers. Firstly, throughout the qualitative research, younger respondents showed to be overall more acceptant of this market, whereas older respondents were more limited in their receptiveness, displaying more negative associations. Secondly, this generational difference was tested quantitatively, and confirmed, to some extent.

Graph I – Current Second-Hand Market Penetration by Generation Group



Source: Work Projects' Author Research

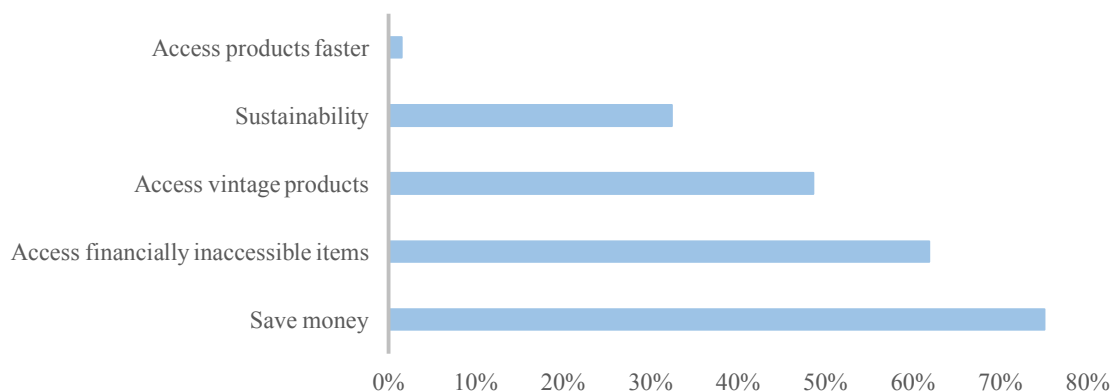
In Graph I, it is possible to observe that, whereas the current low market penetration is slightly higher in Generation X (16% of consumers having purchased a second-hand personal luxury item), than in Generation Z (10%), the potential market penetration is much higher for the latter. Of the current non-consumers of second-hand, 79% of Generation Z state they “would purchase”, compared to 68% of Millennials, and only 50% of Generation X. It is possible to conclude that there seems to be different potential between age groups, as the potential for growth of this market lies in the younger generations, as half of the older generation current non-consumers “would never buy”, compared to only 20% of the younger generation.

3.2.2 Economic factor as the driver of market potential

In relation to the consumer motivations, a second insight showed to be that the main driver of this market's potential is the economic aspect. Firstly, through the qualitative research, it seemed clear that Portuguese are driven towards first-hand luxury for the main purpose of quality, as, throughout the interviews, the quality factor was consistently mentioned by all those interviewed, as consumers “will invest in items that are more important, and therefore should have higher quality, such as a bag.” (statement by interviewee Z2). Indeed, 84% of surveyed consumers stated ‘Quality’ to be their motivator for a luxury purchase, with only 16% seeking the ‘Status’ factor.

When buying a second-hand item, the consumers would expect this quality to be maintained, whilst the price is lowered, as price is both the main barrier mentioned for first-hand consumption, as well as the main attractiveness of the second-hand market. Correspondingly, ‘saving money’ is the most frequent motivator for second-hand purchases, as 75% of surveyed consumers state this to be their reason for market participation, followed by 62% of consumers stating the ‘access to financially inaccessible products in first-hand’, as shown in Graph II. Other factors, such as the ‘vintage’ factor, ‘sustainability’ and ‘time’ were not as relevant.

Graph II – Motives for Second-Hand Personal Luxury Purchase (% of consumers motivated by)



Source: Work Projects' Author Research

From the results, it seems noticeable that the financial aspect has a substantial importance concerning luxury purchases.

