

Sole Value – The Sneaker Resale Market.

An explorative analysis of the sneaker resale market.

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Abstract

The purpose of this explorative research paper is to examine the sneaker resale market and its typical processes in order to give a comprehensive overview over the secondary market for limited edition sneakers. Hypotheses are presented that will be analysed with the empirical research methods of expert interviews and sales data analysis. Amongst other findings, this paper shows that there is a complementary relationship between sneaker brands and the resale market; that product limitation is essential for value increases; that collaborations are necessary for sneaker brands to be relevant on the resale market and that the market is very fragmented. All combined circumstances described in this paper explain the sneaker resale market and its processes. Additionally, some outlooks on the future will be given with the help of expert interviewees and current developments on the market will be discussed.

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1 Introduction



Sneaker culture has permeated mainstream culture over the last decade – evolving from a sub-cultural scene consisting of special interest enthusiasts into a global trend and manifesting the sneaker as an iconic fashion staple (Battle, 2016; Weinswig, 2016). The enormous rise of this phenomenon led to a growth of the worldwide sneaker market to an estimated value of \$55 billion USD (Weinswig, 2016). Characteristics and dynamics of this trend have been researched more thoroughly lately while most research focuses on analysing branding or marketing strategies as well as artist collaborations or the significance of so-called “sneakerheads” for the sneaker industry.

One aspect of the whole sneaker culture that has not yet been researched is the secondary market of limited edition sneakers which is most commonly called the “sneaker resale market”. The estimated valuation of this market at \$1.02 billion USD with profits of \$300 million USD by Luber (2014) was reported and discussed by multiple financial press and other media outlets and still often referenced (Thompson, 2015; Wolff & Rega, 2016; Weinswig, 2016; Heilweil, 2017; Harding, 2017; Cheng, 2018). This number grew to an estimated \$1.6 billion USD within three years (Wolf, 2017) and was recently estimated at \$2 billion USD by Eddy Lu – founder of the GOAT app (Jones, 2018). The biggest “hypergrowth” happened in the in the first years of the 2010s in which the market grew 30% to 40% per year because more and more people entered the market and sneaker brands released more and more product (Sagner, 2017). This market growth has sparked interest from other parts of the fashion industry as well. LVMH for example invested in New York City based sneaker consignment boutique Stadium Goods via its LVMH Ventures program – which aims to acquire minority stakes in emerging luxury start-ups (Stanley, 2018). Another interesting development within the industry was announced shortly after. The merger of GOAT – an app start-up providing a platform to buy and sell secondary market sneakers – and Flight Club – one of the most prominent sneaker consignment stores worldwide – included the raising of \$60 million USD in investments and combines the resources of two big players on the sneaker resale market (Silbert, 2018). While the market is steadily growing and more and more financial investments are flowing into the industry, there is barely any academic research available on this subject.



Why is there a reason for this market to exist in the first place? What are motivations of buyers and sellers? What characteristics make a particular sneaker especially coveted? What brands are relevant? – Or in short: How does the sneaker resale market work?

These are the questions which this paper will investigate. Thus, the current state of the sneaker resale market will be analysed with an exploratory approach. Based on the general framework of the 7 Ps of marketing model by Booms and Bitner (Booms & Bitner, 1981) the market was examined by the categories of product, price, place, promotion, participants, physical evidence and process in a literature review. On the basis of the literature review, several hypotheses were formulated, which will be named in the following. These hypotheses will be verified with empirical research. Thus, a comprehensive overview of the sneaker resale market will be given to those readers who were up until now unaware of this market as well as those readers who want to dive deeper into the topic.

1. The sneaker resale market depends on the success of sneaker companies and is not self-sustainable.
2. Sneaker companies also benefit from resale market developments and have an interest in achieving high resale prices for their shoes.
3. Sneakers need to have a quality or meaning exceeding the functional values to be relevant for the sneaker resale market.
4. Brands need collaboration partners to be relevant to the resale market.
5. The significance of athletes as collaboration partners is declining in favour of musicians and fashion designers.
6. The widespread use of social media platforms is an important success factor for the sneaker resale market.
7. Value creation for the resale market either comes from brand activities or community activity.
8. The sneaker resell market is dynamic and volatile regarding which products or brands are most coveted.
9. There is a risk of oversaturating the resale market and losing desirability.
10. Sneakers now either resell for very high amounts or for a low resell margin without much middle ground.



11. Bots are necessary to be able to buy sneakers at retail price on the primary market.
12. Security of product authenticity is essential to successfully sell on the sneaker resale market.
13. The sneaker resale market is widely fragmented and de-centralised in terms of sales platforms.

