



**The State of the Retail Thrift Industry**  
**3<sup>rd</sup> edition**  
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*\*The Cascade Alliance has published previous versions of The State of the Retail Thrift Industry in 2014 and 2016.*

***“It’s not a question of if, but when hundreds of millions of people all over the world make resale their new healthy habit”***

***- Paula Sutter, Former President,  
Diane Von Furstenberg***

## The state of the retail thrift industry

The retail thrift industry was a predictable bright economic spot during the Great Recession. But what started as a response to consumers’ financial troubles in 2007, as the housing bubble burst, has continued well past the recovery of the economy.

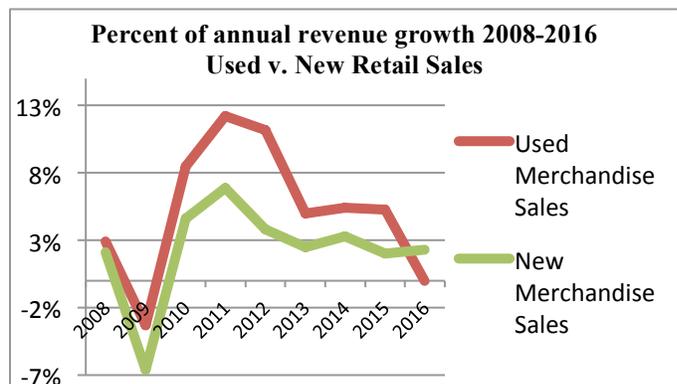
In the words of InvestigateWest: “Something interesting happened to American shopping habits as the country climbed out of the Great Recession: Shopping secondhand stores became not only acceptable but even hip. As more Americans looked online to sites like Etsy for vintage accessories and home decor, increasing numbers also flocked to neighborhood thrift stores for clothes and housewares.”<sup>1</sup>

The continuing popularity of retail thrift industry reflects a shift in U.S. consumer culture. Nowadays, buying used, recycled or re-manufactured items isn’t just about saving money. For millions of consumers, shopping thrift is not only smart, but also a way to express one’s individualism and reduce one’s impact on the environment.

The retail thrift industry does benefit the environment by reclaiming textiles destined for the landfill, which lowers greenhouse gas emissions. In 2014, recyclers reclaimed 2.6 million of the 16.2 million pounds of textiles generated in the U.S.<sup>2</sup> In the past, recyclers have generated profits by selling reclaimed textiles into secondary markets. This option, however, may be limited in coming years. China’s rejection of U.S. materials will likely have a significant impact on the industry.

## The resale industry has grown steadily, outpacing new merchandise growth

Whether the economy is shrinking or expanding, used merchandise sales outperform that of the broader retail sector. Sales at resale stores **steadily increased by more than 50 percent between 2008-2016**, at the same time discount department store revenues fell by half and traditional department stores lost one-quarter of their sales, according to the [U.S. Census Bureau](#).



<sup>1</sup> [Thrift Store Industry Thrives With Its Do-Good Veneer](#), by Francesca Lyman, InvestigateWest, 10.28.15

<sup>2</sup> [Advancing Sustainable Materials Management Fact Sheet](#), Environmental Protection Agency, November 2016



The national used merchandise industry has nearly doubled in sales from 2000 to 2016. Sales in 2000 reached \$9.8 billion, while 2015 sales topped \$17.2 billion. The first 10 months of 2016 revenue reports show no signs of slowing down and revenue is on par with 2015.<sup>3</sup>

The used merchandise industry has grown in the U.S. to encompass 18,250 stores with 172,833 employees as of June 2016.<sup>4</sup> This is up from 16,622 used merchandise stores in 2011 with 130,880 employees, representing a 23 percent growth in employment.<sup>5</sup> The actual employment growth is outpacing the Bureau of Labor Statistics' predictions. The agency estimated in 2010 that employment in the used merchandise industry would grow 20 percent by 2020.<sup>6</sup>

### The future is bright

Used merchandise is one of the fastest growing industries in the nation. In fact, the U.S. Department of Labor lists it at 19 in the Top 50 fastest growing industries in the U.S. just behind medical services, elderly care and higher education, and ahead of computer system designers, software publishers and activities related to real estate.<sup>7</sup>

