

MKTG 8604

New Frontiers in Retailing: Magic and Logic

Revitalizing Retail: the Rise of Recommerce in the Circular Economy

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¹We would like to thank Joshua Schulman for insightful discussions.

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Executive Summary

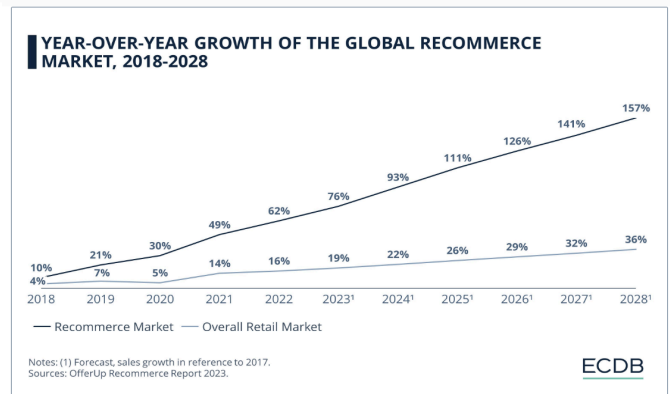
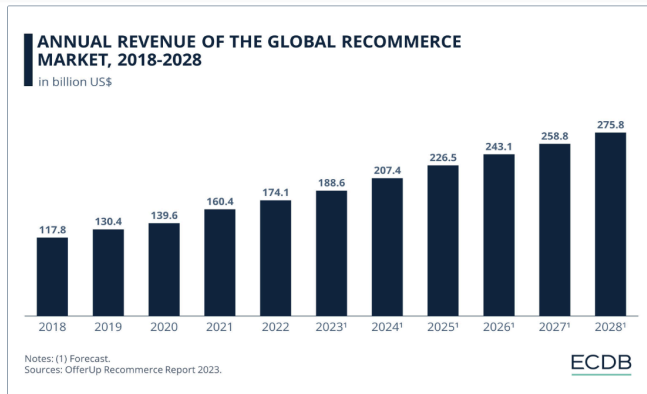
P2P rental platforms are poised to transform the recommerce landscape by offering economic and environmental benefits that address shifting consumer preferences and key industry challenges.

1. Thesis I: Peer-to-peer (P2P) online marketplaces have significantly contributed to the rise of recommerce, reflecting a seismic cultural shift toward sustainable consumption and changing consumer attitudes toward resale.
 - A changing macroeconomic landscape spurs shifts in consumer behavior towards recommerce, which is increasingly motivated by cultural trends, environmental awareness, regulations, and sustainability.
 - Disruptive P2P models not only echo Gen Z values, they promote responsible consumption, set the bar for economic viability, and encourage environmental responsibility, shaping future retail practices.
 - P2P platforms tackle the valuation gap by offering rental models that transform possessions into investments.
2. Thesis II: The P2P rental model will ultimately prevail in the recommerce landscape, as consumers' preferences increasingly favor renting items instead of owning them.
 - P2P rental models, exemplified by Pickle, are well-positioned to succeed in recommerce, offering unique benefits that outshine their competitors.
 - P2P rental platforms benefit from zero inventory management costs, low customer acquisition costs due to organic growth and high retention, and stable revenue generation, making them an optimal financial business model in recommerce.
3. Thesis III: As P2P rental platforms redefine retail by addressing current market demands and advancing sustainability, they must overcome distinct challenges facing recommerce to solidify their leadership in the sector.
 - Challenges P2P platforms face include: clunky user interfaces, authenticity skepticism, maintaining sustainability efforts, and competing against larger industry players.
 - The future of P2P involves resolving authentication issues, enhancing user experience, and leveraging AI technologies. Through the industry's eventual consolidation, P2P stands to become the highest valued recommerce model.
 - By harnessing community and network effects, P2P rental models revitalize in-person retail experiences by bridging the phygital, while providing more revenue streams for the creator economy.

Introduction and Problem Statement

Despite challenging macroeconomic conditions, the global apparel market is projected to reach \$1.84T by 2025 and a CAGR of 2.82%.¹ Within that, recommerce is forecasted to grow at a CAGR of 34% to \$227B by 2025, indicating a strong shift towards pre-owned goods over new retail purchases.² As a result, recommerce, a \$64B industry buoyed by younger generations demanding sustainability and affordability, now finds itself in a magical spotlight. Specialized digital resale platforms, third-party marketplaces, and a wave of new users continue to drive recommerce's high growth while new government regulations are slowing down retail brands that are transitioning to comply. As retail brands now recognize recommerce as an entry point for younger consumers, they may aim to influence the resale narrative. However, several new peer-to-peer (P2P) platforms have already established themselves as formidable players in the marketplace.

