

Shopping Reinvented: Growth of Subscription, Rental, and Resale Business Models

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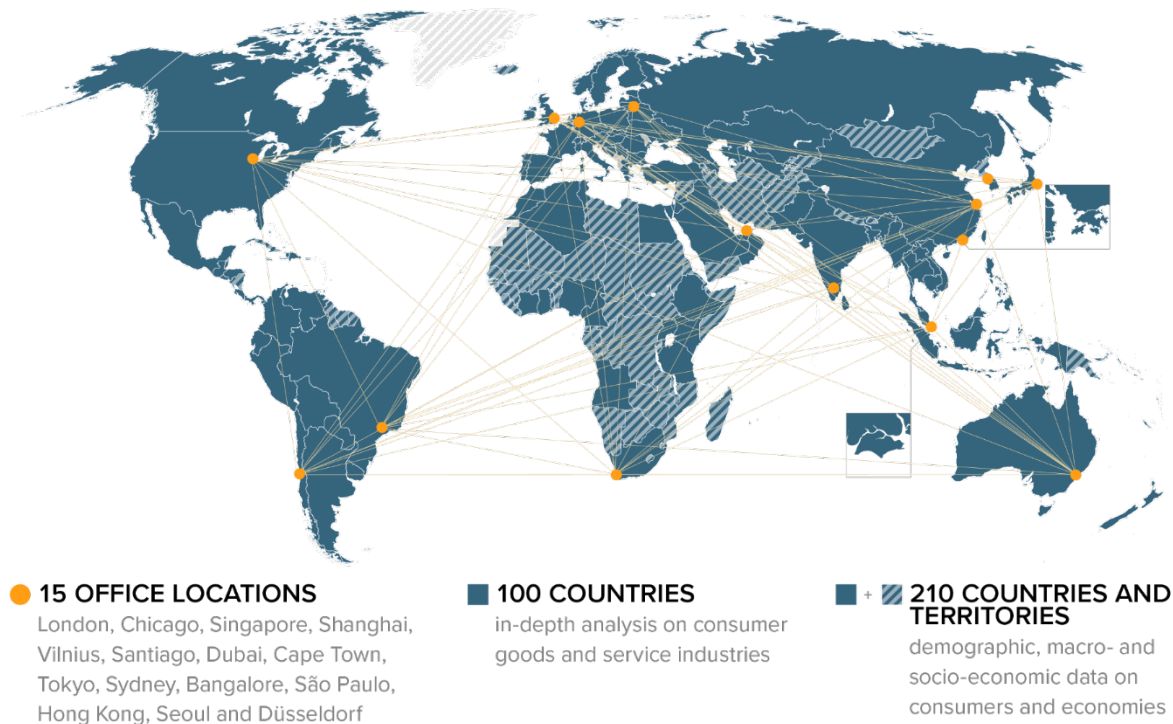
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Introduction to Shopping Reinvented

Shopping Reinvented is one of 8 megatrends





46%

Of consumers agree that they are willing to spend money to save time

57%

Of consumers indicate they would be lost without access to the internet

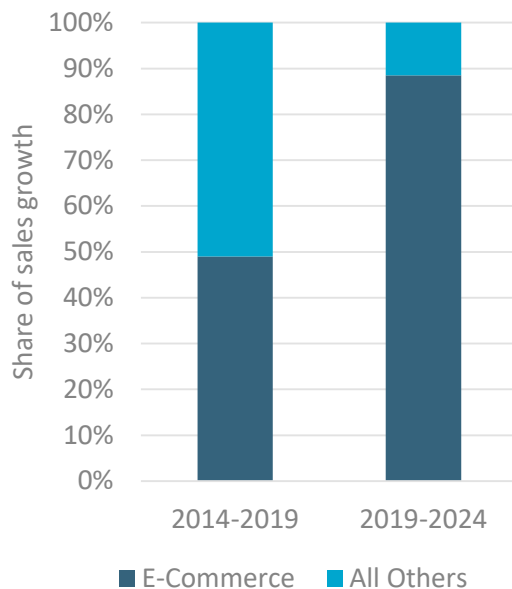
58%

Of consumers agree or strongly agree that they seek curated experiences that are tailored to their tastes

