

## **The Drivers of Second-hand Luxury Fashion Consumption among Generation Z and Millennials: An Exploratory Study**

**BRUNA FILIPA MAIA MACHADO ALVES**

UNIVERSIDADE DO PORTO

**HELENA NOBRE**

UNIVERSIDADE DE AVEIRO

**PEDRO QUELHAS BRITO**

FACULDADE DE ECONOMIA DA UNIVERSIDADE DO PORTO

# **The Drivers of Second-hand Luxury Fashion Consumption among Generation Z and Millennials: An Exploratory Study**

## **Introduction**

The concerns with sustainability are changing the perception of new generations of consumers towards the fashion industry, and the second-hand market is flourishing in this new context (Gazzola et al., 2020). The circular economy values have gained prominence in the fashion industry since it is a highly polluting industry and requires sustainable changes (Hugo et al., 2021). Globalization has highly contributed to the alarming rate of fashion overconsumption (Diddi *et al.*, 2019). The negative impact of the fashion industry has spotlighted the need for an environmentally friendly approach to fashion products (Kim et al., 2021).

In response to these challenges, new business models are emerging. According to the Boston Consulting Group report (2019), the sale of second-hand luxury fashion items is considered a key trend in the sector. This market is growing four times faster compared to the primary luxury fashion market (Aycock et al., 2021), expanding as consumption patterns are changing. Therefore, both consumer demands and marketplace shifts, have led to the steady growth of second-hand retail, forcing traditional retailers to acknowledge and respond to this trend (Ferraro *et al.*, 2016). There is an emerging opportunity for luxury brands to embrace and recognize the status of second-hand sellers, providing them with an exclusive shopping experience (Turunen et al., 2020).

The growth of luxury resale was driven by several factors, including the impact of the pandemic, the advancement of digitization, and the generational headwind. Moreover, younger buyers (Generation Z and Millennials) are more open and actively looking for than Generation X and older to purchase pre-owned products (McKinsey & Company, 2021).

Circular economy-based models are currently emerging within the fashion industry (Charnley *et al.*, 2022), expected to rise as a key business trend in the next decade. Therefore, several questions arise regarding the future of the luxury fashion industry. Can we consider the circularity and second-hand sale as a turning point for the fashion industry as we know it? Do brands really want to enter this second-hand market by themselves and play a leading role (Arribas-Ibar et al., 2022)? A paradigm shift is expected in the fashion industry, second-hand

goods will play a huge role in the future fashion landscape (McKinsey & Company & Global Fashion Agenda, 2020).

The aim of this paper is to acquire knowledge on the motivations and other factors that drive the purchase of second-hand luxury fashion items, by both Generation Z and Millennials consumers. The development of successful business strategies requires the understanding of consumers' profile and their awareness of the subject, as well as understanding the real demand for second-hand luxury products. We hope with this study to contribute to that.

**Keywords:** Fashion, Luxury, Second-hand, Sustainability, Motivations, Customer Decision Making, Generation Z, Millennials.

## **Literature Review**

### Sustainability in luxury fashion

The textile and clothing industry is undergoing a sustainability transition, pushing related businesses to adapt to circular economy (CE) models, such as recycling and reuse. (Ta *et al.*, 2022). Hugo's *et al.* (2021) study assumes that circular initiatives, including the reduction, reuse, and recycling of goods have already been implemented. Hence, a solid understanding of the mechanisms behind the combination of luxury and sustainability can provide insights for both enhancing individual firm success and achieving a shift towards more sustainable products (Kunz *et al.*, 2020). Nonetheless, fashion companies still have doubts regarding if and how consumers perceive their investments while adopting new production circular models or investing to reduce their environmental impact (Blasi *et al.*, 2020). Fletcher and Grose (2012) emphasize that distinct fashion business models will emerge with sustainability at the core, the main driver will be the commerce, but their success will be measured in social, cultural, and environmental values.

### Second-hand luxury fashion

The luxury industry is led by key brands that have a significant impact on the sector's global performance. Some of the largest business groups in the fashion luxury sector LVMH (Moët Hennessy – Louis Vuitton), Gucci and Compagnie Financière Richemont (which owns, among

others, the Cartier, Chloé and Montblanc brands) which currently appear at the top of global financial rankings (Nobre, 2019).