Exhibit 1 - Annual Growth in the Global Recommerce Market



While P2P platforms gain traction, the overall profitability of these recommerce marketplaces remains uncertain due to high operational costs in shipping and transport, along with scalability. Nonetheless, circular consumer practices continue to drive retail innovation. Within recommerce, the rental segment presents a significant opportunity for success, with a projected 10% YOY growth rate, reaching an estimated \$6.24B by 2033.³ As rental becomes a strategic focus for luxury brands, forecasted to contribute up to 10% of their revenues by 2030, we believe that thoughtfully integrating rental models with social P2P networks can transform user's closets into a new asset class, disrupting the traditional linear consumption cycle.⁴

Problem Statement: P2P rental platforms adapt to changing consumer preferences by shifting from ownership to on-demand access to the latest fashion trends. Offering economic benefits and added value to renters and lenders, these platforms are well-positioned to overcome challenges in the circular economy, outperforming other P2P and consignment models.

¹ <https://www.oberlo.com/statistics/apparel-industry-statistics>

² <https://www.forbes.com/sites/shelleykohan/2023/04/21/recommerce-grows-as-more-consumers-make-eco-friendly-purchases>

³ <https://www.voguebusiness.com/companies/can-peer-to-peer-rental-scale-in-the-us>

⁴ <https://www.voguebusiness.com/companies/can-peer-to-peer-rental-scale-in-the-us>

Thesis I: Peer-to-peer (P2P) online marketplaces have significantly contributed to the rise of recommerce, reflecting a seismic cultural shift toward sustainable consumption and changing consumer attitudes toward resale.



Evelyn Gibbs, WVS Clothing Exchange, 1943

In the early 2000s, the rise of P2P platforms such as eBay and Airbnb marked a seismic cultural shift from ownership to a collaborative sharing economy, reflecting evolving consumer values in pursuit of sustainable, community-driven solutions. Though the concept of sharing clothes dates back to pre-industrialized times, formalized “thrift” practices first emerged during WWII. In the following years, post-war austerity gave birth to punk's countercultural repurposing, and the rise of retro vintage style. Today, Gen Z has popularized shopping secondhand as a cultural phenomenon to express individuality, promote diversity and equality, and provide an alternative to fast fashion.⁵ While shoppers still seek value deals amidst a fast fashion market, younger consumers' avoidance of inherently disposable clothing pointedly aligns with contemporary efforts to tackle climate change through resource constraint. Younger generations are increasingly mindful of purchasing decisions' environmental impact, with 75% of Gen Z reporting sustainability shapes their purchases.⁶ Social media platforms also play a crucial role in popularizing thrifting, allowing younger consumers to showcase their unique styles and advocate for shopping sustainably.

As consumers increasingly prioritize sustainability, the shift towards recommerce is gaining momentum, with consumer demand for secondhand garments expected to grow 3x faster than the overall clothing market by 2026.⁷ This shift reflects a growing preference for ethical consumption and circular economy practices, and is partially driven by the public's heightened awareness of the fashion industry's alarming environmental impact. Similarly, evolving consumer behaviors are reinforced by new government regulations like the 2022 proposed Fashion Act, which holds big brands accountable for their environmental impact by introducing due diligence and reporting requirements, fresh climate obligations and fines for noncompliance.⁸ In tandem, the proposed 2023 FABRIC Act to the US Senate aims to promote supply chain transparency, safe labor conditions and fair wages.⁹ These upcoming regulations may give P2P a short-term competitive edge, while on the flipside, the recent 2023 INFORM Consumers Act will require P2P marketplaces to now verify sellers' identities and provide their contact information to consumers. However, by adhering to these regulations, promoting transparency and strengthening consumer trust, P2Ps are poised to positively differentiate themselves, expand their user base, and drive growth.

⁵ <https://www.iwm.org.uk/collections/item/object/10653>

⁶ <https://hbr.org/2023/11/the-resale-revolution>

⁷ <https://www.mdpi.com/2071-1050/15/23/16470>

⁸ <https://www.thefashionact.org/>

⁹ <https://thefabricact.org/>

The surge of non-inventory holding P2P online marketplaces such as eBay (1995), Poshmark (2011), Depop (2011), and Mercari (2013) have been instrumental in recommerce’s recent growth, as they provide a simplified, streamlined and positive experience for both buyers and sellers. In a snapshot of how it works: online platforms facilitate a digital marketplace for sellers to list items for sale, and buyers to browse and purchase through the platform. P2P companies then handle the operations of processing the payment, collecting funds from the buyer and transferring them to the seller, while also overseeing buyer protection, dispute resolution, and in some instances, free authentication services for luxury items. The P2P platforms then generate incremental revenue by charging commission fees to sellers: either a flat fee per transaction or a percentage of the final sale price with shipping costs. The range of fees can vary, with Depop and Mercari at the lower end (10%), Ebay in the middle (12.8%), and Poshmark at the high end (20%). On top of this, there are various add-on fees for additional P2P services such as listing, promotion, and processing.

