The Many Re’s in Retail

Ownership is an old paradigm that successful retail organizations are reimagining. Business models like renting, reselling and refilling offer the potential to diversify physical and digital retail revenue and reimagine the shopping experience across the purchase journey.

What’s going on

Economic and environmental concerns are changing how people engage with products. As shoppers grow more concerned about thrift and sustainability, buying one-off new items is no longer the primary shopping experience many of us desire.

Secondhand markets – based on reuse, resell, refurbish – are thriving. Product lifetimes are being extended by consumers’ growing desire to recycle and repurpose. And with the emergence of new models such as rent and return and the growing popularity of subscription, “ownership” is being redefined.

Consumers’ desire to switch to more sustainable choices is not new but has been magnified by the pandemic. Meanwhile, information about the impact of our purchasing decisions on the world around us has never been more widely available. As a result, awareness of the implications of our purchasing decisions is at an all-time high.
An estimated 81% of shoppers globally now feel strongly that companies should do more to preserve the environment.¹ Further, 62% of people shop their values, and businesses are listening. Among companies with more than $1 billion in annual revenues, 99% of CEOs surveyed believe that sustainability will be important to the future success of their business.²

In a world in which shoppers’ interest is shifting from ownership to access, the pressure is on retail organizations to respond by meeting people’s need to act more consciously.

**What’s next?**

Ongoing throw-away culture and limited lifespan products will further drive interest in smarter, circular consumerism.

Increasingly, shoppers will choose which brands to engage with according to if and how they enable us to “do good.” As momentum gathers, focus will grow on how best to extend the life cycle and sustainability of products and limit unnecessary consumption. At the same time, people will grow ever more aware of – and willing to call out – greenwashing by businesses merely riding the green wave with words, not actions.

This mindset of “conscious capitalism” will be especially important among younger consumers who, in time, will be tomorrow’s mass market. Already, interest in conscious capital is three to four times higher among American consumers aged under 45 than it is among those aged 45+.³

Retail brands must make sustainability and circular operations part of their DNA to future-proof their ability to satisfy tomorrow’s customers.

As conscious consumerism takes center stage, brands that support, enable and encourage people in their quest to change their consumption will benefit. To do this, organizations must consider which role they will play across the evolving product journey.
Opportunities for reimagination

Retail brands can learn from the re’s in retail, using them to inform and inspire as they explore and experiment to innovate their business models and associated shopping experiences.

1. Reselling: Giving New Life To The Pre-loved

When recycling becomes a transaction, reselling becomes a moral decision that fits with shopper values. This creates an opportunity for retail organizations to enable shoppers to make the conscious purchasing decisions they want to make.

Collectively, the resell market – online resale and traditional thrift stores combined – is now predicted to reach $80 billion by 2029. This expansion is being accelerated by the impact of COVID-19 and younger shoppers, with 80% of Gen Z consumers seeing no stigma attached to secondhand shopping – more than any other age group.

In China, Alibaba Group’s used-goods marketplace Idle Fish, for example, has more than 200 million registered users – over half of them born after 1990. The platform, part of the country’s re-commerce ecosystem, offers both a C2C and a B2B channel, as well as allowing brands to set up certified stores to sell used goods, sample items, seconds or surplus stock directly to consumers. China’s secondhand sales now exceed US$154 billion annually and are going upmarket.

Elsewhere, Poshmark – an online marketplace for secondhand goods – raised $277 million from its IPO at the start of 2021 on its public debut.

IKEA is one retailer taking an active stance, with its recently announced scheme to buy back customers’ unwanted IKEA products. It will offer up to 50% of the original price as a voucher to spend in-store and will either resell the used products or recycle them. The move plays into the brand’s aim to be fully circular and climate positive by 2030.

Furniture start-up Sabai, meanwhile, plans to offer a similar service to give each of its sofas a longer lifespan – the vision being to create a closed-loop system that keeps its products out of landfills.