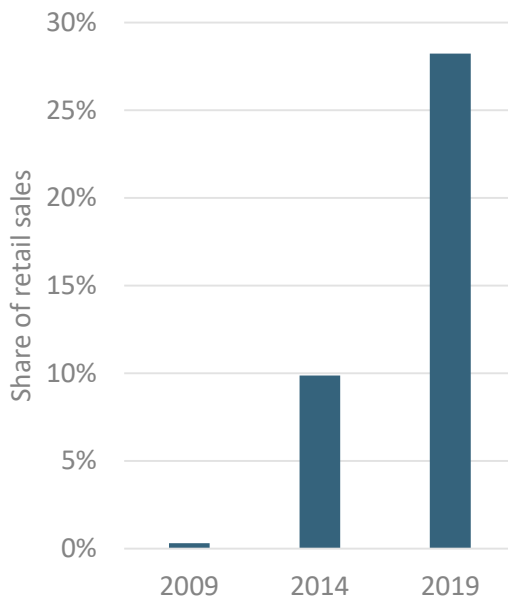
Shopping Reinvented has Reshaped Commerce



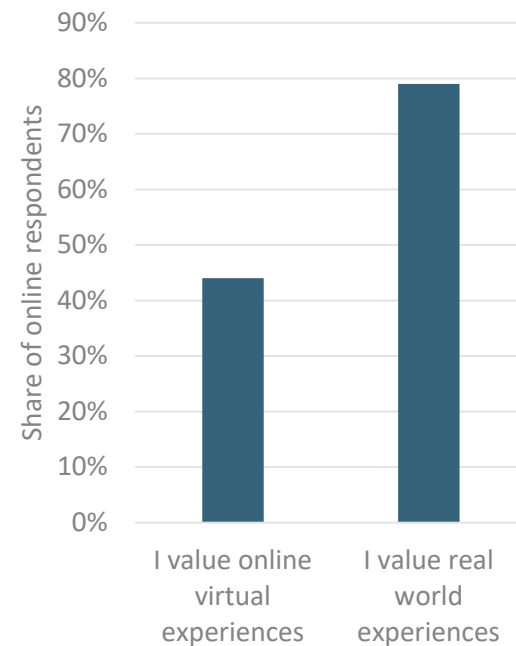
US Retail Sales Growth Breakdown by Channel



E-Commerce as a Share of Retail in China



I value... (2019)



Overview



1.

Subscriptions
drive passive
commerce



2.

Rental redefines
ownership




3.

Resale extends
product life
cycles

The background of the slide is a photograph of a wooden shelf. On the left is a glass jar filled with dried, pressed herbs. To its right is a white, cylindrical smart speaker with a grey mesh grille at the bottom. The entire image is overlaid with a semi-transparent orange filter.

1.

Subscriptions drive passive commerce

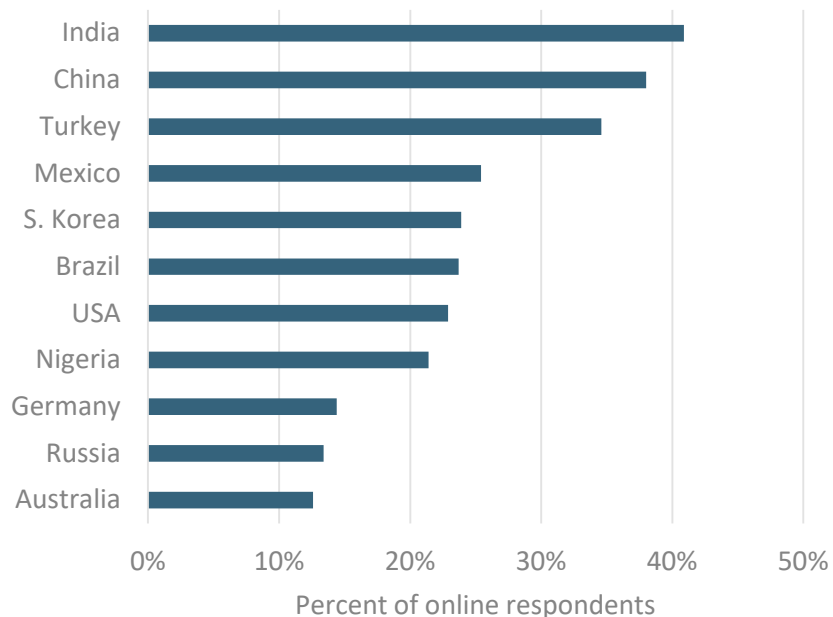


Subscriptions refer to systems of automatic orders, sent to consumers on a recurring basis.