2 Empirical Research Methodology

2.1 StockX Sales Data Analysis

StockX – formerly also known as Campless – is an online marketplace platform specialising in new and unworn sneakers, streetwear garments, luxury handbags and rare watches. They call themselves the “the stock market for things” (StockX, 2018). Their website also provides the most comprehensive amount of freely accessible sales data for the sneaker resale market and is often cited as a reliable source for said data (Weinswig, 2016; Welty, 2017; Seppala, 2018; Danforth, 2018). They track sales on their own site as well as on other platforms like eBay, certain consignment partners or Craigslist. Thus they can provide a snapshot of the current state of the resale market for a particular sneaker model as well as historical data on older models. Unfortunately, this is not able to provide a holistic picture of the market since it is not able to track transactions on social media platforms like Facebook groups or Instagram, competitors like GOAT or offline resell transactions between private sellers and buyers for example. Nonetheless, since it is impossible for the author to acquire enough data to be able to create a holistic overview over the market because of untraceable transactions, StockX data can be used as a valid indicator to identify trends and development within the sneaker resale market.

2.1.1 Types of Data

For this research, only newer sneaker releases between November 1st, 2017 and March 30th, 2018 were considered to give an overview of the current state of the market for contemporary releases. The reason for this is that unfortunately the StockX website does not allow filtering by last sales and showing the data of all recent tracked sales irrespective of the release date of the sold shoes what could have provided a more



comprehensive amount of data. The author reached out to StockX and asked for access to the previously described data but did not get an answer unfortunately and thus this data was not available to the author. However, the website allows filtering by release date what enables the collecting of data for newer releases. This also means that the tracked sales for these shoes also happened recently because they were put on the market not long ago and can be used to analyse current developments.

Thus, whenever the author is referencing StockX data analysis and its outcome, the data referred to includes only this group of sneaker releases and their data sets. Therefore, the conclusions drawn from the analysis of this data should not be interpreted as set facts but rather as indicators. This analysis might lead to implications about the more current trends on the market since specific older, rare and coveted items will always have a certain value and will be regularly sold on the secondary market. To be included in this empirical analysis, a shoe needed to meet the following requirements:

- Released
- Sneaker listed on StockX with own article page
- Minimum number of sales of three
- Public release with retail price (excluding friends & family releases)

For all shoes which met these requirements, the following data types were collected:

- Brand
- Collaboration partner or classification as retro release (if the case)
- Model Name
- Release date
- Retail price in USD
- Number of sales
- Average sale price in USD

Additionally, the following numbers were calculated via Microsoft Excel:

- Average price premium in per cent in relation to the retail price

$$\frac{\text{Average Sale Price} - \text{Retail Price}}{\text{Retail Price}}$$



- Revenue total in USD

$$\text{Number of Sales} \times \text{Average Sale Price}$$

In the case of the collaboration partner classification there are some particularities that need to be explained:

- In the case of multi-party collaboration projects with more than one collaboration partner, the primary collaboration partner is stated as the collaboration partner.
- For this paper, signature shoes that were co-designed with or specifically made for a sponsored athlete whose name is attached to the shoe model, the shoe is classified as a collaboration and the athlete is stated as the collaboration partner. Examples could be the signature shoes by basketball players like LeBron James or Stephen Curry. This is done in order to be able to draw comparisons between signature shoes by athletes and collaborative projects of other forms.
- An exception from the above-explained procedure has to be made for the Air Jordan brand. While Michael Jordan could have been seen as a collaborator during his active sports career, he has since retired and most Air Jordan releases fall under the retro or general release category. This difference was classified in the data as a differentiation in brands between Nike and Air Jordan and not as a collaboration partner. Still, there are some collaboration projects on Air Jordan silhouettes, but generally speaking, Michael Jordan will not be considered as a collaboration partner.

2.2.2 Data Collection

The data for the shoes released from January 1st, 2018 to March 30th, 2018 was collected from the StockX website on March 29th, 2018 and March 30th, 2018 while the data for the shoes released from November 1st, 2017 to December 31st, 2017 was collected on April 1st, 2018. Thus, the data can be seen as a status on the market on these days. While the data indeed has to be described as dynamic, a cut-off has to be made because of the timeframe of this paper as well as the system of the StockX website without an infinite scroll option – it will allow you to scroll until a limited point only.