The Bureau of Labor Statistics is also bullish on retail thrift. The most recent agency projections (2014) stated that by 2024 the industry would employ 214,100 - a 30.6 percent growth in used merchandise employment over 2014. Comparatively, in the same decade (2014-2024), the BLS expects employment in clothing stores to drop 2 percent, electronics and appliance stores to drop 9.2 percent, furniture stores to drop by 16 percent, and department stores employment to decline 20.3 percent. Meanwhile, overall total employment in the U.S. is expected to grow by 6.5 percent.<sup>8</sup>

Retail thrift is becoming more mainstream among millennial shoppers, who represent a \$200 billion consumer market.<sup>9</sup> Resale appeals to this generation's desire for frequent fashion updates (so as not to be caught on social media wearing the same outfit twice), their interest in developing a "sharing economy", coupled with their eco-consciousness and passion to live sustainably. The supply side is bolstered by the de-cluttering craze, fueled by the bestselling minimalist guide, "The Life-Changing Magic of Tidying Up" by Tokyo-based organizing consultant Marie Kondo, and the growing tiny house movement.

Strong consumer demand has driven up sales of the nation's largest resale franchisor in the U.S. in excess of \$1 billion in 2015. Businesswire reported that, "[p]roof of Winmark Corporation's

<sup>3</sup> [U.S. Census Bureau](#), Monthly Retail Trade Report data report ran on 1.11.17

<sup>4</sup> [Quarterly Census of Employment and Wages](#), Second Quarter 2016, Bureau of Labor Statistics

<sup>5</sup> [May 2015 National Industry-Specific Occupational Employment and Wage Estimates](#), Bureau of Labor Statistics

<sup>6</sup> [Used Merchandise Store Industry Profile](#), CareerInfoNet.org, sponsored by US Department of Labor accessed on February 8, 2016.

<sup>7</sup> [CareerOneStop](#), Top 50 Fastest-Growing Industries, U.S. Department of Labor website visited on January 12, 2017

<sup>8</sup> [Bureau of Labor Statistics](#), Employment Projections, data report ran on January 12, 2017

<sup>9</sup> [What the \\$200 Billion Millennial Market Really Thinks is Cool](#), Inc. website visited on January 18, 2017



industry dominance is evident in the continued advancement of its [Plato's Closet](#) and [Once Upon A Child](#) brands in *Entrepreneur* magazine's prestigious *Franchise 500* ranking of the nation's top franchise opportunities; respectively climbing to the No. 105 and No. 132 spots overall. Additionally, the 2016 list named Plato's Closet the top retail franchise and Once Upon A Child the top children's retail franchise for the second consecutive year.<sup>10</sup>

### Who shops Thrift?

Britt Beemer, founder and chairman of America's Research Group, who has studied the trend in thrift shopping stated, "Much of the recent growth can be attributed to young shoppers, many of whom are passing on trips to the mall in favor of thrift stores."<sup>11</sup> According to ARG's research, "About 16-18 percent of Americans will shop at a thrift store during a given year. For consignment/resale shops, it's about 12 to 15 percent. To keep these figures in perspective, consider that during the same time frame; 11.4 percent of Americans shop in factory outlet malls, 19.6 percent in apparel stores and 21.3 percent in major department stores."<sup>12</sup>

The online resale company ThredUP's 2016 survey found that "87 percent of individuals who bought secondhand clothing online shifted their spending away from off-price retailers."<sup>13</sup>

Certain niches within the resale industry have always done well and continue to do well now. Dun & Bradstreet reports that used furniture is one of the fastest growing segments of the resale industry. Used book sales remain strong, even with the influx of eBooks and audio books in recent years. (See, Cascade Alliance white paper "The state of book publishing, reuse and recycling") Second-hand children's clothing stores are popular in many communities, especially among millennial parents. A study released by ThreadUp found that nearly nine in 10 (86 percent) of American parents would dress their child in secondhand apparel.<sup>14</sup> And 56 percent of Americans would give a secondhand gift.<sup>15</sup>

### Who shops at thrift stores?

It used to be that thrift shops were only for low-income people, college students and serious bargain hunters. Those groups are still well represented, but they aren't the only ones.