The P2P model succeeds in today’s economy because it reflects consumer values, empowers sellers to control their resale narrative, and rewards entrepreneurial mindsets. Sellers can set their prices, promote items, and manage sales strategy, all autonomously, which harnesses the self-starting drive in younger consumers.¹⁰ In tandem, an online platform’s openness arguably allows for a more accessible, diverse and dynamic marketplace. P2P platforms are increasingly gaining user traction: 59% of customers report preferring to buy on P2P platforms, while 67% report preferring to sell on P2P platforms.¹¹ However, recommerce faces known challenges, such as authenticity controversies and valuation discrepancies between sellers' perceived value and market price. Disgruntled stories often circulate online about deep markdowns on consignment platforms (such as The Real Real) that deter potential sellers.¹² In fact, such consignment controversies only serve to stimulate nascent P2P rental growth as these platforms offer an attractive alternative, enabling owners to earn rental income while retaining ownership. This approach resembles real estate investment psychology: despite depreciation, the asset retains its inherent value. By allowing individuals to view possessions as assets, with potential to recoup or exceed the original price through rental income, the P2P rental model provides a compelling framework.

Exhibit 2 - Top Online Secondhand Purchases of US Consumers by Platform (2023)



¹⁰ <https://www.emerald.com/insight/content/doi/10.1108/JFMM-03-2020-0044/full/html#sec006>

¹¹ <https://www.forerunnventures.com/our-perspectives/consumers-want-resale-but-the-business-model-needs-refining>

¹² <https://codup.co/blog/recommerce-market-opportunities/>

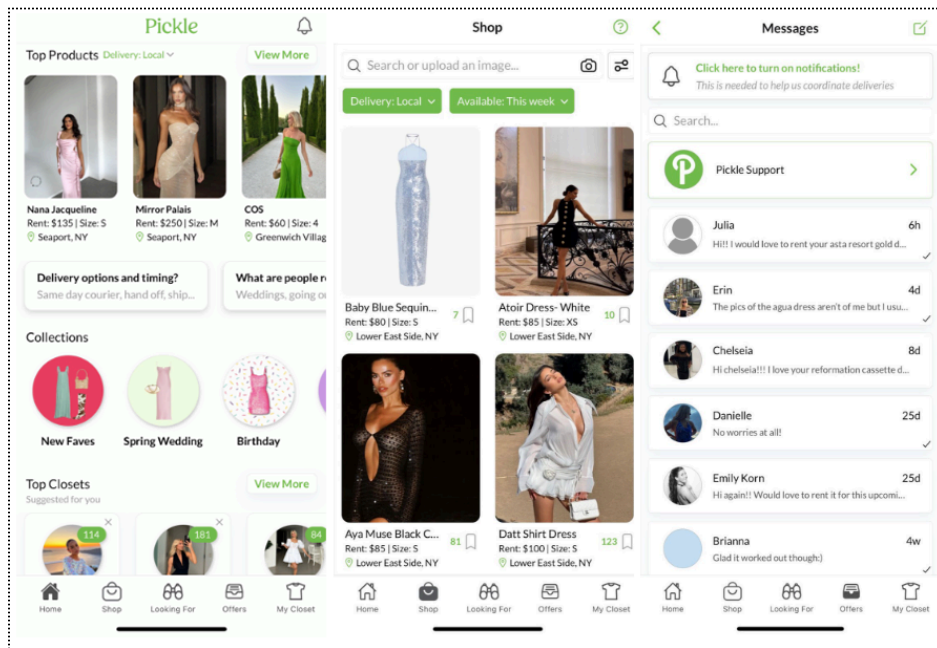
Thesis II: The P2P rental model will ultimately prevail in the recommerce landscape, as consumers’ preferences increasingly favor renting items instead of owning them.

P2P Rental Case Study - Pickle

As consumers prioritize shared access over ownership, P2P rental platforms capitalize on network effects to offer cost-effective and convenient solutions for renters seeking trendy or occasion-specific outfits. Simultaneously, it enables owners to maximize their closets by earning passive income. This shift in consumer behavior has given rise to companies like Pickle, a recent P2P rental platform that connects renters and lenders within New York City.