As the second-hand market is growing worldwide, conventional luxury consumption is likely to evolve based on planned and unplanned reselling (Turunen et al., 2020). Indeed, there is a paradigm shift occurring within brands. Kering Group, owner and manager of luxury brands as Gucci, Saint Laurent, Bottega Veneta, Balenciaga, and Alexander McQueen, invested in the luxury resale marketplace Vestiaire Collective, to enhance its customer experience and boost its sustainability efforts (McKinsey & Company, 2021). According to Kering, the growth in the second-hand luxury market has been predominantly triggered by younger consumers' focus on sustainability and a growing trend for social shopping and online communities (Kelleci, 2022). ThredUp's (2022) report shows three primary motivations of executives in the fashion industry for entering second-hand sales: (1) becoming more sustainable; (2) acquiring more customers; and (3) driving revenue growth. Moreover, luxury conglomerates have started getting involved in new second-hand business models (Turunen *et al.*, 2020). ThredUp's report reveals that more than half of the retail executives without resale programs expressed a feeling of being behind the curve relative to their peers. Furthermore, online second-hand resale platforms are a booming industry involving the growing recognition of various economic, environmental, and recreational benefits in buying and selling used items (Bae et al., 2022).

The customers experience in resale is a dynamic phenomenon in which knowledge, emotions, and social interaction are related and together shape customers' willingness to adopt, choose, and buy circulated products (Ta et al., 2022). Second-hand represents an interesting and growing arena for consumers to buy and sell brands (Sihvonen & Turunen, 2016). Furthermore, sellers are changing the conventional luxury market's power dynamics (Turunen et al., 2020).

### Drivers of second-hand luxury fashion consumption

According to the literature, there are several drivers for the purchase of second-hand luxury fashion. Therefore, previous studies have identified economic reasons, need for uniqueness, eco-consciousness, status, investment, e-commerce accessibility, perceived emotional value, perceived product quality, word of mouth, as some of the motivations.

Sorensen and Jorgensen (2019) suggest six drivers: quality, price, design, brand availability, origin and authenticity; but distinguish price and quality as focal aspects when determining the

value of a used branding second-hand markets. Prakash and Tiwari research (2021) conclude that consumers 'economic benefits are significant drivers of the second-hand fashion business. Investment also stands out as one of the main motivations. The perspective of reselling the good for money is a means of consumer empowerment, through the growth of expertise and potential financial resources (Turunen et al., 2020).

The perception of being eco-friendly has a positive influence on the brand image, with this impact being much higher for luxury rather than fast fashion brands (Blasi et al., 2020). In turn, Kessous and Valette-Florence (2019) emphasize social climbing, eco-conscious concerns, brand heritage, and windfall. As per McKinsey & Company research (2021), buyers choose pre-owned items largely due to their rarity value and sustainability factors.

Sihvonen and Turunen (2016) concluded that for the online second-hand fashion industry, the element of time appears to be an important factor grounding the consumers' considerations of the perceived value (Sorensen & Jorgensen, 2019).

#### Characteristics of the second-hand luxury fashion consumers

ThredUp's (2022) report shows that 82% of consumers shared a positive emotion when they purchase a second-hand item. Even so, there is still a need for further efforts to change consumers' perceptions of the value dimensions of second-hand clothing through education or campaign activities (Kim et al., 2021).

Millennials are becoming more conscientious of the products they buy, as well as the social and environmental implications behind them. Second-hand items are gaining popularity among consumers around the world, especially the X, Y, and Z generations (Hristova, 2019). The growth of the resale luxury market can be attributed to several factors, including the success of specialized digital trading platforms, as well as changes in consumer behavior (McKinsey & Company, 2021). In terms of geography, is expected an exponential growth trend in the global second-hand clothing market, with a major impact mainly in North America, Europe, and Asia (ThredUp, 2022).

According to Boston Consulting Group's (2019) research among true-luxury fashion consumers, 50% of consumers who have not sold second-hand clothing items, are willing to try it (ThredUp, 2022). Thus, 80% of second-hand market participants use online channels to get informed and to trade (BCG, 2019).