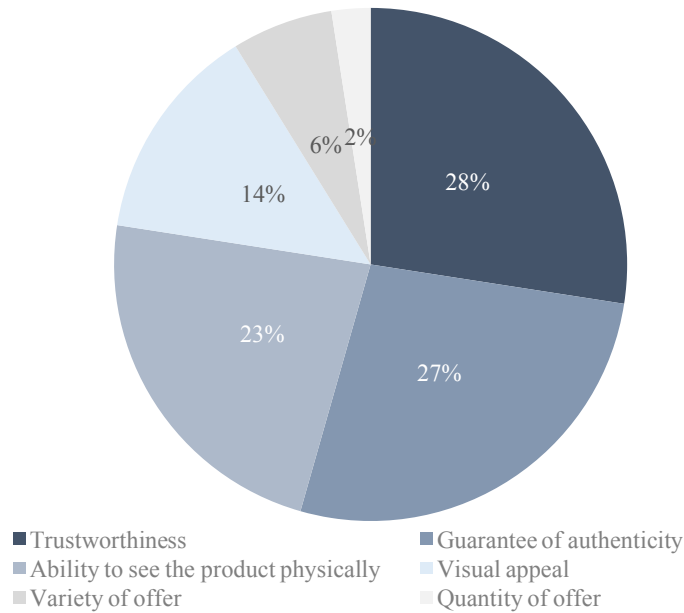
3.2.3 Physical channels as a market requisite

Furthermore, concerning distribution, the third insight derived from the research was the importance of a retailer's physical presence. During the last segment of the semi-structured in-depth qualitative interviews, respondents were shown three images of different retailers: a digital platform, a social media-based e-commerce, and a physical store (see Appendix VI). The respondents were asked to comment, which resulted in all 18 interviewed consumers stating a reluctance in purchasing through the online channels presented. The consumers provided different reasons, mainly that a second-hand purchase would require them to physically authenticate the item's conditions, as well as the fact that their current consumption behavior did not include online purchases, and therefore the same would apply to this new market.

The quantitative research confirmed these insights, as, firstly, regarding first-hand, only 23% of consumers reported an online purchase. For second-hand purchases, this value lowers to 15% (consumers that have or would purchase a second-hand personal luxury item online). Furthermore, 56% of consumers state they that would buy in a physical store only, whereas 29% are indifferent.

The choice of channel is based on different factors, mainly the channel's trustworthiness, the guarantee of authenticity and the ability to see the product physically, as displayed in Graph III. The first and last motives may also be explanatory of the preference for physical channels.

Graph III – Factors in Purchase Channel Choice (% of consumers influenced by)



Source: Work Projects' Author Research

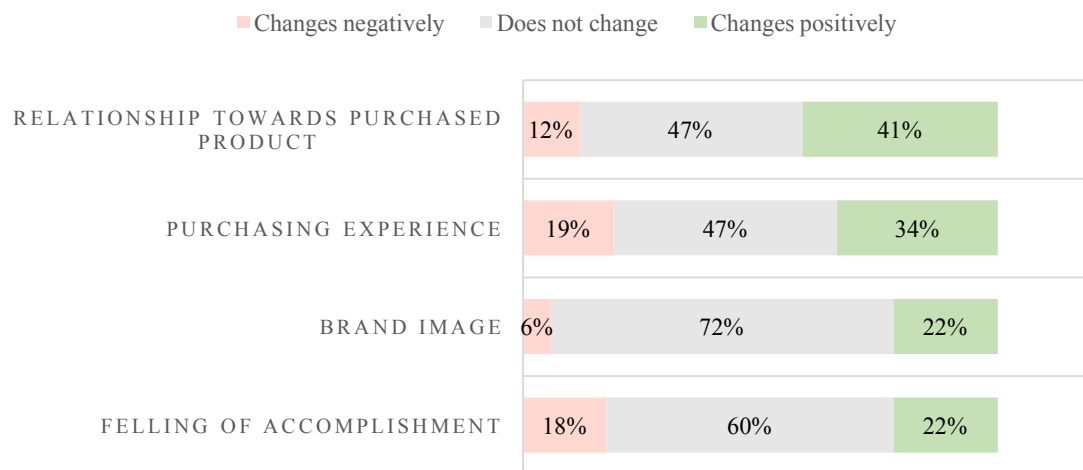
Concerning channels, the potential of the market lies in the physical distribution, as it is the way most consumers would be willing to participate in the market. Therefore, a physical presence is crucial in this market, either by itself or combined with other formats. Moreover, the distribution potential can be further achieved by ensuring the appeal to the factors of consumer choice.