- Research by St. Vincent de Paul of Lane County indicates that the average shopper in our stores is a lower- to middle-income woman between the ages of 35-55. She is seeking primarily clothing for herself and her family, and household and decorative goods.

<sup>10</sup> [Nation's Largest Resale Franchisor Surpasses \\$1 Billion in Sales](#), Businesswire, January 27, 2016

<sup>11</sup> NARTS, [Industry Statistics and Trends](#); email with Executive Director on January 11, 2017

<sup>12</sup> [Recession has many looking thrift store chic](#), Jessica Tully, USA Today, July 5, 2012.

<sup>13</sup> ThredUP [2016 Resale Report](#)

<sup>14</sup> [Back-to-School Survey Reveals 86 percent of American Parents Would Dress Their Child in Secondhand Clothing](#), Businesswire, July 31, 2015.

<sup>15</sup> [Survey Reveals 56 percent of Americans Would Gift Secondhand](#), Businesswire, November 5, 2014.



- The recession introduced many new consumers to second-hand stores. Middle class families tightening their belts after job losses and wage cuts started going to thrift stores instead of big-box locations to look for the items they needed.
- The do-it-yourself (or DIY) movement really took off during the recession and has grabbed hold of millions of people across the country, particularly younger folks. Those people are flocking to thrift stores in search of clothing to upcycle or turn into costumes; craft goods for home projects; and furniture they can refinish.
- The popularity of the “industrial” and vintage looks in home décor and the steam punk or retro looks for clothing are also driving demand for the items available in resale shops. The Oregon Employment Department notes that surveys show young people “value unique and original styles, which often leads them to favor vintage and retro clothing or décor.” That, in turn, drives them to shop at thrift stores rather than more traditional retailers.
- Staff at St. Vincent de Paul of Lane County often hear that “treasure hunting” is one of our customers’ favorite parts of the thrift store experience, and more people are getting in on the fun. The website RetailCustomerExperience.com points out that the popularity of websites like eBay and television shows like “American Pickers” are making people more comfortable (and even excited) about the idea of buying used. The Grammy Award-winning song “Thrift Shop” (2013) by Macklemore and Ryan Lewis didn’t hurt either.

In sum: there are more thrift store shoppers than ever; many of them are young and the stigma of buying things used is going away.

### **The thrift industry is becoming more professional**

As thrift stores have become more mainstream businesses, they’ve started to employ methods traditional retailers use to attract customers. Newspaper articles from across the country quote resale business owners and managers reporting that they’re doing a better job of keeping stores clean, organizing items in an attractive way, and displaying complete outfits and furniture vignettes to attract and retain customers. Further, resale shops are turning to social media to connect with customers and gain exposure. Buffalo Exchange, for example, encourages customers to post pictures wearing their purchases and gives gift cards to the person with the most likes.<sup>16</sup>

Mainstream thrift is also trying to grow their customer base to appeal to bigger spenders. Goodwill, for example, is attempting to penetrate the upscale clothing market with high-end stores under the name *Goodwill Boutique*. These stores give Goodwill an outlet to sell their better-branded goods at higher prices to a wealthier clientele. *L.A. Times* reports at an Orange County Goodwill Boutique customers spend \$5-\$9 more than the \$15.45 they would spend on a trip to a traditional Goodwill.<sup>17</sup>

The trend to mimic traditional retailers is a positive one. As thrift stores become nicer places to shop, more people will feel comfortable going there. As more business owners treat them like

<sup>16</sup> Used Merchandise Stores, First Research Industry Profile, Dun & Bradstreet, November 21, 2016

<sup>17</sup> [Is Goodwill’s Growth Evidence of a “Thrift Economy?”](#), *OffPrice*, July 22, 2016



real businesses, they will be more likely to look at industry best practices and continue to improve their stores. Retail thrift operations that cannot compete as a business will stay small or simply go away, making more room for organizations that do wish to operate at a more professional level.