## **Methodology**

The main purpose of this study is to explore the new paradigm of second-hand luxury fashion and gain knowledge on the purchase motivations of Generation Z and Millennials. Thus, the main research question is:

RQ: What are the main motivations that drive younger consumers (Generation Z and Millennials) to purchase second-hand luxury fashion items?

In the endeavor, we formulated some specific objectives that serve as guidelines in the development of study design, data analysis, and study contributions:

1. To identify the main drivers for purchasing second-hand luxury fashion.
2. To gain knowledge on the predisposition of Generation Z and Millennials to acquire second-hand products over primary items and sell their items in the second-hand market.
3. To identify the most valued brands, the best-selling categories of products, and the most used sales channels in the second-hand luxury fashion market.
4. To explore the main consumption trends of second-hand luxury fashion among Generation Z and Millennials.

For this research, we applied the qualitative research methodology to explore the motivations behind second-hand luxury fashion consumption among Generation Z and Millennials. Qualitative research helps to understand the richness, depth, and complexity of consumers (Malhotra & Birks, 2007) and allows for an in-depth investigation of the human experience from the participant's point of view (Gopalakrishnan & Matthews, 2018).

A total of fifteen semi-structured interviews were conducted among luxury and second-hand fashion managers and consumers (Generation Z and Millennials). For the in-depth interviews, 2 convenience samples of CEOs and consumers were chosen (Gopalakrishnan & Matthews, 2018). The first sample consists of (1) CEOs of second-hand luxury fashion companies worldwide, to gather information on their business models, strategies, and perceptions of the luxury fashion resale market; and (2) CEOs of key luxury resale stores in Portugal, that could provide constructive insights into the market, consumer profiles, demand dynamics, and barriers that may arise in the future (see Table 1). The second sample consists of active

consumers among Generation Z and Millennials (see Table 2). Participants in the study were properly informed on the nature and purpose of the research, obtaining their consent prior to their involvement. The research followed fundamental ethical values, including the voluntary participation of individuals, consent to the recording of the interview, ensuring the confidentiality of their information, and preserving anonymity throughout the study.

**Table 1 – CEOs of Second-hand Luxury Fashion Companies**

<b>Participants</b>	<b>Nationality</b>	<b>Company</b>	<b>Position at the Company</b>	<b>Sales Channel</b>
Interviewee 1	Portugal	Yeahllow	Co-Founder CEO	Online Store
Interviewee 2	Lebanon- Portugal	Du Chic a Vendre	Founder	Online
Interviewee 3	United States of America	Luxury Garage Sale	Founder CEO	Online
Interviewee 4	Portugal	Le Quartier Latin	CEO	Online Store
Interviewee 5	Portugal	Efforie	Co-Founder	Online
Interviewee 6	Portugal	La Petite Coquette	CEO	Online Store
Interviewee 7	Portugal	Luxclusif (Farfetch Group)	Co-Founder CEO	Marketplace

**Table 2 – Active Consumers Generation Z and Millennials**

<b>Participants</b>	<b>Nationality</b>	<b>Country of Residence</b>	<b>Date of Birth</b>	<b>Generation</b>	<b>Profession</b>
Interviewee 1	Portuguese	Portugal	September 1988	Millennials	Fashion Designer
Interviewee 2	Portuguese	Portugal	April 1996	Millennials	Fashion Designer
Interviewee 3	Portuguese	Portugal	May 1980	Millennials	Business
Interviewee 4	Portuguese	Portugal	May 1983	Millennials	Business
Interviewee 5	Portuguese	Germany	May 1982	Millennials	Nurse
Interviewee 6	Portuguese	Portugal	October 2003	Gen Z	Student
Interviewee 7	Portuguese	Portugal	February 2003	Gen Z	Student
Interviewee 8	French	France	November 1986	Millennials	Events Manager

The content analysis of interviews was guided by a predefined set of categories identified in the literature review. The analysis of data is presented below in the respective categories: consumer behavior changes, drivers of second-hand luxury fashion consumption, sustainability, and key challenges in the industry.