3.2.4 Luxury value sustained in second-hand

Additionally, the preservation of the main luxury value propositions for Portuguese consumers, when considering the transition from the first to the second-hand market, was a further research insight. Within the qualitative research, different points of view were collected on how the different value propositions of the personal luxury market changed or not, when comparing a first and second-hand purchase. For example, considering the brand image, some respondents would be pleased by a brand's presence in the second-hand market, stating that "it shows that the brand is iconic enough to be sold later in time,

and that the products stand the test of time” (statement by interviewee Z3), whereas other respondents had a negative association to it, stating that the “dream built by the brand is destroyed when its items are put in such an environment” (statement by interviewee X4). As a result, in order to draw a better conclusion, the four most mentioned elements in the qualitative research as luxury value propositions were tested quantitatively: the relationship towards the purchased product, the purchasing experience, the brand image, and the feeling of accomplishment.

Graph IV – Perception of Market Elements Between First and Second-Hand Market



Source: Work Projects' Author Research

Overall, for most consumers, all four elements do not change between the two markets, as seen in Graph IV, indicating that the key aspects of the first-hand market are mostly sustained in second-hand. Moreover, it is possible to see that two elements have a greater tendency to improve in second-hand. Firstly, 41% of consumers state that the relationship towards the product improves, compared to 47% that state it does not change. This might be explained due to the positive associations of money savings and of a responsible consumption. Moreover, the purchasing experience is stated to improve, by 34% of consumers, which may be explained by a new and different experience from

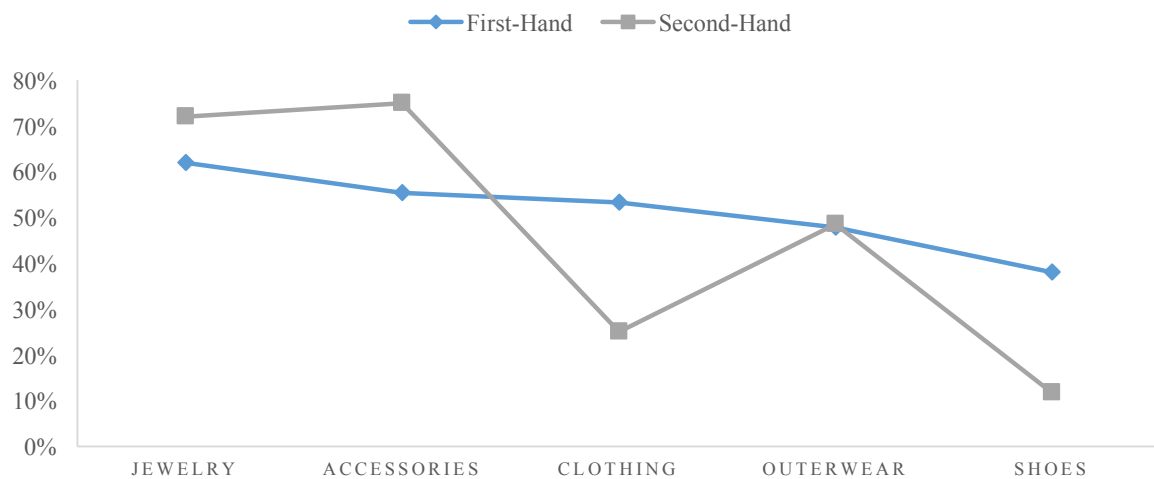
conventional. Taking the results into account, this market shows a potential in differentiating itself, through the purchasing experience and the relationship with the purchased item, as it offers a new added value on both these elements, through a more conscious consumption and a different experience for the consumer.

3.2.5 Averseness to personal product categories

The final research insight was the generalized disfavor of product categories considered more personal, due to their proximity to the owner, when considering second-hand. Throughout the qualitative analysis, some product categories became visibly more aligned with the consumers' preferences. For first-hand purchases, consumers stated to prefer investing in higher importance items, such as jewelry, accessories and clothing. For second-hand purchases, however, consumers seemed to prefer product categories the furthest away from personal. There was a common feeling of strangeness in wearing an item from someone else, as consumers who "would not purchase" second-hand items shared a common aversion to it, with statements such as "I would never want to wear anything belonging to someone, it feels strange" (statement by interviewee X4). When tested quantitatively, the main reason for not being willing to buy second-hand, apart from an overall lack of interest, was the 'feeling of strangeness of wearing something from someone else' (81%). This might be explanatory of why categories that are less personal are more attractive for second-hand purchases.