Largely centered around novelty today, subscriptions will evolve into a form of passive way to replenish household goods.

Subscription service usage is highest in emerging markets

Currently use a Subscription Service (2019)



Selected Subscription Service Motivations (2019)

Convenience:
50%

Try a variety of
new products:
34%

To save
money:
27%

I do not have
time to shop:
16%



Chewy is a US-based e-commerce pure player, focused on pet products such as pet food.

According to the company, Chewy receives 70% of its sales from automated subscriptions.



bebbia is a Mexican company that sells water filtration equipment.

To persuade consumers to switch from traditional PET water jugs, bebbia offers free filtration equipment with the purchase of a monthly subscription of replacement filters.




Champzee is a China-based men's fashion subscription service.

Each shipment is tailored to the consumer's preference and measurements, and feedback on each box informs future shipments.



Acure is a vending machine operator in Japan that in 2019 began piloting a subscription service.

Through the Acure Every Pass subscription, consumers pay a monthly fee to be able to take a daily beverage from an Acure machine.



HP launched Instant Ink, a subscription service that monitors ink usage and sends cartridges to consumers before they run out.

Besides a consistent revenue stream, the service also gives HP more accurate forecasts.



Home Refill is a Brazilian company with presence in the UK and Saudi Arabia.

At first, a shopper buys in a standard way from Home Refill. After a few months of use, the platform knows the consumer's habits and automatically places orders.

Implications of subscriptions

Subscriptions add convenience for consumers

Machine-aided commerce will become more prevalent

Growth of internet of things will power subscriptions, new business models

Increasingly passive transactions will reshape marketing

The background image is a photograph of a clothing store interior, overlaid with a semi-transparent orange filter. On the left, there are several metal clothing racks filled with various garments, including dresses and tops. In the center, a striped top is prominently displayed on a rack. To the right, a large white sign is mounted on the wall. The sign contains the text 'You don't have to own it, to own it.' in a serif font, with 'to own it.' in italics. The overall atmosphere is warm and modern.

2.

Rental redefines ownership

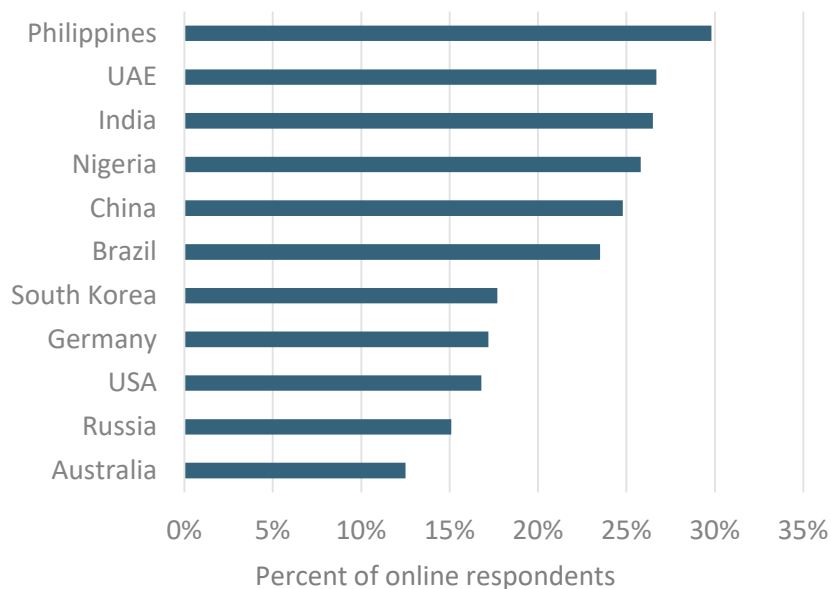


Via rental services, consumers are able to access goods for a short period of time at reduced cost.