Pickle, founded in 2021, gives women in New York access to over 70,000 products available for same-day or next-day rental, positioning itself as a "closet sharing community" akin to “Doordash for fashion rentals.”¹³ Pickle spent \$130,000 on its initial app build and, in its first few months after launching, sought to create relationships with NYC-based micro-influencers to build inventory on the platform.¹⁴ Influencers on Instagram and TikTok often gain followers by showcasing their clothes and unique styles, earning income from affiliate links when their followers shop featured clothes and accessories. Pickle capitalized on this dynamic by offering influencers a new way to engage with their followers, tapping into a user base that had already demonstrated an interest in the business model. Similar to Instagram, Pickle prompts owners to share photos of themselves wearing clothes available for rent. Renters browse photo albums to see how owners style their clothing, subscribe to their favorite closets, and add items to personalized wishlists (Exhibit 3). This not only enhances trust and transparency in the rental process but also creates a community similar to that of a social media platform.

Exhibit 3 - Pickle userface



¹³ <https://www.glossy.co/fashion/glossy-pop-newsletter-meet-pickle-the-app-powering-nycs-coolest-closets-this-summer/>
¹⁴ <https://www.glossy.co/fashion/glossy-pop-newsletter-meet-pickle-the-app-powering-nycs-coolest-closets-this-summer/>

Owners are responsible for setting their prices on Pickle, while renters have the flexibility to negotiate based on the duration of their rental or number of items rented from the same owner. Pickle provides owners with pricing suggestions derived from retail prices, comparable items on the platform, and real-time rental trends, and takes 20% of the final rental price. Pickle also offers a “Rent-to-Buy” option which allows renters to keep the piece they have borrowed for an additional fee if the lender is willing to part with it. According to the company’s founder, Pickle’s “sweet spot is just below luxury fashion,” as most items available on the platform have an average retail price of \$400 and rent for an average of \$50-\$75.¹⁵ Once owners get paid, they have the option to cash out or use the money earned towards future rentals on the app.

Pickle does not manage dry cleaning; instead, owners are encouraged to include a dry cleaning fee in their listed rental price for more expensive or delicate items. Owners are covered by the app’s protection guarantee in the event that an item is returned damaged or not returned at all. If an item is damaged, the renter is liable for up to 5x the rental price in repair costs and if an item is damaged beyond repair or not returned, the renter is liable for the full replacement cost of the item.¹⁶ Once an item has been returned, both owners and renters rate their experience on a scale of 1 to 5 stars. These ratings are visible on every user’s Pickle profile, which is directly linked to their name and photos. This transparency creates mutual accountability among users and, as a result, the company reports fewer incidents compared to traditional B2C rental companies.

The app operates on a self-fulfillment model, where owners and renters coordinate item drop-off and pick-up. For local delivery, renters can either opt for an in-person exchange or \$7 courier delivery. The courier service leverages the app’s partnership with Uber, ensuring prompt and hassle-free door-to-door delivery. For non-local delivery, owners ship their items via USPS Priority Shipping with a prepaid label, making closets accessible to renters around the country. Pickle leverages an AI chatbot to provide 24/7 in-app customer support for order and delivery status. For inquiries around fit, style, or price, renters are encouraged to direct message owners from their inbox in the app.

At the end of last year, Pickle raised \$8M in a seed funding round co-led by Craft Ventures and FirstMark Capital, valuing the company at \$30M.¹⁷ Soon after, the company opened a brick-and-mortar location in the West Village to “bring the P2P rental concept to an in-person format,” where stylists can help customers browse and style rental options. This new offering is also creating economic opportunities for influencers to monetize their content, closets and communities, driving revenue beyond the usual 20% profit cut on transactions and key to increasing revenue in the long run.¹⁸ Additionally, Pickle plans to leverage this financing to “expand into nearby cities with similar demographics,” such as Philadelphia and Boston, and create relationships with diverse influencers who represent a range of body types and fashion styles.¹⁹ Making Pickle more inclusive will be critical to sustaining network growth and maintaining inventory that meets user demand. Although Pickle’s hybrid model works for fashion-forward, densely populated cities such as NYC, it is yet to be determined whether this model will succeed in its upcoming expansion markets.