As a result, for second-hand personal luxury, most Portuguese only consider buying jewelry, accessories and outerwear, as shown in Graph V. The likelihood to buy clothing and shoes drastically decreases, by as much as 28% (difference in quantity of consumers that state they would buy), displaying the unattractiveness of buying these more personal product categories, within the second-hand market.

Graph V – Purchased Product Categories in First and Second-Hand Markets



Source: Work Projects' Author Research

Considering the previous results, it is evident that the market potential is in the less personal product categories, mainly jewelry and accessories. Moreover, there is very little potential in the personal product categories (clothing and shoes), which may even be off-putting for consumers interested in the other categories.

4. Discussion of Main Insights

The aforementioned research insights suggest that the Portuguese market does indeed hold potential for growth of the second-hand personal luxury market, as a majority of the target consumers state being willing to participate. However, given that most consumers are currently aware of the market but are not participants, there seem to be other factors delaying the market growth. These factors may include the limited local offer, both in terms of market players and of products, as well as an incorrect positioning of retailers for the highly specific market. Through the five main insights presented, one may conclude that the Portuguese market for second-hand personal luxury differs greatly from the global market, as it has many specificities, in terms of demographics, motivators, channels, among others.

Regarding demographics, the Portuguese market is alike the global one, as new distinct markets and business models, such as this, have a slower development, and a greater potential of growth in younger consumers. This corresponds to the global landscape, as this market has leveraged on the previously mentioned “millennial state of mind”. However, considering the consumer motivations, the distribution and the product offer, the global context does not apply to the local market. Considering the consumer motivations, whereas the ‘vintage’ and ‘sustainability’ factors are key market growth drivers globally, these fall behind the main driver for the Portuguese market – money savings. As mentioned previously, the economic aspect bears a great importance in the Portuguese luxury consumption, as, regarding first-hand consumption, the price is the main barrier for Portuguese consumers, and consequently, the reduced price in the second-hand market is the main motivator for Portuguese purchases, approximating consumers to a desired group and level of quality.

Moreover, one of the most critical contrasts between Portugal and the global market concerns the distribution. Unlike the global market, in which 80% of consumers purchase second-hand items online, only 15% of Portuguese consumers have or would purchase a second-hand personal luxury item online. This implies a need for a substantially different market landscape, and is, to some extent, explanatory of the slow market growth in Portugal, as studies have shown that one of the four main drivers of the global market growth was the professionalization of channels, through the rise of digital platforms (BCG-Altgamma, 2019).

Furthermore, even though previous market studies did not conclude on any bias towards product categories, this was quite visible in the Portuguese market, consisting on the averseness towards personal product categories. This might be explained by a more traditional consumer mindset, which translates into repel towards others’ belongings.

This market specificity suggests the need for a much more tailored product offer for Portuguese consumers.

All in all, despite the seemingly high market potential, this is not straightforward, as the market holds various distinct features, which need to be accounted for by market players.

5. Main Recommendations

This Work Project aims to evaluate the market potential in Portugal, thus permitting recommendations to market players, namely current and future retailers.

Considering the Portuguese market's difference from the global second-hand personal luxury one, a market player's success will depend greatly on its ability to serve the specificities of the market, considering such differences in all business decisions, from pricing, to branding, to communications and distribution. The importance of building a business based on the market's characteristics is certain for both current and new players, and additionally important for foreign expansions into the Portuguese market, as a global business model is unlikely to succeed in the local market's conditions.

