



Preloved Luxury Fashion in Mexico

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Second-hand fashion is not a new thing, in many countries, especially in Europe, it already is customary to own resold fashion pieces and accessories. Nevertheless, lots of consumers began to increase their second-hand fashion consumption or started to buy for the first time during the COVID-19 pandemic. For example, in 2020, 33 million US consumers began to purchase second-hand clothes for the first time (Pellissier, 2021). The second-hand market is expected to grow by 200% in the next five years with over \$77 billion USD in sales, and by 2030, it is expected to grow to almost twice the size of the fast fashion industry (Reinhart, 2021).

Online second-hand platforms are connecting easily with their customers. Particularly, millennials are shifting from fast fashion to more economic and sustainable options (Park and Armstrong, 2019; Reinhart, 2021). In the US, online resale platforms such as Poshmark and ThredUp provide a convenient and engaging customer experience; Depop, a community-powered resale marketplace app, has been able to power up the preference for sustainable and collaborative consumptions sought-after by Generation Z (Kim and Kim, 2022).

Motivations to Purchase Second-Hand Fashion

According to the literature, the main reasons for consumers to engage in second-hand consumption are of economic, environmental, and social nature (Hamari, Sjöklint, and Ukkonen, 2016; Kim and Jin, 2020).

In the past, economic motivation has always been an important driver of second-hand fashion consumption. But during the pandemic, socio-economic restraints have been found to increasingly play an important role in fashion consumption (Kim and Kim, 2022). Concerning the environmental issues, second-hand fashion consumption is considered a waste-reducing practice that encourages the circular economy by expanding the lifespans of fashion pieces and reducing fashion waste (Botsman and Rogers, 2010).

This case was written by Diana Kolbe (dkolbe@tec.mx) and created with the objective to serve as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices.

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Furthermore, second-hand fashion consumption is driven by the social factor. The interaction in virtual communities has been found to cultivate the commitment to sustainability and value creation and it increases second-hand purchase intentions (Kim and Jin, 2020). But, other reasons, such as variety-seeking or the sense of uniqueness have also been found to be important drivers in second-hand fashion consumption (Kim and Kim, 2022). Second-hand fashion consumers seek variety in their closets by acquiring unique pieces to complement and personalize their outfits.

The Preloved Fashion Market in Mexico

In Mexico, the purchase of second-hand fashion has been known in the past mainly from street markets where consumers can find used clothing at more affordable prices. For a long time, and at some point, still today, second-hand fashion has been related to negative associations and lower socioeconomic levels. Nevertheless, the perception of second-hand fashion has been changing over the past years and the term *preloved* came up. The word *preloved* is a euphemism, which means, a nicer way of saying that the clothes or accessories have been previously used. Therefore, the *preloved* fashion market can be seen as part of the second-hand fashion market. The difference lies in the fact that *preloved* fashion refers to the affective part of the consumer. *Preloved* fashion items have been previously treasured and taken care of by other consumers and therefore allow the extension of their lifecycles (Kolbe, 2022).

This change in the second-hand customer profile has been accelerated since 2013, with the launch of the first electronic second-hand platforms which promoted the concept of circular economy and *preloved* second-hand fashion in Mexico. At that point, there was still limited online penetration in Mexico, and consumers were not used to buying apparel on the Internet and much less in second-hand fashion (Mares, 2021).

Nowadays, the second-hand clothing market in Mexico is experimenting an increase in the presence of digital platforms. There are different concepts of second-hand online stores: (1) the online stores that manage the sales and delivery process and (2) the online stores where the consumer is responsible for the sales and delivery process. Troquer, Vopero, and Verde Permuta are examples of the first group. The consumers prepare the clothes they want to sell, deliver them, or schedule the collection of the bag. These companies take an active role in the selection, photographing, storage, and sales process of the items to guarantee the established standards. GoTrendier is an example of the second group of platforms where each user can upload the photos of the items to be sold which remain in the customers' possession until they are sold, then the item is sent directly to the new owner (Chavez, 2022).