¹⁵ <https://techcrunch.com/2023/10/11/peer-to-peer-fashion-rental-marketplace-pickle-picks-up-8-million/>

¹⁶ <https://shoponpickle.com/>

¹⁷ <https://techcrunch.com/2023/10/11/peer-to-peer-fashion-rental-marketplace-pickle-picks-up-8-million/>

¹⁸ <https://www.businessoffashion.com/articles/retail/pickle-fashion-rental-app/>

¹⁹ <https://www.glossy.co/fashion/glossy-pop-newsletter-meet-pickle-the-app-powering-nycs-coolest-closets-this-summer/>

The absence of inventory management or supply chain risks streamlines Pickle’s operational focus and expenses. Unlike traditional retail models, where inventory management and storage pose significant challenges and costs, Pickle’s P2P model places the burden of inventory management on individual owners. While this strategy has its own hurdles, particularly concerning quality control, it allows Pickle to allocate its resources towards other crucial areas aimed at enhancing brand visibility and providing a reliable rental experience for both sides of its network. We believe that investments in logistics partnerships and customer support will be crucial to managing the platform’s growing user base.

Luxury P2P Players - Tulerie and Rent Your Wardrobe

Other luxury rental market platforms such as Tulerie and Rent Your Wardrobe leverage a similar P2P model, but focus on user engagement over user count. By curating their user bases, these platforms have cultivated a high quality offering and audience base. For example, Tulerie interviews new members and only approves new items that align with community expectations and user demand.²⁰ Although owners are responsible for logistics (shipping and dry cleaning), this hands-on strategy requires the platform to hire stylists and make significant investments in customer service support to uphold strict quality standards for a discerning clientele.

Financial Viability of P2P Rental Platforms

P2P rental companies possess unique advantages over other recommerce platforms in reaching eventual profitability. With reliable revenue generation from platform fees, low CAC due to strong organic user acquisition, high retention rates, and minimal inventory costs, P2P platforms are positioned to be profitable where others have struggled (See Exhibit 5). P2P rental inventory is just a fraction of the inventory of other platforms, which has been one of the main pain points of other recommerce business models. Within the P2P space, P2P rental platforms in particular are able to acquire customers without extensive marketing costs; user-generated content, organic influencer marketing, and appeal of a lucrative side hustle resonate with entrepreneurial minded consumers. Together, this P2P rental flywheel has continued to draw new active users to the platform. Pickle has in particular experienced extremely strong user growth and buzz on social media platforms, with unprecedented customer satisfaction and customer retention rates of 90% 12 months after joining.

Furthermore, P2P are quick and cost-effective models for brands now looking to enter the resale market. P2P platforms streamline operations by eliminating overhead costs associated with inventory-based models (such as representatives or dropoff centers), authentication processes, quality checks, and listing creation (photographing and producing copy) for each item. Within the rental space, P2P differentiates itself from inventory-based models that require purchasing runs for each item in several sizes. It also avoids costs such as shipping, inspection, dry cleaning, and repairs. The founder of Wardrobe, a P2P rental platform, estimated that adding an item to their P2P system costs just a couple of dollars, breaking even on the rental and driving pure profit after that.⁵

²⁰ <https://tulerie.com/pages/faqs>

Exhibit 4 - User Economics Across P2P platforms






Types of Fees	Depop 	Tradesy 	Poshmark 	Tulerie 	Pickle 
Platform fees	10% fee on total transaction, incl. shipping costs	<\$50 flat fee of \$7.50, >\$50 19.8%; 2.9% withdrawal fee	<\$15 flat commission of \$2.95, >\$15 20%	24% service fee; 2.9% withdrawal fee	20% fee
Shipping fees	Seller selects either seller/ buyer to pay with pre-paid label (\$4.39-\$13.49)	\$10.50 for USPS Priority Mail (1-3 days), paid by buyer	\$7.97 for USPS Priority Mail (1-3 days), paid by buyer	Renter pays \$10 purchases < \$500, \$0 on >\$500, \$20 expedited	Renter pays - courier, hand off, or ship USPS Priority Shipping with pre-paid label

Exhibit 5 - Financial Comparisons

Metric (FY 2023)	Revolve (RVLV) (E-commerce)	Rent the Runway (RENT) (Circular)	Thredup (TDUP) (Consignment)	Poshmark (POSH) (P2P Sales)	Pickle (private) (P2P Rentals)
Net sales	\$1.1bn	\$298.2m	\$322.0m	\$326.0m	n/a
Adj. EBITDA	\$43.4m	\$26.9m	\$(17.4)m	\$7.3m	n/a
EBITDA growth YOY	(52)%	301%	60%	(80)%	55% MoM rev growth ²¹
Change in active customers	(8)%	(1)%	9%	17%	90% ret. rate 12 mo post-join ²²
Gross margin	51.9%	40.1%	66.4%	22%	n/a
Net income (loss) as % of revenue	1.4%	(38.0)%	(22.1)%	(30.2)%	n/a
Marketing as % of sales (CAC)	16.1%	10.5%	20.6%	43.8%	n/a; \$500-600 TikTok ads/week ²³
Customer count	2.5m	125,954 active subscribers	1.8m TTM active buyers	7.6m TTM active buyers	1000+ closets ²⁴
Inventory	\$203.6m	\$94.0m net rental product	\$15.7m	GMV of \$1.8bn	Estimated 3.5m

Note: Information sourced from 10-Ks at sec.gov. Poshmark was acquired by Naver for \$1.2bn in January 2023; metrics reflect Poshmark's last full year financials, FY 2021.