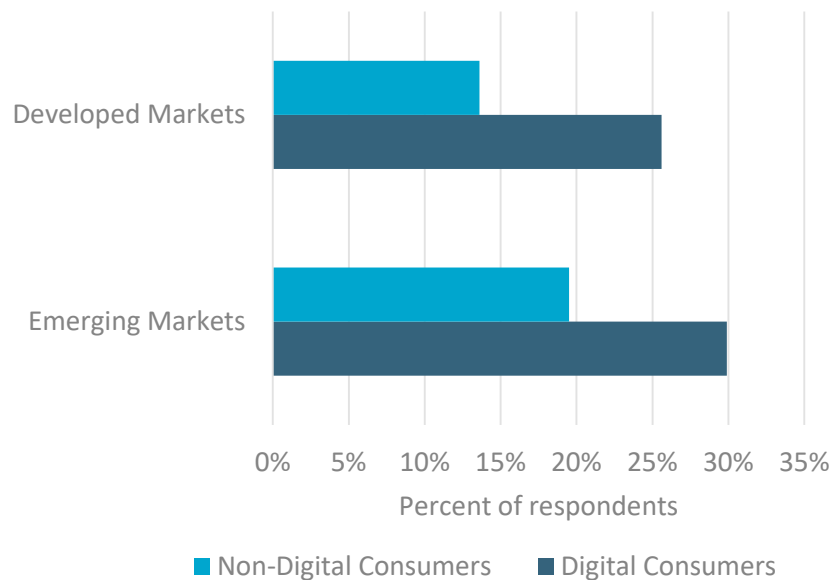
Long popular for the biggest consumer purchases such as cars, rental is emerging as an increasingly popular way to access durable and semi-durable goods.

Rental is most prevalent amongst digitally-savvy, emerging market consumers

I am willing to rent items for specific occasions instead of buying them (2019)



I am willing to rent items for specific occasions instead of buying them (2019)





Furlenco is an Indian furniture rental platform that as of 2019 had furnished over 90,000 homes.

Furlenco stocks furniture it has designed specifically for the rental consumer.



South Korean e-commerce platform Gmarket originated as a resale site, but now sees substantial revenue from renting items.

According to the company, sales from rentals have increased by 450% since 2014.



Village Luxe is a US-based peer-to-peer rental site focused on luxury apparel and accessory rentals.

The site features brands such as Bulgari, Miu Miu, and Saint Laurent. Renters pay to rent items on a weekly basis, plus a dry cleaning fee.



24BoxRent is a Spanish start-up offering unattended rental facilities.

The company will install smart lockers, through which brands can make items available to rent to 24BoxRent members who can access the lockers via app.

Implications of rental

Access competes
with owning

New ways for
consumers to test
products emerge

Rental hinges on
high levels of
trust

Creative solutions
to fulfillment,
returns required



3.

Resale extends product life cycles

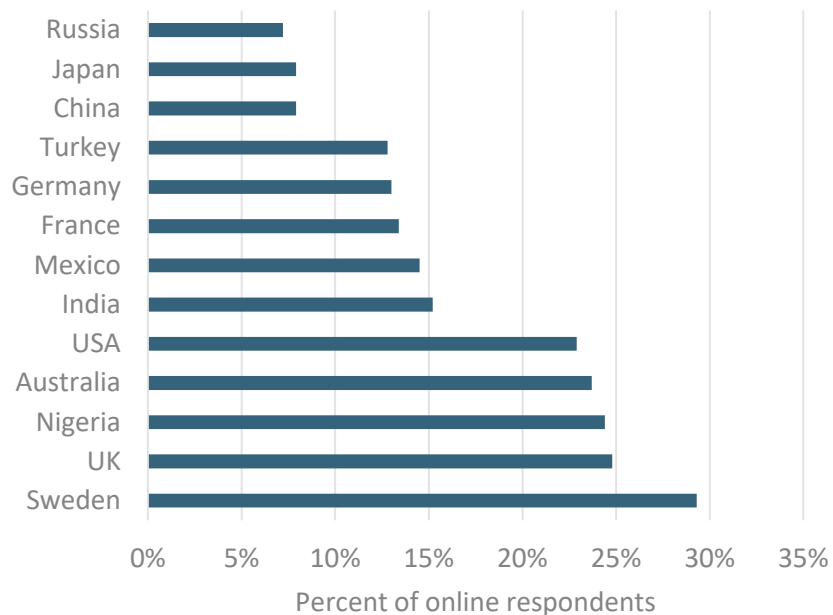


Resale, or secondhand shopping, refers to buying items used rather than new.