Reselling is growing fast in fashion, too, where it is known as “preowned” or “pre-loved.” European online fashion and lifestyle platform Zalando recently launched a preowned offer enabling customers to buy preowned fashion and trade in lightly worn items. The preowned service, which covers 3,000 different brands, matches the new items service – with the same returns policy and shopping experience.
2. Renting: Access No Longer = Ownership

A shift in shoppers’ interest away from ownership creates other opportunities for retail organizations. These include hybrid ownership models that pave the way for new partnerships, evolved ecosystems and a more service-focused mindset. Meanwhile, the development of new access-over-ownership and take-back models will further accelerate the adoption of a circular economy and help drive increased use of idle preexisting assets.

Established retailers are already experimenting.

IKEA has trialed product-as-a-service (or sofa-as-a-service, as some prefer to call it) leasing and renting their furniture to customers rather than selling it. Outdoor company REI lets people rent their camping gear as an alternative to buying – perfect for those who only camp occasionally or like to try out new equipment without the commitment.

Meanwhile in fashion, Rent The Runway lets you rent the latest designer items in return for a membership, offering a cheaper, low-commitment option to play with style without the fast-fashion footprint.

3. Remade: A New Lease Of Life

One purchase can be the beginning of a shopper’s experience with your brand. Shoppers feel more confident in their purchases when they fit more conveniently into their own values – especially when it’s easy to be ethical. The concept of “remade” allows old goods to live on after their original owners. Evereve, for example, offers customers $15 off when they exchange a pair of old jeans for a new pair, for example. The old pair of jeans then gets a new lease on life by being transformed into insulation for buildings, which benefits communities across the US.
4. Refill And Replenish: Platform For A Long-term Relationship

Replenishment of items that are often bought eases pressure on the shopper and positions the brand for an ongoing relationship. In the US, 64% of shoppers will shop more consciously to limit food waste where refill options offer more flexibility.\(^5\)

A data-based approach is needed to cater to individuals’ needs and to ensure that the replenishment matches the shopper’s use – and that the service is truly helpful.

Amazon experimented with replenish early on with its Amazon Dash button, which has since evolved into a fully digital solution. Amazon Dash Replenishment checks the product levels of your connected devices and reorders the product before the user realizes they are running low.\(^6\)

Grocers are also working to meet customer demand to cut down on grocery packaging, and refill and zero waste supermarkets are expanding.

In the UK, Waitrose is testing Unpacked, an alternative way of shopping that uses less packaging, by offering certain products – such as pasta, rice and grains, as well as wine, beer, coffee and cleaning supplies.\(^7\) The Source Bulk Foods, an organic wholefoods store concept that originated in Australia, now has franchise stores across New Zealand, Singapore and the UK. With 400+ bulk food bins, it has a zero-waste philosophy.\(^8\)

With more of our daily shopping moving online, replenishment subscriptions are another opportunity brands should consider. From magazines to medicines, subscription models can be applied to any product. But it is important that the execution fits what your retailer does best.
What retailer leaders can do next

1. Choose the Right “Re” for Your Business

Evolve your business model by choosing the “re” most appropriate for your business.

To identify this, consider customer barriers. A useful starting point is to analyze why some of your customers aren’t coming back to your stores. The answer is likely to be an obstacle of some kind, which could be your opportunity.

Customer barriers can be the start of new business offerings.

2. Perfect Your Execution

Analyze the execution of your “re” business model to evaluate what might concern or put off customers. Which operational obstacles seem insurmountable? Answering these questions in this order can help identify the way forward. Evaluate what you find to enhance the right execution to meet your customers’ needs.

3. Find the Right Partner

A retail brand that wants to create a resell program or roll out a refill service does not need to do everything itself from scratch. Don’t reinvent the wheel in-house. Instead, access new competencies that you need through a partnership – with a start-up specialist, for example – or acquisition.

Working with the right service providers makes integrating a new offering easier.
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