²¹ <https://www.businessoffashion.com/articles/retail/pickle-fashion-rental-app/>

²² <https://www.businessoffashion.com/articles/retail/pickle-fashion-rental-app/>

²³ <https://www.businessoffashion.com/articles/retail/pickle-fashion-rental-app/>

²⁴ <https://www.businessoffashion.com/articles/retail/pickle-fashion-rental-app/>

Industry Landscape for Additional Recommerce Models

Inventory Based Clothing Rental Companies - Rent The Runway (RTR), Nuuly

Inventory based rental companies offer customers the variety of a rotating wardrobe with significant cost savings, touting sustainability as their competitive advantage by mitigating the environmental impact of fast fashion. However, inventory-based rental companies face operational challenges such as managing inventory levels, ensuring quality and maintaining cleanliness between rentals; addressing hygiene and fit can also be costly. Moreover, some customers still prefer permanent ownership over temporary rentals. Despite these challenges, the rise of inventory-based rental companies signifies a shift towards more sustainable and flexible fashion consumption habits. RTR caters to a broad range of occasions with an extensive designer and accessory selection, which appeals to both occasional renters and frequent users. Nuuly, a URBN subsidiary, targets a younger, trend-conscious audience, providing affordable, flexible rentals of up to six items at a time for a lower price point than RTR.

Consignment Platforms - Vestiaire Collective, The Real Real (TRR), Rebag

P2P consignment platforms have capitalized on shifting consumer behavior in fashion, as consumers “buy less ... and invest in pieces that stand the test of time and hold their value at resale,”²⁵ especially jewelry and handbags. Evidenced by the statistic that 74% of consumers shop resale²⁶ and each U.S. household has a potential value of \$4,517 of reusable goods in their homes, yet only 10% of owners sell their goods on secondary marketplaces, likely due to convenience.²⁷ Despite their prevalence, consignment platforms especially face challenges around the authentication and brand dilution. Notably, Chanel sued TRR for selling counterfeit items although TRR has a more advanced authentication process than many other platforms.

²⁵ <https://www.forbes.com/sites/abinlot/2020/12/31/vestiaire-collective-celebrates-a-decade-in-luxury-resale/?sh=46807ec476bc>

²⁶ <https://hbr.org/2023/11/the-resale-revolution>

²⁷ <https://wwd.com/feature/how-luxury-handbag-resale-platform-rebag-is-using-ai-to-grow-its-base-1234882173/>

Thesis III: As P2P rental platforms redefine retail by addressing current market demands and advancing sustainability, they must overcome distinct challenges facing recommerce to solidify their leadership in the sector.

P2P rental platforms not only meet current market demands but also pave the way for future retail practices. This model promotes both economic viability and environmental responsibility, encouraging a shift away from the traditional capitalist cycle of buy, sell, and repeat. In doing so, P2P rental fosters a new form of consumer engagement, marking the dawn of an era characterized by consumer empowerment and sustainable commerce. Despite facing challenges common to other recommerce platforms, P2P rental models are well poised to take advantage in addressing and overcoming these hurdles.

A common challenge with P2P platforms is their less structured user interface, which can hinder consumers who are looking to efficiently search for items or enjoy a seamless browsing experience compared to more established marketplaces. To succeed, P2P platforms must streamline their UX experience, and enhance search functionality, allowing users to discover items beyond their initial search. Streamlining the listing process is also crucial for driving customer retention. Furthermore, developments in AI technology offer significant opportunities for improving user experiences on P2P rental platforms. For example, Rebag's proprietary Clair AI utilizes image recognition to accurately price handbags, drastically simplifying the pricing process and enhancing customer satisfaction.