Firstly, having understood the consumer profile potential, and even though all age groups can be targeted, the greatest potential is within the younger generations, meaning that this could be the most fruitful target. Moreover, when creating a positioning, branding themselves and communicating with its target, market players should take into account the motivators of purchase, as well as the positive and negative associations to the market. Therefore, a consistent focus should be made on pricing and the financial advantages associated with second-hand purchases, creating a value proposition concerning the price-quality ratio. The different business decisions should be made taking into account that the Portuguese consumer seeks luxury for its quality, and believes to achieve a similar quality at a lower price point, when shopping second-hand. In order to certify this, and

simultaneously mitigate the distrust in items' conditions, sellers should consider creating means to assure quality, be it through a late payment method, or a physical authentication by the consumer. Additionally, market players should be present in a physical channel, even if also present in others, as to capture most of the potential consumers. Considering the most important factors of consumers' channel choice, distributors should firstly build their trustworthiness, through certificates or Personal Relations, for example; secondly, it is important to guarantee authentication, which can be done through experts; lastly, means should be provided for the consumer to be able to see the product physically before purchase, which is aligned with the need for a physical channel. Lastly, market players should build their offer around the more desired product categories, as well as enhance these in their communications and branding. Furthermore, distributors may want to go to the extent of eliminating personal product categories, as these may alienate consumers from purchasing the desired ones. Overall, players should leverage on their positive associations, focusing their core value proposition on the financial benefits, whilst communicating on a maintained luxury quality.

Altogether, considering the analysis and comparison to previous research, it is possible to conclude on an existing unfilled capacity for new market players, which should adapt to the existing market characteristics, in order to succeed and reach the local consumers. However, such new entrants have the possibility to shape the market, due to its current undeveloped condition.

7. Main Limitations

The conclusions and recommendations of this Work Project were subject to some limitations. Firstly, given the shortage of previous research on both the luxury market, and the second-hand market in Portugal, there was no initial basis nor insights from which

to build on. Furthermore, in order to create such a basis, interviews were conducted to a limited number of 18 respondents, which were not fully representative of all Portuguese consumers, due to bias in gender, place of residence, and income level. Likewise, the quantitative questionnaire, even though more statistically relevant, was distributed to a relatively small sample of 100 consumers, which were not fully representative of the entire market either. Moreover, due to the low market penetration and shortage of consumers, most of the conclusions made were based on hypothesis of possible consumers, and not actual experiences by current consumers, which may have led to an unrealistic inflation of results. Finally, this study was conducted over a limited time frame and with minimal resources, for which the analysis is not fully complete.

7.1 Directions for Future Research

Additional research could be performed as to analyze the market in a deeper manner. An interesting research path would be to interview and analyze current market players, and their employees, as to understand the already existing market interactions. Moreover, it would be relevant to research the overall second-hand market in Portugal, to understand how it compares to the second-hand luxury one, thus concluding on possible unions. Lastly, another interesting research would be to focus on the greatest potential fraction of the market (younger consumers, with certain purchasing motivations and experience expectations), in order to thoroughly understand the future market consumers, thus fully tailoring their experience.

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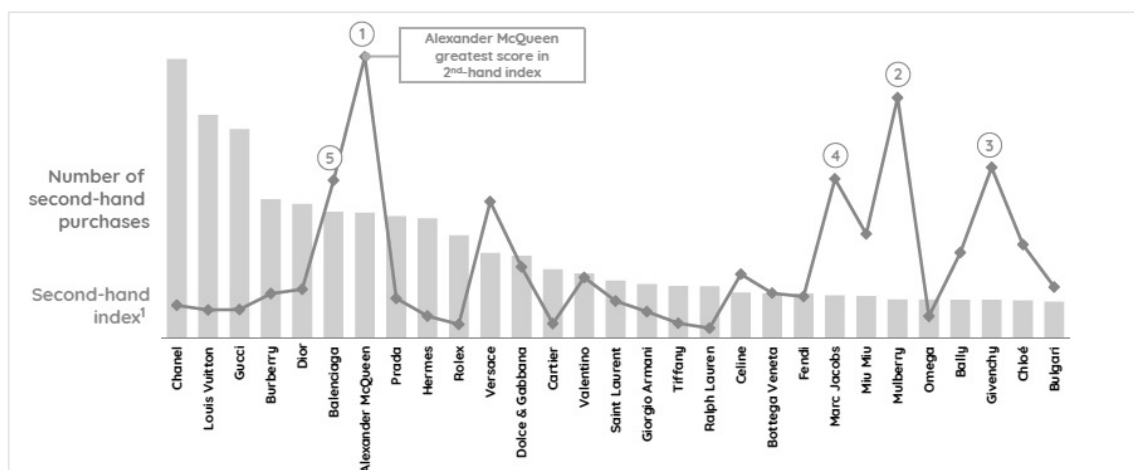
Appendices