2.2 Expert Interviews

In order to be able to display a holistic picture of the sneaker resale market and gathering further information beyond the literature review as well as validating the hypotheses, four interviews with experts and participants of the sneaker resale market were conducted. This qualitative approach should give specific insides about the processes and developments on the sneaker resale market. Three interviews were conducted via FaceTime audio calls and one was conducted in person. All were conducted in German and recorded on an iPhone. The following experts were interviewed:

1. Vu Nguyen

Vu has been active in the sneaker community for about 15 years. He worked as a store manager for the German sneaker retail chain Snipes when he founded SNKRHDS in 2011, a Facebook page dedicated to showing new upcoming sneaker releases. Since then the page has grown to over 170,000 likes and got an Instagram counterpart – with above 100,000 followers – as well as a website that functions as a release calendar with affiliate links. This allowed Vu to become self-employed and focus on his SNKRHDS project after working for Snipes for nine years – six of those years as a store manager. He mainly participates in the sneaker resale market as a buyer but also sells some pairs out of his collection from time to time. The highest sum he ever paid for a shoe was 1200€. The retail price would have been 350€ and the biggest profit he ever made was from a Nike Air Yeezy 2, which he bought for 250€ and resold for 2500€ later.

2. Felix Jung

Felix was introduced to sneaker culture in 2015 and has been an enthusiast since then. He is active in sneaker online communities like several German Facebook groups that are dedicated to sneakers. Inspired by an online video series about second-hand and consignment store Round Two, he started Second Chance Berlin, an online store that specializes in second-hand sportswear as well as streetwear and sneakers. They use Instagram and Depop – a marketplace app for second hand streetwear and sneakers – as sales platforms. Later he did an internship with Depop in London before starting to study International Fashion Retail in Reutlingen. He is acting mostly as a seller on the sneaker resale market and only rarely as a buyer. Only if there is a specific shoe he really wants



and is ready to pay a lot of money for. His priciest purchase was 400€ for a pair of St. Alfred x Asics Gel Lyte III which had a retail price of 150€. The biggest profit he made was 200€ for a shoe with a special box which he sold to a buyer in the United States.

3. Willy Iffland

Willy has been involved in the sneaker scene for over eight years. He is actively participating in discussions about sneakers on social media – Facebook groups as well as Instagram threads – and is often buying sneakers on the resell market. Amongst other pop culturally relevant topics, his blog Dressed Like Machines is regularly posting about new sneaker releases. Sneakers are also omnipresent on his Instagram page on which he shows his extensive collection and new purchases to his follower community of over 80,000 people. He uses the sneaker resale market as a buyer only. The most he ever paid was 2000€ for a shoe which had a 150€ retail price.

4. Tom Schmidt (name altered upon a request by the interviewee)

Tom got involved in the sneaker scene one and a half years ago because of his interest in Kanye West's adidas Yeezy sneakers. On the one hand, he admired the product and on the other hand he realised that sneakers became an option to generate some side income. Since then he is buying and reselling limited sneakers on a regular basis. He never bought a shoe on the sneaker resale market and thus is participating only as a seller. The biggest profit he ever made was 800€ by selling a pair of Off White [Virgil Abloh] x Air Jordan 1s.

3 Findings



3.1 Hypotheses Verification

1. The sneaker resale Market depends on the success of sneaker companies and is not self-sustainable.

When asked whether the sneaker resale market is depending on actions by the sneaker companies or being self-sustainable all four interviewees stated that the sneaker resale market does depend on the success and actions of sneaker brands.

Tom Schmidt stated that “the demand may never be completely covered by the sneaker brands. Otherwise, the resale market could not function”. This means that the resale market is depending on the sneaker brands not to meet the demand for limited releases themselves or over-supplying. This would mean, buyers could easily buy the shoe on the primary market what would take away the reason to exist for a profitable secondary market. Felix Jung added that maybe “some people [might] become aware of the resale market for the first time when they are really hyped for a specific shoe” what means that the resale market is profiting and reaching new potential buyers from hype generated by the brands. Willy Iffland said that “the resale market is living off limited releases. Thus it depends on the brands to run successful marketing strategies and develop interesting projects. [...] If brands would only release general release models, the resale market would not exist.” Based on all those reasons given by the interviewees the hypothesis can be considered validated.

2. Sneaker companies also benefit from resale market developments and have an interest in achieving high resale prices for their shoes.