Another significant challenge is maintaining trust and ensuring quality due to concerns about authenticity, which can impede customer retention and growth. The fact that there is no set process for authentication, especially for luxury items, can lead to time-consuming and subjective authenticity disputes, resulting in lawsuits between brands and P2P players. In response, the World Economic Forum is partnering with Vestiaire Collective, Evrythng, and Ralph Lauren to develop an open-source digital platform for immediate product authentication. By assigning digital identities, such as a unique QR code or NFTs during manufacturing, recommerce platforms could scan the product's identity and authenticate it with the brand directly. Implementing such technology could greatly streamline the authentication process, reduce costs and emissions associated with transportation, and significantly promote consumer trust.^{28,29}

Alongside instilling consumer trust, P2P platforms face challenges in maintaining their sustainability efforts. Global shipping and packaging, necessary for operating at scale, significantly increase emissions. Despite these challenges, P2P rental services are 20% more sustainable than their inventory-based rental counterparts.³⁰ Many brands are now looking at local buying, connecting buyers to sellers in the same region. Vestiaire, for example, aims to be carbon neutral by 2025 but acknowledges that transportation accounts for 80% of its carbon emissions. By prioritizing road delivery over air and introducing a direct shipping option that

²⁸ <https://www.voguebusiness.com/consumers/peer-to-peer-rental-a-better-solution>

²⁹ <https://www.forbes.com/sites/niallmurphy/2021/02/17/theres-a-quiet-revolution-underway-with-recommerce/?sh=7e09d54a5bfc>

³⁰ <https://www.voguebusiness.com/consumers/peer-to-peer-rental-a-better-solution>

eliminates the need for in-house authentication (and the associated fees), Vestiaire projects a potential 50% reduction in carbon emissions per item and a 40% decrease in delivery times.³¹ Such continuous sustainability innovation is essential for the continued growth and success of P2P platforms.

P2P markets face both the threat and opportunity that come with potential industry consolidation. On the downside, if larger players acquire smaller ones, competition could decrease, prices might rise, and overall innovation could be stifled. Major global companies like Amazon have already entered the recommerce space with specialized divisions like Re-Com. Although the scale of such global entrants could make it challenging for smaller platforms to compete, the P2P market currently remains relatively unsaturated, with only a few key players and new platforms gaining popularity. On the upside, though consolidation may pose a risk for P2P platforms, it also provides opportunities for the future of P2P. Consolidation could hasten the development of a user-friendly, trustworthy platform with a larger variety of inventory.

While the future may initially appear bright for influencers and clothing owners hoping to profit from their closets, the current cottage industry of mini retail operations will eventually need to address the challenges of authentication, dry cleaning, and trend monitoring. Consequently, the future of P2P will benefit from leveraging advanced AI technologies to overcome many of these issues. For example, Kimonix, an AI merchandising tool, enhances user experiences by offering automated, personalized collections and sorting. Given the dynamic nature of P2P platforms, such solutions will become essential to creating tailored, secondhand closet shopping experiences, reflecting the larger trend in retail towards neuro-tailored experiences and hyper-personalization.³²

Furthermore, by blending digital and physical shopping realms, P2P rental services can transcend traditional retail boundaries. This innovative, fusion approach not only offers access to shared, curated closets from creators and influencers, but fosters deeper connections between consumers and rented items. The convergence of virtual and real world experiences will revolutionize the retail landscape, offering unparalleled convenience and choice. Moreover, it mutually benefits all stakeholders: platform owners gain increased user engagement and transaction volume, while contributors can monetize their assets. As a result, this symbiotic relationship reshapes retail dynamics and ushers in a new era of collaborative consumption.

³¹ <https://www.voguebusiness.com/sustainability/where-fashion-resale-is-headed-in-the-next-two-years-vestiaire-kering-balenciaga>

³² <https://www.forbes.com/sites/onmarketing/2023/08/23/e-commerce-30-the-future-of-retail-is-hyper-personalized/>

Key Assumptions

Thesis I:

- Gen Z's spending power will continue to grow, making it increasingly important for retailers and brands to capture their attention and wallets.
- Gen Z will maintain their commitment to social and environmental issues when making purchasing decisions. We expect they will continue to prefer products and platforms aligned with sustainability over rapid, wasteful consumption.
- Federal regulation aimed at increasing transparency and accountability on P2P platforms are unlikely to dissuade users from participating, and may even increase their value proposition as a safe and secure way to engage online.

Thesis II:

- The long-term viability of P2P rental platforms hinges on the expectation that consumer preferences will continue to lean towards renting items rather than owning them. It is important to acknowledge that external factors like a global pandemic or shifts in the macroeconomic landscape could potentially disrupt this trend.
- In doing a financial comparison between different recommerce business models, we assume that the company chosen is representative of that broader business model. In evaluating Pickle, a private company, we made certain assumptions regarding their inventory size (based on number of items on the platform, average retail price, and average rental price based on Pickle founders' commentary) and financial health based on information released as they were funded last year and interviews with the executive team.