The above-mentioned examples offer a great variety of products and brands, but they do not exclusively specialize in luxury items. Troquer has been one of the first market players in educating and promoting the Mexican consumer about the idea of the circular economy. In the case of Troquer, 67% of the transactions generated come from Mexico City (Mares, 2021). The GoTrendier platform counts 4.8 million in Mexico, where the highest activity is noted in the regions of Jalisco, Nuevo León, Puebla, and Querétaro (Financiero, 2022). Vopero is a Uruguayan online platform that has been entering the Mexican market. Troquer, GoTrendier and Vopero offer a wide product range from mid-priced to luxury brands (Mares, 2021). Verde Permuta instead offers a sales and trade-in

system for more casual pieces where consumers can either buy directly or bring a maximum of 10 items to be sold and receive a store credit to be traded-in for other second-hand items (VerdePermuta, 2022).

Besides, there are more informal market players using marketplaces on Facebook or Instagram accounts to offer second-hand fashion or do carry out-called swap systems where consumers can exchange part of their closets. But not only the digital presence has been rising in the past. The sales of second-hand clothing in physical stores have gained relevance (Financiero, 2022). So it comes as no surprise that originally digital platforms have been including physical presence in boutiques and showrooms, which is the case of Troquer and Vopero for example.

The Preloved Luxury Fashion Market in Mexico

A large proportion of the preloved fashion items is classified as premium or luxury products. With the rise of the preloved fashion market, Mexican enterprises specializing in high-end luxury items have been founded. Some companies are presented next. Sale ChopChop is an example of a more specialized second-hand online platform that only accepts luxury items (SaleChopChop, 2022). The fashion influencer Julie Hidalgo Chedraui founded Sale ChopChop and is following a strong social media strategy. The company mainly focuses on luxury handbags and shoes. “Vende tu closet” is a Mexican startup, founded in 2019 in Veracruz, which acts as an intermediary of second-hand luxury articles. Besides its webpage and its presence on Instagram, the startup has a physical store in the Polanco area, in Mexico City. This company offers a great variety of luxury items such as handbags, shoes, accessories, and male fashion items (VTC, 2022). Rebloom is another online platform specialized in selling preloved luxury fashion items such as shoes, handbags, accessories, and clothing (Rebloom, 2020).

Luxury Market Mexico (LMM)

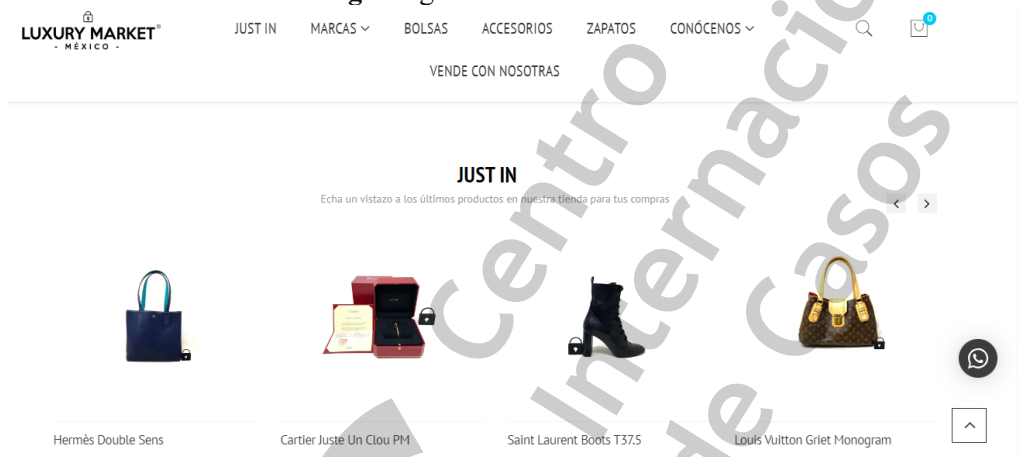
LMM is a registered Mexican brand which was founded in 2018 by Mishel and Fernanda. A couple of years before, in 2014, Mishel started selling used luxury handbags in online communities using Facebook as the main platform for getting in touch with future clients. This is where she got in contact with Fernanda, and the idea of LMM was born. LMM acts as an intermediary between sellers and buyers of original luxury items, who are in search of a new owner to extend the history of their preloved luxury items. Over the years, Mishel and Fernanda have been able to build up a community of luxury lovers where they facilitate the search for a new owner for preloved luxury handbags, shoes, and other accessories.

