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# **Secondbrand Exchange: When Traditional Retail Brands Resell Used Products**

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## **EXTENDED ABSTRACT**

Can previously used products ever be “better than new” as Patagonia, an outdoor gear and clothing manufacturer, suggests to consumers on its website? We call this practice secondbrand exchange—when traditional brands directly resell their own used goods. Rethinking linear consumption patterns, addressing overconsumption, and attempting to mitigate negative environmental impacts, brands as varied as Walmart, Nordstrom, Levi’s, REI, and others make strategic choices about acquisition, transformation, communication, and distribution of used products. In this paper, we uncover the theoretical foundations connected to this novel brand strategy, present descriptive marketplace data, and offer research propositions to investigate the impact on consumer perceptions of the new and used products as well as the brand itself.

The secondhand market is experiencing an exponential rise (thredUP, 2020), motivated by the climate change imperative and supported by technological advances and consumers’ shifting preferences (Ertz et al., 2017). Because most research exists within the linear economy paradigm, wherein brands make new goods to be sold directly to consumers, these practices are both novel and understudied. This research contributes to the stream focused on circular and more fluid or liquid consumption practices (Bardhi & Eckhardt, 2017), but is distinctly separate from access-based consumption as ownership in secondbrand exchange is transferred.

Secondhand reselling has existed for centuries in many forms, from flea markets to donation-based providers like Goodwill to for-profit thrift and consignment shops to informal consumer-to-consumer exchange such as classifieds and garage sales. More recently, web and app-based interfaces like Poshmark, thredUP, The RealReal, Depop, StockX, as well as social media-hosted C2C communities have appeared as technological advances break down geographic and logistical barriers. Secondbrand exchanges are defined as those mediated and hosted within one traditional, firsthand retail brand (Nordstrom vs. thredUP) where the category remains the same (clothing remains clothing vs. clothing altered into recycled packaging). Because secondbrand exchanges are facilitated within one brand landscape, we must consider its differences from both traditional firsthand and secondhand retailers.

We introduce an organizational framework around secondbrand positioning matched with four main consumer motivations for buying secondhand: sustainability, durability, frugality, and fashionability. Another key aspect of secondbrand exchange is product transformation, defined as the magnitude of item change performed by the secondbrand before resale, ranging from refresh (cleaning and/or merchandising) to renew (refresh+repair or other substantive change) to remake (refresh/renew+full recreation of new item from old item(s)).

To provide a snapshot of current secondbrand exchange activities in the marketplace, exploratory research identified twenty-nine large traditional brands in the online retail space. Qualitative coding indicated difficulty in locating the used items (3.59 on a 5-point scale), frequent (78%) display of actual (vs. stock) item, and likely (84%) presence of MSRP as a reference price for the used item. Secondbrands most often used sustainability positioning (approximately 2/3 of the brands), followed by durability (21%), and fashionability and frugality being infrequent (both at approximately 7%). Renewal activities were the most common level of product transformation (55%) and remaking was the least (17%). Only 17% engaged in more than one level of transformation. It was very unusual for the brand to share information about previous owners (single instance). Extending from these exploratory findings, we draw theoretical connections in two primary domains: brand extension and contagion.

Brand extension refers to the introduction of new products/services by established brands (Keller and Aaker 1990). The question of whether brand extensions will help or harm parent brands and which factors affect these outcomes has been researched in depth (Aaker & Keller, 1990; Keller, 2002). The two main factors resulting in brand extension success are quality of the parent brand (Aaker & Keller, 1990) and “fit” between the brand category and the extension category (Boush & Loken, 1991; Dawar, 1996; Herr et al., 1996). In secondbrand exchange, perceptions of similarity may be bolstered based on category match (i.e., both firsthand and secondhand items are apparel) as well as item transformation level (i.e., reducing the perceived difference between new and used items). Further, consumers’ perceptions of fit may be influenced by appeal type, brand position, and target consumers’ motives for shopping secondhand.

The Law of Contagion refers to a phenomenon wherein objects transfer certain properties to another object upon coming into contact (Nemeroff & Rozin, 1994) and is therefore pertinent to secondhand contexts. Physical contagion refers to perceived contamination through germs, dirt, and other disgusting material (Nemeroff & Rozin, 1994), is perceived negatively by consumers, and is an important deterrent to secondhand consumption (e.g., O’Reilly et al., 1984) driven by disgust and risk (Bezançon et al., 2019). Magical contagion, in contrast, refers to a transfer of essence from one entity to another and can be perceived as positive or negative depending on whose essence is transferred (Nemeroff & Rozin, 1994). Positive magical contagion has been shown to increase the perceived value of items, make them feel more special, and to even imbue the new owner with certain abilities from the previous user (Kramer & Block, 2014; Lee et al., 2011; Newman & Bloom, 2014; Newman et al., 2011). We suggest that it may be possible for secondbrands to strategically enhance positive magical contagion through transference of brand identity or prior owner identity and reduce negative physical contagion through product transformation level, merchandising, and presentation/communication choices.

This paper introduces the unique consumer context of secondbrand exchange, a second-order market that blurs the line between new and used, entering a perceptual space that must be explored with continued research. After considering the phenomenon itself, presenting a spectrum of item transformation and drawing connections between brand extensions and contagion, we present seven research propositions organized around consumer perceptions of used products, new products, and the brand itself.

**Keywords:** *Secondhand, Brand extension, Contagion, Used, Secondbrand, Transformation*

*References are available from the authors upon request*

## About the Authors

**Peter Silverstein** is a recent graduate from Western Washington University and a current practitioner in the market research field. He is interested in consumer behavior within sustainable and circular business.

**Catherine Armstrong Soule** is an associate professor of marketing at Western Washington University. Cat's research focuses on judgment and decision making within the exchange and consumption contexts. Broadly, she concentrates her work on how consumers form perceptions and how those perceptions are related to intentions and behaviors, often in pricing and sustainability domains. Cat has published research in the *Journal of the Association of Consumer Research*, *Journal of Advertising*, the *Journal of Marketing Management*, the *Journal of Behavioral and Experimental Economics*, and the *British Food Journal*.

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