Appendix I – Biggest Worldwide Market Players

Reseller	Origin	Creation	Business Model	% of users
Vestiaire Collective	France	2009	Peer-to-peer platform, with a physical authentication process	16%
Vinted	Lithuania	2012	Online marketplace	14%
Le Bon Coin	France	2006	Classifieds website	11%
Vide Dressing	France	2009	Peer-to-peer platform	11%
Depop	UK	2011	Peer-to-peer social shopping app	8%
Hardly Ever Worn It	UK	2012	Peer-to-peer platform, with a physical authentication process	8%
The RealReal	USA	2011	Consignment platform, acquires up front, providing authentication of goods	8%
Vite en Vogue	Germany	2013	Consignment platform	8%

Source: BCG-Altgamma (2019); Retailers' Websites

Appendix II – Second-hand index by luxury brand



Source: BCG-Altgamma (2019)

Appendix III – Pre-recruiting filter for qualitative interviews and quantitative questionnaire

From the list below, select all items that you purchased, in the last year. Select all options that apply.

- Makeup > 35€
- Cream > 100€
- Perfume > 100€
- Bag > 200€
- Piece of Clothing > 150€
- Pair of Shoes > 200€
- Jewelry > 150€
- Sunglasses > 200€
- Watch > 200€
- Suit > 400€
- Shirt > 80€
- None of the above

Source: Work Project’s Author

Appendix IV – Research Methods Detailed Sample

Research Method	Sample Overview
Qualitative Analysis: In-depth semi-structured interviews	<ul style="list-style-type: none"> • n = 18 • Generation Z (6), Millennials (6), Generation X (6) • Female (12), Male (6) • Level of Education: High School (2), Bachelors Degree (9), Masters Degree (7) • Consumption Behavior: Small Luxury Consumers (5), Premium Consumers (13)
Quantitative Analysis: Online Questionnaire	<ul style="list-style-type: none"> • n = 100 • Generation Z (31), Millennials (24), Generation X (45) • Female (75), Male (25) • Level of Education: High School (7), Bachelors Degree (59), Masters Degree (32), Doctorate Degree (2) • Consumption Behavior: Non-Luxury Consumers (8), Luxury Consumers (92)

Source: Work Project’s Author

Appendix V – Qualitative in-depth semi-structured Interview Guide

Qualitative Research: Interviews to Consumers – Interview Guide

Introduction: Explaining the semi-structured in-depth interview method

Initial Question: “Last time you purchased a fashion item, accessory, beauty item, which brand did you purchase and why?”

- Goal: Understand the luxury behavior

Second half of interview – Introduce second-hand topic: “Have you heard of second-hand luxury before? Would a second-hand purchase be an option for you?”; Show market images, ask for comment.

- Goal: Understand perceptions and/or experiences with the second-hand market

Topic to be covered

1 - Purchasing habits (first-hand market + second-hand, if applicable)

- Purchasing frequency
- Purchasing motives and incentives (e.g. promotion)
- Place of purchase
- Purchasing habits and occasion (vacations, special dates, ...)
- Decision-making process
- Preferred brand and reason why?
- Influencers
- Purchase pattern/funding and wishes