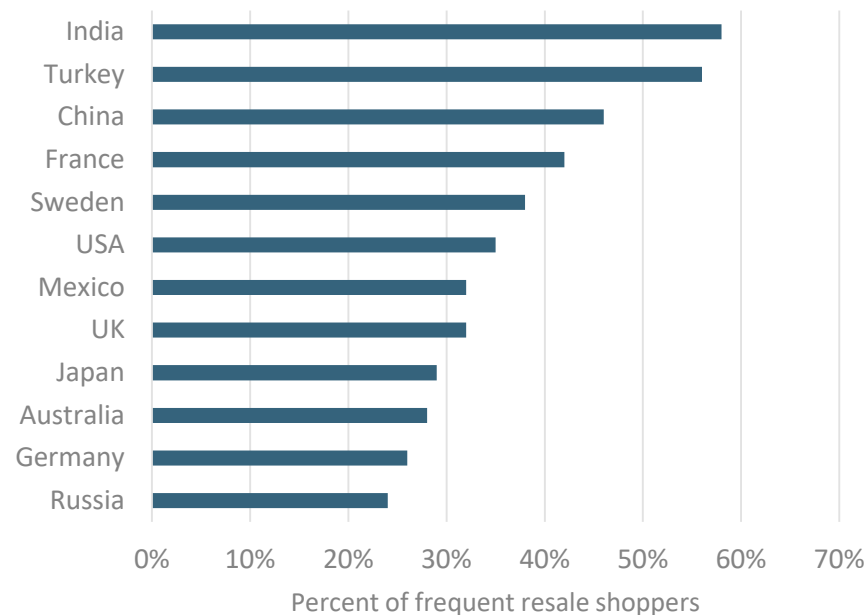
Resale is an important channel for consumers in many parts of the world due to quality and price. In some markets, resale has become trendy in the last few years.

Resale is poised to grow across developed and emerging markets

Frequency of Secondhand Purchases: At least every few months (2019)



I plan to increase my spending on secondhand products in the next 12 months (2019)





Owned by Alibaba, Xianyu is one of China's largest secondhand platforms.

The platform has a strong social component with an estimated 450,000 community groups on Xianyu.



HAVE A 6 MONTH FLING

Turn in any Rebag handbag within 6 months in exchange for credit worth at least 70% of its purchase price.

#NOBAGGAGE

With Rebag Infinity, you can keep your handbag collection fresh – no commitment necessary.

Purchase any Rebag handbag, enjoy it for up to 6 months, and then exchange it for credit. You will receive **at least 70% of its purchase price** to be used toward your next bag. See terms below.

Source: Rebag

Created in 2014, Rebag is a luxury handbag resale site that also operates seven stores in the US.

Rebag weaves the prospect of reselling an item into the process of buying it in the first place through its Rebag Infinity and Clair by Rebag services.



In 2018, Ikea launched a buy-back and resale pilot program at one store in Australia. In late 2019, Ikea expanded the program nationwide.

Through the program, shoppers can sell used Ikea merchandise back to the company in exchange for Ikea gift cards.



ReTuna opened in 2015 in Eskilstuna, Sweden, as the world's first secondhand-only shopping mall.

ReTuna has an on-site drop-off depot, where staff accept contributions, sort items, and in some cases repair or upcycle merchandise.

Source: ReTuna

Implications of resale

Resale is gaining popularity globally

Sustainability is just one driver of resale

Resale can provide new data and insights about shoppers

Consumers will ask new questions about a product's value

Takeaways

Need for permanent ownership is declining

Can products be better designed to suit multiple users?

What new touchpoints with consumers will be required?

How can the returns process become as seamless as possible?

What services can create additional value for the consumer and revenue for the brand?

Replenishment purchases will be largely automated

Which type of purchase does a product correspond to?

When will customers want to replenish their supply?

What new, top-of-the-funnel marketing approaches will be needed?

Will opportunities for new revenue streams emerge?

The relationships brands forge will drive shopping activity

How can technology be used in thoughtful ways to strengthen brand-consumer relations?

What opportunities are there to personalize the brand's offerings?

How can the consumer's engagement with the brand be more experiential?

How can brands maintain control of its relationships with shoppers?

Thank you

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