### **Results of Interviews to CEOs**

#### Consumer behavior changes

Participants, in general, refer to a change in consumer behavior to purchasing second-hand luxury fashion:



I believe the main change has to do with a general predisposition of the population to buy second-hand products, meaning there is less stigma in purchasing these items (...) people feel that it is a smart way to acquire pre-owned luxury products. (Participant E6)

Moreover, participants highlight that consumers are recognizing the value of purchasing second-hand luxury fashion items:

There has been a notable shift in consumer behavior towards second-hand luxury fashion. More and more people are recognizing the value and benefits of buying pre-owned items, including cost savings and sustainability. (Participant E7)

Participant E1 emphasizes digitalization and accessibility as changes in consumer behavior:

With the rise of social media and online platforms, consumers are more connected and informed than ever before. They have access to a wide range of options and can easily compare prices and quality. This has led to a shift in consumer behavior, as they prioritize value and authenticity in their purchases. (Participant E1)

These findings align with the proposal presented by (Hristova, 2019) that the rise of second-hand market has been driven by new trading formats, the consumer behavior of modern generations, and the development of social media, the internet, and environmental protection. Moreover, the ongoing digitalization of the online second-hand resale industry is likely to continue with the implementation of various strategies that contribute to users' perceptions of usefulness, ease of use, and enjoyment, increasing users' satisfaction (Bae et al., 2022).

#### Drivers of second-hand luxury fashion consumption

The results of the study concluded that the main motivations cited by the participants are aligned with the literature review. The most stated motivations were economic factors (price, value), status, and need for uniqueness. Other motivations, such as investment, and accessibility were also often cited:

We consider investment, status, and economic factors as the most relevant. (Participant E3)

Economic factors, the desire for exclusivity, status, and investment opportunities. (Participant E1)

Exclusivity, price, and status are the main drivers of second-hand luxury fashion consumption in Portugal. (Participant E4)

The need for exclusivity and status are important factors driving the consumption of luxury second-hand fashion. Consumers have realized that owning a luxury item can enhance their social status and make them stand out. There is also a growing interest in investing in luxury pieces, as consumers see the potential value and return on investment. (Participant E7)

The economic motivation, highlighted by the majority of participants, holds particular relevance in the purchase of these products. Therefore, these findings provide empirical evidence that supports primary factor driving the purchase intention of second-hand luxury goods is the perceived price-quality ratio (Boston Consulting Group, 2019). As stated below:

People want to have access to products that are naturally appealing and, by purchasing them second-hand, they can acquire them at a more affordable price. Clearly, value is at the core of most people's motivations. (Participant E6)

## Sustainability

In the literature, sustainability is one of the drivers to purchase second-hand luxury fashion. Furthermore, Kering Group points out that the growth in the second-hand luxury market has been predominantly triggered by younger consumers' focus on sustainability and a growing trend for social shopping and online communities (Kelleci, 2022).

However, participants, in general, do not consider sustainability or ecological consciousness as a determinant for purchasing second-hand luxury fashion. In fact, few participants underline that sustainability is not at the core of consumers' purchasing motivations:

Ecological consciousness is not yet a predominant factor in the motivations of consumers of second-hand luxury fashion in Portugal. The preference is more focused on the exclusivity and status associated with these products. (Participant E1)

While sustainability is an important factor for some consumers, the main driver for purchasing second-hand luxury fashion is still seeking a good deal and the possibility of acquiring exclusive items. (Participant E4)

Participant E1 links this topic to the generational aspect, despite younger generations such as Generation Z and Millennials show interest in acquiring second-hand luxury fashion, they often prioritize status and exclusivity over sustainability.

#### Key challenges in the industry

Several participants have underlined future challenges, with particular emphasis on the supply chain and the methods of acquiring products:

Maintaining a good supply, being able to offer desirable brands and models consistently, without long periods of new arrivals. (Participant E7)

As global buyers, how can we access the local supply, it is extremely important not only from a service perspective but also for the competitiveness of the products.