Vice versa, all interviewees also stated that brands profit from their shoes selling for high prices on the secondary market when asked if this was the case. Felix Jung states that a increasing price development on the secondary market “shows that these shoes are coveted, what also makes the brand [who released the shoe on the primary market] cooler” while Vu Nguyen said that “brands try to hype up their shoes so much that they achieve high prices because those high resale prices show that the shoe, as well as the brand, is very popular [within the sneaker community]”. Willy Iffland even stated, that



dependence is mutual. He said that “In some way, the brands are also depending on the resale market because once prices are soaring and people are willing to pay large sums for a pair of shoes that generates a bigger hype around the brand. To aim for this is a common brand building measure because in these cases, everybody is talking about the brand and many people – maybe subconsciously – buy this brand’s shoes because they have the feeling that brand will keep releasing relevant product, what makes their shoes [from the same brand] cooler”. A more brand-centric and strategic advantage was mentioned by Tom Schmidt. He answered that the price on the secondary market is a way for brands to “get an overview on how much the demand was met and how much production quantities can be increased [for future releases of a similar kind]”.

These answers clearly present different possible advantages that sneaker brands have when their shoes reach high prices on the resale market. Thus, they also should have an interest in contributing to that development for certain limited releases through collaborating with relevant partners or running marketing and advertising campaigns.

3. Sneakers need to have a quality or meaning exceeding the functional values to be relevant for the sneaker resale market.

When asked what product traits make a shoe coveted on the secondary market no interviewee named functional values of the shoes. While Felix Jung added that “design still plays a role”, he also said that “product traits like comfort are rather unimportant today. These days one does not buy a [limited] shoe because it feels good on foot. The most important thing is the hype”. Vu Nguyen’s answer goes in a similar direction as he stated that the most important thing is having “[popular] athletes or testimonials associated with the shoe”. For Willy Iffland and Tom Schmidt the limitation is the most important aspect. Tom said that “primarily [a shoe] has to be limited. One should not be able to easily buy the shoe in a normal store. Otherwise, there would be no reason to pay more [than the retail price]” while Willy stated that “limitation is the most important property. The fewer pairs are out there the more in demand the shoe will be. That is always the case”. He added that if the shoe is highly limited “it almost does not matter at all how the shoe looks” and that “the story behind the shoe is also important. People like



it when a musician, artist or designer [they like] is involved. It is always more pleasant to buy a shoe with a story compared to a [...] random shoe without a soul so to speak”.

The named product properties which a shoe needs to have to be relevant for the secondary market like the strict limitation, the hype, the involvement of culturally relevant celebrities or the story behind a shoe or release are all qualities that exceed the functional values of a shoe. This indicates that currently, these non-functional product features outweigh the functional attributes of fit, quality or comfort. Thus a shoe needs to possess those non-functional qualities in order to create value and be relevant to the resale market.

In order to give predictions for the future, the interviewees were asked whether they think that factors like hype will stay the most important currency regarding the sneaker resale market or if functional product features like use of technology or the quality of the used materials will become more important in the future. Vu Nguyen and Tom Schmidt predict that this dynamic will not change in the near future. Tom stated that “there always has to be a story or a certain [relevant] person behind a shoe for people to be willing to pay more than the retail price” while Vu added that “hype will stay the most important currency. Shoes with great technologies and functions which could not generate a hype were never able to establish themselves”. Felix Wagner differentiates between two predictions for different consumer groups. He says that “for [those] who are only interested in sneakers for the hype, the hype will stay the most important factor. For the tighter knit circles of the sneaker community product quality in comfort will become more important [in the future]. These topics are already being heavily discussed in sneaker groups on Facebook for example”. For Willy Iffland a future tendency towards product functionalities would be a “desirable development” from a moral and ideological point of view. He says that “a kind of restart would really do the sneaker scene some good. Currently, many people just buy the shoes in order to resell them and do not know [the cultural relevance of] the shoes or do not personally like them. [...] One has to hope, that in the future, people will not primarily pay attention to the collaboration attached to the shoe but rather its form, its colours or its technologies”. In summary, one can predict that there will not be a big shift in priorities regarding functional and non-functional product features on the sneaker resale market soon. While one interviewee hopes for a shift, the other three are certain



that – except within a small circle of sophisticated sneaker enthusiasts – the current conditions will also be predominant in the foreseeable future.