Part of the value proposal LMM offers is the pre-selection and the authenticity of the luxury items. All the products run through an established process and are only published on their webpage and social media when they pass the last selection step which includes the physical originality process and scanning of the luxury items. The authenticity of the luxury bags is guaranteed through the experience and expertise of their founders and supported by modern authentication technology systems such as Entrupy. The tool allows for a safe purchase, validated, and examined by first-rate technology, with image recognition algorithms through telescopic photographs of the luxury piece (Entrupy, 2022).

LMM's mission is to help extend the life cycle of luxury pieces, ensuring that items that come from the best hands reach the best hands, thereby generating a positive impact on the environment and contributing to the circular economy in the world of luxury fashion. The founders of LMM are committed to offering a pleasant purchasing and/or selling experience to their clients. LMM guarantees 100% original items in the best conditions to their buyers and is a reliable option assuring the best price, payment time, and transaction security to their sellers.

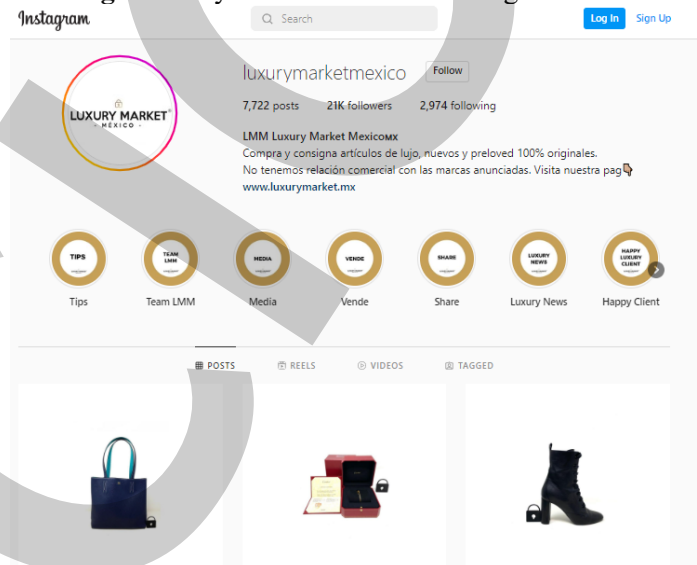
LMM is an electronic retailer (e-tailer) represented with its own webpage and social media pages where consumers can find updated information on their products in stock.

Image. Digital Presentation of LMM.



Source. Luxury Market Mexico's website, 2022.

Image. Luxury Market Mexico's Instagram account.



Source. Luxury Market Mexico's Instagram, 2022.

Image. Luxury Market Mexico's Facebook account.



Source. Luxury Market Mexico's Facebook, 2022.

But not only does their owned media help LMM to reach out to their customers, but also other social media pages have been generating sales in their role as earned media (other users mention and share their experience with the brand). Past intents on paid media have not always worked out satisfactorily for LMM as they resell other brands, there has been a situation where they have been blocked. LMM relies greatly on electronic word-of-mouth (e-WoM), the recommendation of other users, to reach out to new clients. Born as an e-tailer, LMM had no physical representation until 2020.

Image. During the pandemic, LMM opened its first Showroom in Polanco, Mexico City.



Source. LMM, 2022.

Image. The Showroom is a key piece in their business operation processes.



Source. LMM, 2022.

As most of the transactions are currently generated in Mexico City, Monterrey, Guadalajara, and the Bajío area, the company is also represented in Guadalajara and Monterrey. If a customer wishes to see the luxury item in person, an LMM representative in each city helps out. Furthermore, the representatives take an active role in local groups and communities and assist in events.

Considering the current and future development in the preloved luxury market in Mexico, LMM wants to find a solution to maintain its position in the market. With the evolution of the preloved luxury market in Mexico, LMM has been able to grow over the past years. Nowadays, LMM has a team that consists of two founders and five collaborators. According to Mishel and Fernanda, the selection process of pre-owned luxury items is very complex, as every piece is unique given its history. Therefore, the e-tailer has come to the limits of its capacities. Nevertheless, if the entrepreneurs are not able to evolve their business, there might be the risk that existing or new entrants gain part of LMM's market share.

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CIC Centro Internacional de Casos