Therefore, it is crucial to be able to find and access the local supply. (Participant E6)

Financial management and profitability of companies are also revealed:

The main challenge is profitability. We need to find something that's profitable and scalable. (Participant E5)

The cannibalization of smaller companies by major players in the market is one of the significant challenges referred to by some of the participants:

There are several players in the market. It is evident that while the overall market value may be growing rapidly, the individual market share of each participant is not necessarily significant. This is a common trend across several business sectors, where there is usually a dominant player and smaller businesses that struggle to survive due to the fixed costs. (Participant E2)

Instead of new players emerging, there will be a consolidation. The large groups will have a stronger position in the industry. (Participant E6)

#### **Discussions and Conclusions**

Findings significantly contribute to understanding the luxury second-hand buying motivations among Generation Z and Millennials, a topic under-explored in the literature. Results also offer ground to gain knowledge on the decision-making process, identify new opportunities, and

innovative business models that will be valuable for luxury brands and retailers to engage with the consumers.

The study revealed that perceived value emerged as a key motivation for consumers. The ability to acquire luxury items at a lower price point compared to their original retail price appeals to individuals to make worthy choices. The desire for exclusivity and status also plays a significant role in motivating consumers to buy second-hand luxury items, which aligns with the literature review.

Although the literature suggests sustainability (eco-consciousness) as motivation, most CEOs and active consumers revealed that it was not relevant for purchasing second-hand luxury fashion items. Despite increasing awareness of the negative impact of the fashion industry, it does not influence the decision-making process.

The study reveals that most of these consumers are also sellers, some starting by selling their own luxury items through marketplaces. After becoming familiar with the platforms and engaging with this industry, they also began acquiring pre-owned items. Companies in the sector should focus on long-lasting strategies and effective communication with their sellers, given the potential for them to become buyers as well.

The interviewees point out a shift in consumer behavior, decreasing the stigma to purchasing luxury second-hand fashion, more prominent among Generation Z who are more open to engaging in such purchases. The interviews emphasized the significance of accessibility, through the growth of e-commerce platforms, the emergence of further players in the market, and the availability of exclusive items, which expanded the opportunities for consumers to purchase these products.

Despite the brand heritage not being underlined by the interviewees as one of the motivations, the results found that the most sold brands were consistent among all participants, Louis Vuitton, Chanel, Hermès, or Yves Saint Laurent were mentioned by multiple interviewees.

The supply and demand dynamics become a significant challenge for the industry, as well as the potential cannibalization of smaller companies by larger players in the market.

As an exploratory study, there are limitations to the research design. We observe a potential bias in the sample selection, with a limited number of CEOs and active customers. Furthermore, the geographic scope of the study, since economic, cultural, and social contexts may influence consumer's behavior in different regions. Lastly, the buying motivations may evolve over time

and the restricted timeframe of the research may not entirely capture emerging trends or new factors influencing the buying motivations, especially considering the dynamic nature of Generation Z. Future research can be addressed these limitations, by expanding the analyses of a larger geographic scope and sample size, also including a mixed-methodology approach that combines both qualitative and quantitative analysis.