### Are ThredUp, Tradesy and other online-only resale stores a threat to the brick and mortar thrift industry?

Online thrift shopping is a \$34 billion industry and shows no signs of slowing down.<sup>18</sup> Investors have taken note of the growth potential of online secondhand apparel marketplaces. Between 2009 and 2015, \$500 million of venture capital has poured into the booming online resale market.<sup>19</sup> In 2015, Goldman Sachs Investment Partners invested \$81 million in ThredUP (bringing its total funding to \$131 million)<sup>20</sup>. In 2014, The RealReal, a luxury consignment site, secured \$80 million in funding, and Tradesy secured \$30 million to kick off the year in January.<sup>21</sup>



In recent years, the online resale market has consolidated as bigger online companies gobble up smaller ones, and others failed to attract the investment money needed to compete. An emerging trend is online resale partnering with new merchandise retailers to find mutually beneficial ways to work together. For example, Macy's has partnered with ThredUp to [provide Macy's gift cards](#) to customers based on the value of the items given to ThredUP. (A previous partnership with Target ended after several months.)

However, not everyone is convinced online resale is the next big thing. "While investors have put their faith into these companies, not everyone is convinced of their potential, and so far, there have been no promising exits (i.e., acquisitions or IPOs) — even the startups that have been acquired, like Twice and Shop-Hers, have netted only nominal sums. 'These are difficult, complicated and costly logistics businesses,' says Lawrence Lenihan, cofounder and co-CEO of fashion-focused venture operating firm Resonance Companies. 'Their customers love them for convenience and selection, but I'm not sure that there is a profitable sustainable business at the

<sup>18</sup> [Online Consignment Platforms Bring New Ideas To Old Clothing](#), Forbes, June 2, 2016

<sup>19</sup> Ibid.

<sup>20</sup> [Why Is Silicon Valley Pouring Millions of Dollars Into Old Clothes?](#) Bloomberg News, October 28, 2015

<sup>21</sup> [Goldman Sachs Bets Big On Online Thrift Store](#), PYMTS.com, September 10, 2015.



end of the journey. They seem to be trying to emphasize the high end of the market with watches and jewelry because the margins are the highest and the logistics cost per contribution margin are the lowest. But then they are [facing] a whole host of competition, including the brands themselves who have the credibility of physical presence along with new products.”<sup>22</sup>

Despite the growth of, and investment in, online retail thrift, it’s important to keep in mind that the 20 year-old e-commerce industry represents a tiny fraction - just 8 percent - of all retail sales in the U.S.<sup>23</sup> In 2016, only 0.8 percent of retail sales shifted from offline to online.<sup>24</sup> While annual online used merchandise sales are \$34 million, that is just a small piece of the total \$17.2 billion retail thrift market. “Investors shouldn’t write off brick and mortar,” concludes the Harvard Business Review.<sup>25</sup>

In fact, brick and mortar stores continue to flourish. Research shows that thrift shoppers are seeking an “authentic shopping experience in a neighborhood setting with engaged proprietors looking for more than just a good deal.”<sup>26</sup>

A recent consumer survey found that 85 percent of consumers prefer to shop at physical stores rather than online. The TimeTrade study concluded that “[t]he physical retail store is still relevant because more than ever, customers are looking to the in-store experience to help them validate their final purchasing decisions. Some survey highlights reveal that:

- More than 70 percent of consumers would prefer to shop a brick & mortar Amazon store versus Amazon.com.
- Only 13 percent of respondents have previously made a purchase using a mobile device.
- 90 percent of consumers are more likely to buy when helped by a knowledgeable associate.
- 92 percent of responding millennials plan to shop in-store in 2015 as often or more than they did in 2014.”<sup>27</sup>

The desire for an authentic shopping experience may explain the gap between online and physical store conversion rates. The average in-store conversion rate is 17.14 percent, while the online conversion rate is just 2.3 percent.<sup>28</sup> The dismal conversion rate for online shopping reflects the “bricks and clicks” consumer behavior – where shoppers look online at a store’s website before going to the store to make their purchase. The so-called ‘multi-channel retailing’ is emerging as the single most significant trend in retailing.<sup>29</sup>

<sup>22</sup> [Investors Continue To Pour Millions Into Online Resale Startups](#), Fashionista, May 4, 2016

<sup>23</sup> [Estimated Quarterly U.S. Retail Sales: Total and E-commerce](#), U.S. Census Bureau, website visited on January 12, 2017

<sup>24</sup> [The Best Retailers Combine Bricks and Clicks](#), Harvard Business Review, May 30, 2016

<sup>25</sup> Ibid.