Thesis III:

- Due to individual contributors uploading items to P2P platforms we assume that there are currently no automated authentication processes in place for validating the individual's clothing listing.
- We assume that the success of P2P rental hinges on its ability to effectively penetrate and thrive in markets beyond the confines of NYC. Establishing a foothold in diverse geographical locations will not only broaden the platform's reach but also test its adaptability to varying consumer preferences and logistical challenges.

Appendix

Slides Used for In-class Presentation

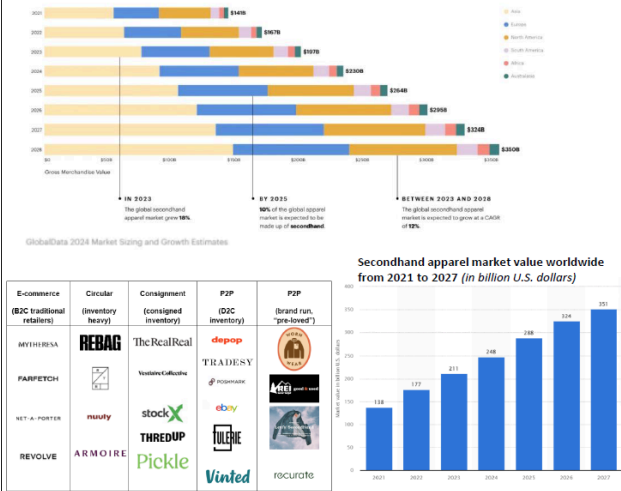
Industry Expert Mentor: Joshua Schulman, Former President/CEO, Michael Kors

Revitalizing Retail: the Rise of Recommerce in the Circular Economy

Problem Statement:
Which retail model will emerge as most successful with the rise of recommerce?

- Executive summary:**
- Peer-to-peer (P2P) digital platforms are poised to meet evolving consumer needs in the circular economy
 - There is potential for significant margin improvement over that of traditional retailers by bypassing inventory costs and risks
 - Success of P2P platforms hinges on leveraging technology to build trust and engagement with users

Global Secondhand Apparel Market To Reach \$350 Billion by 2028, Growing 3X Faster Than Overall Global Apparel Market



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Key Takeaways

Takeaway	Supporting Stats/Arguments
1. P2P reflects a cultural shift and is disrupting the retail landscape with sustainable, scalable solutions compared to inventory / consignment models.	<ul style="list-style-type: none"> - P2P eliminates inventory, transport and operating overhead, reducing costs for improved margin - P2P platforms have 2x higher engagement rates than traditional e-commerce sites (Accenture) - 94% of shoppers trust P2P reviews over brand-generated content (Nielsen), highlighting confidence / trust is a key factor in success
2. P2P businesses generate higher profit margins due to lack of "owned inventory" and receiving transaction service fees, as well as placing cleaning responsibility on customers.	<ul style="list-style-type: none"> - The P2P sharing economy promotes a more sustainable society (study by Zhifu Mi & D'Maris Coffman) - P2P provides clothing owners with an opportunity to pay for the cost of their items and make additional profit which allows for the platforms to have recurring circular profits from the fees of the garments (Vogue Business) - P2P platforms take a percentage of transaction profits without having to encounter additional costs (HBR)
3. P2P is uniquely positioned to overcome challenges in user interface, trust, sustainability, and profitability by utilizing technology, promoting community, and improving sustainability.	<ul style="list-style-type: none"> - Tech investment in fraud detection (open-source digital platform, embedded tech using RFID/QR codes, AI recognition models, blockchain partnership) - Social/relationship-building – gamification, UGC photo contests, pop-ups, personalization - P2P rental services 20% more sustainable than inventory-based rental models; improvement focused on transportation – local buying/renting, direct road shipping

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Recommerce Business Models

E-commerce (B2C traditional retailers)	Circular (inventory heavy)	Consignment (consigned inventory)	P2P (D2C inventory)	P2P (brand run, “pre-loved”)
<p>MYTHERESA</p> <p>FARFETCH</p> <p>NET-A-PORTER</p> <p>REVOLVE</p>	<p>REBAG</p>  <p>nuuly</p> <p>ARMOIRE</p>	<p>TheRealReal</p> <p>Vestiaire Collective</p> <p>stockX</p> <p>THREDUP</p>	<p>depop</p> <p>TRADESY</p> <p>POSHMARK</p> <p>ebay</p> <p>TULERIE</p> <p>Pickle</p>	  <p>recurate</p> 

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