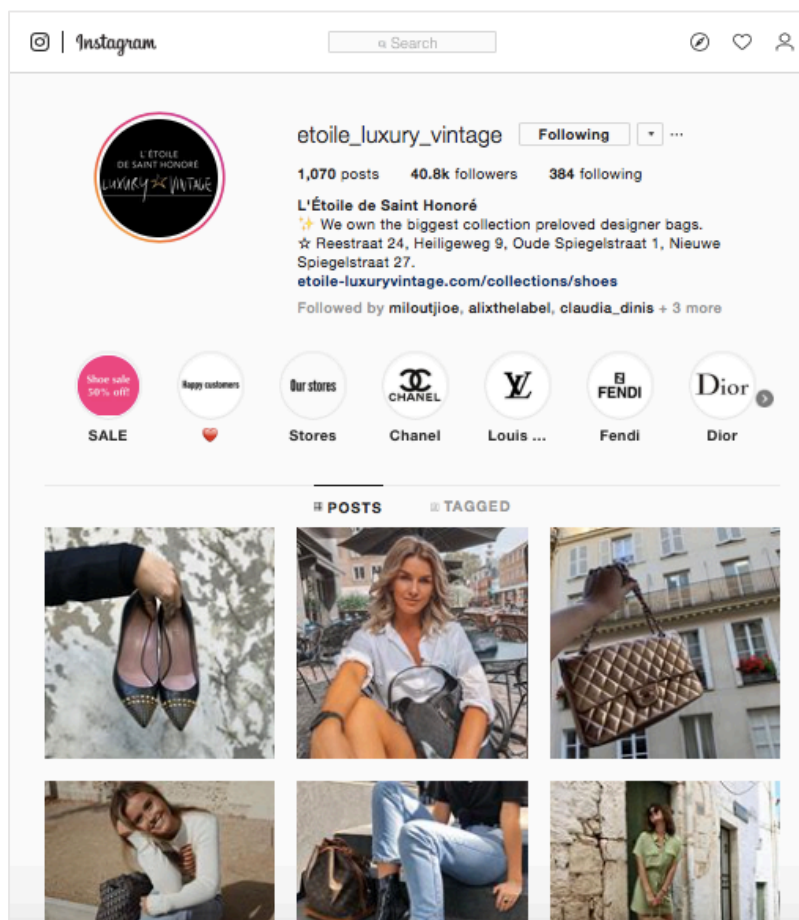
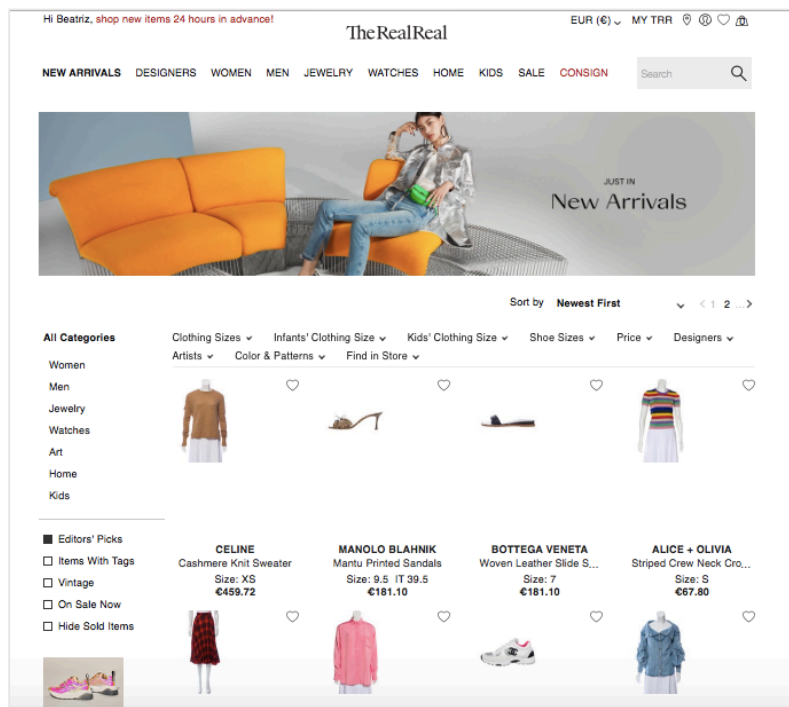
2 - Perception of the second-hand market

- Image and Perceptions
- Experiences (positive/negative)
- Perceived Price
- Image of the brands in the different markets

3 - Generational Different Needs (Gen Z + Millennials vs Gen X)

Source: Work Project’s Author

Appendix VI – Market images shown during in-depth interviews





Sources: Retailers' Social Media (The RealReal, Etoile Luxury Vintage, Quartier Latin Vintage, Jet Rag)