<sup>26</sup> [Thrift Stores Thrive by Selling the Experience](#), BusinessNewsDaily.com, March 25, 2013; Footfall.com

<sup>27</sup> [The State of Retail 2015](#), TimeTrade

<sup>28</sup> [Edgecase Research: Online Retailers Need To Add The ‘Human Touch’](#), Retailtouchpoints.com, January 20, 2015.

<sup>29</sup> [Ecommerce vs. Brick and Mortar—Who Wins and Loses The Retail Store War?](#), Allison+Partners, January 18, 2016



Another major benefit of physical stores is that point-of-purchase displays and interactions with store associates lead to impulse purchases and are much harder to ignore than online ads. In fact, 40 percent of in-store consumers spend more than they had planned compared to 25 percent of online shoppers.<sup>30</sup>

“The social and material experience can't be recaptured when one is alone at home, slouched over the computer, trying to discern the quality of a garment on eBay,” said University of Illinois professor Brenda Parker, co-author of a study on the restructuring of retail economies in this era of e-commerce. “And 'I got it on eBay' does not evoke the same air of mystery and treasure hunt as scoring a find in an obscure junk shop in Chicago.”<sup>31</sup>

### A Cautionary Note

In July, China notified the World Trade Organization of its plan to ban four classes and 24 types of solid waste imports by the end of the year.<sup>32</sup> Currently, China plays a key role in the U.S. recycling industry, acting as the primary buyer of U.S. scrap commodities. In 2016, China imported \$5.2 billion in scrap commodities from the United States, including 7 million metric tons of plastic and 29 million metric tons of paper.<sup>33</sup>

Shortly after the China's announcement, the Institute of Scrap Recycling Industries stated, “If implemented, a ban on scrap imports will result in the loss of tens of thousands of jobs and the closure of many recycling businesses throughout the United States.”<sup>34</sup> Though the specifics of the ban and the nature of the impact on the U.S. recycling industry remain unclear, industry experts expect U.S. recyclers will face significant challenges in the years ahead.<sup>35</sup>

Plastic scrap, unsorted waste paper, textiles and all unsorted waste or scrap are included on the list of materials being banned, which is of particular concern for the retail thrift industry.<sup>36</sup> China's closing door will impact retail thrift businesses' options to easily sell unsuccessful inventory in secondary markets, leaving businesses to face the challenge of finding alternative ways of dealing with unsalable goods coming through donation streams.

As with all challenges, however, the upcoming shifts in the recycling landscape will also present opportunities. With a lack of easy and affordable options for disposal in communities, retail thrift businesses can offer clean plastic and metal collection to their customers. Though single stream recycling is coming to an end, well-sorted bales of some types of plastics and metals will continue to

<sup>30</sup> [The Pros and Cons of Online Retailers vs. Brick-and-Mortar Stores](#), Abaco Small Business blog, website visited on January 18, 2017

<sup>31</sup> [Edgecase Research: Online Retailers Need To Add The 'Human Touch'](#), Retailtouchpoints.com website visited on January 20, 2015.

<sup>32</sup> [Notification to World Trade Organization](#), July 18<sup>th</sup>, 2017

<sup>33</sup> [China's War on Foreign Garbage](#), Bloomberg.com website visited on October 31, 2017.

<sup>34</sup> [China's Scrap Ban Could Be Detrimental to Global Textile Recycling Efforts](#), sourcingjournalonline.com visited on October 31<sup>st</sup>, 2017.

<sup>35</sup> Ibid.

<sup>36</sup> [Notification to World Trade Organization](#), July 18<sup>th</sup>, 2017



maintain a market value in the U.S. and abroad. Profiting from these commodities will require sorting and more attention to changes in commodities markets. Furthermore, offering an easy way to dispose of clean plastics and metals at donation sites will also increase the quantity of salable donations, which can go directly to the sales floor. While unattended donation bins may see an influx of unsalable donations as individuals seek an affordable avenue for disposal, quality donations will also increase.