## References

- Arribas-Ibar, M., Nylund, P. A., & Brem, A. (2022). Circular business models in the luxury fashion industry: Toward an ecosystemic dominant design? *Current Opinion in Green and Sustainable Chemistry*, 37. <https://doi.org/10.1016/j.cogsc.2022.100673>
- Aycock, M., Cho, E., Smith, K. R., & Woods, L. (2021). Understanding online second-hand luxury fashion shopping motivations and perceived value among young adult consumers. *International Textile and Apparel Association*, 1–4. <https://doi.org/10.1002/mar.20317>
- Bae, Y., Choi, J., Gantumur, M., & Kim, N. (2022). Technology-based strategies for online secondhand platforms promoting sustainable retailing. *Sustainability* , 14(6). <https://doi.org/10.3390/su14063259>
- BCG. (2019). *True-luxury global consumer insight*. <https://media-publications.bcg.com/france/True-Luxury%20Global%20Consumer%20Insight%202019%20-%20Plenary%20-%20vMedia.pdf>
- Blasi, S., Brigato, L., & Sedita, S. R. (2020). Eco-friendliness and fashion perceptual attributes of fashion brands: An analysis of consumers' perceptions based on twitter data mining. *Journal of Cleaner Production*, 244. <https://doi.org/10.1016/j.jclepro.2019.118701>
- Fletcher, K., & Grose, L. (2012). *Fashion & sustainability: Design for change*. Laurence King Publishing.
- Gazzola, P., Pavione, E., Pezzetti, R., & Grechi, D. (2020). Trends in the fashion industry. The perception of sustainability and circular economy: A gender/generation quantitative approach. *Sustainability* , 12(7), 1–19. <https://doi.org/10.3390/su12072809>
- Hristova, Y. (2019). The Second-Hand Goods Market: Trends and Challenges. *Izvestia Journal of the Union of Scientists - Varna* , 8(3), 62–71. <https://doi.org/10.36997/IJUSV-ESS/2019.8.3.62>
- Hugo, A. de A., Nadae, J. de, & Lima, R. da S. (2021). Can fashion be circular? A literature review on circular economy barriers, drivers, and practices in the fashion industry's productive chain. *Sustainability* , 13(21). <https://doi.org/10.3390/su132112246>
- Kelleci, A. (2022). Key determinants of luxury marketing accordant with sustainability-oriented value perspectives. *Sustainability* , 14(10). <https://doi.org/10.3390/su14105916>

- Kessous, A., & Valette-Florence, P. (2019). “From Prada to nada”: Consumers and their luxury products: A contrast between second-hand and first-hand luxury products. *Journal of Business Research*, *102*, 313–327. <https://doi.org/10.1016/j.jbusres.2019.02.033>
- Kim, I., Jung, H. J., & Lee, Y. (2021). Consumers’ value and risk perceptions of circular fashion: Comparison between secondhand, upcycled, and recycled clothing. *Sustainability*, *13*(3), 1–23. <https://doi.org/10.3390/su13031208>
- Kunz, J., May, S., & Schmidt, H. J. (2020). Sustainable luxury: Current status and perspectives for future research. *Business Research*, *13*(2), 541–601. <https://doi.org/10.1007/s40685-020-00111-3>
- Malhotra, N. K., & Birks, D. F. (2007). *Marketing research: an applied approach* (3rd European Edition). Prentice Hall Financial Times.
- McKinsey & Company. (2021, November). Welcome to luxury fashion resale: Discerning customers beckon to brands. *McKinsey & Company*, 1–5.
- McKinsey & Company, & Global Fashion Agenda. (2020). *Fashion on climate - How the fashion industry can urgently act to reduce its greenhouse gas emissions*. [https://www.mckinsey.com/~/\\_/media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf](https://www.mckinsey.com/~/_/media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf)
- Nobre, H. (2010). *Intimate brand relationships - From intimate interpersonal relationship to consumer-brand relationships*. Lap Lambert Academic Publishing .
- Prakash, K., & Tiwari, P. (2021). Millennials and Post Millennials: A systematic literature review. *Publishing Research Quarterly*, *37*(1), 99–116. <https://doi.org/10.1007/s12109-021-09794-w>
- Sihvonen, J., & Turunen, L. L. M. (2016). As good as new – valuing fashion brands in the online second-hand markets. *Journal of Product and Brand Management*, *25*(3), 285–295. <https://doi.org/10.1108/JPBM-06-2015-0894>
- Sorensen, K., & Jorgensen, J. J. (2019). Millennial perceptions of fast fashion and second-hand clothing: An exploration of clothing preferences using Q methodology. *Social Sciences*, *8*(9). <https://doi.org/10.3390/socsci8090244>
- Ta, A. H., Aarikka-Stenroos, L., & Litovuo, L. (2022). Customer experience in circular economy: Experiential dimensions among consumers of reused and recycled clothes. *Sustainability*, *14*(1). <https://doi.org/10.3390/su14010509>
- ThredUp. (2022). *Resale report 2022*. <https://www.thredup.com/resale/>
- Turunen, L. L. M., Cervellon, M. C., & Carey, L. D. (2020). Selling second-hand luxury: Empowerment and enactment of social roles. *Journal of Business Research*, *116*, 474–481. <https://doi.org/10.1016/j.jbusres.2019.11.059>