4. Brands need collaboration partners to be relevant for the resale market.

As explained before, hype is an essential factor in the sneaker resale market and besides retro releases, collaborations are a common method used by sneaker brands to create hype. For example, when asked whether collaboration releases or retro releases are more valuable currently, all interviewees stated that generally speaking, collaborations are more relevant than retro releases, although there were several supplementing aspects to this dynamic mentioned. Vu Nguyen said that it depends on the business model of a reseller and whether the seller focuses on generating profits via high margins or high volumes. “To reach high margins, one has to pick the right collaborations. Because of low production quantities, you cannot count on moving a lot of pairs in these cases. If one is looking to move high volumes, retro releases with higher production volumes but smaller margins are more fitting” he stated. Felix Jung answered that “collaborations are more relevant. Retro releases only sell for low margins; if for any profit at all. Although not every single collaboration will rise in value. Currently, there are so many collaborations releasing that some are flying under the radar. A collaboration release is not as special today as it was compared to three or four years ago for example”. While Willy Iffland said that collaborations are in general more relevant and that “retro releases very rarely reach as high resale prices as popular collaborations”, he added that “it also depends on the specific shoe model. A good Air Jordan retro can potentially be more popular than a collaboration on an unpopular silhouette”. He sees the main reason for the decline of popularity for retro releases in the declining age average of sneaker buyers. “The target groups are getting younger and younger. These people may not even know the older [original] shoe and have no connection to it. For them, the retro release is the first time they see the shoe and they have no background knowledge about it” he said.

StockX data analysis showed that of all shoes analysed, only nineteen were categorized as retro releases. In total 20,335 pairs of retros were sold for an average of 14% over retail price while collaboration releases – including signature shoes – sold for an average of 59% over retail price. This includes 330 different collaboration releases with a total



amount of 168,277 pairs resold. That means that on average a collaboration release resold for ca. 510 times while of every retro release an average of 1,070 pairs were resold. These numbers support the different approaches of reselling a lot of retro releasing versus a smaller amount of collaborations for a higher profit margin as figures 3 and 4 show below.

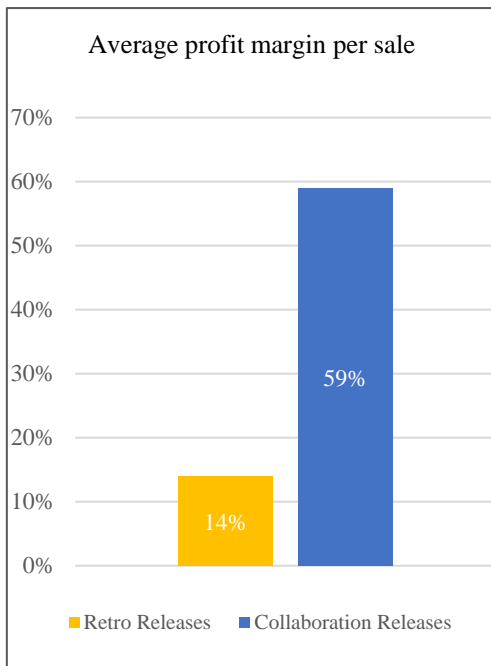


Figure 1: Average profit margin per sale for retro and collaboration releases
Source: StockX

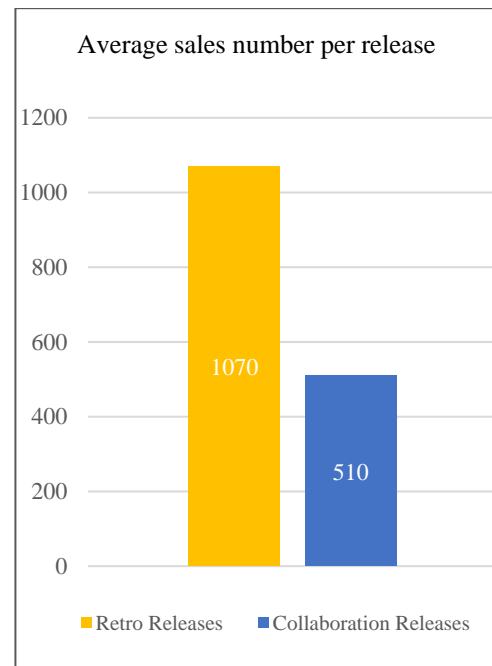


Figure 2: Average sales number per release for retro and collaboration releases
Source: StockX

Since retro releases and collaborations are the important release models for creating hype, these answers show the significance for a collaboration model attached to a shoe in order to be relevant to the secondary market. It could also be argued that retro release models are also still creating value on the secondary market what in consequence means, that collaborations are not solely necessary to create value on the secondary market.

Nonetheless, when directly asked whether collaboration partners are necessary for brands to have an impact on the secondary market, all interviewees answered that this is indeed the case. Felix Jung said that “one has to think back a long time until a shoe comes to mind that was really heavily hyped without a collaboration partner” and Tom Schmidt added he “cannot remember a case of a shoe being really successful without a collaboration partner. I would say they are necessary because the partners – a musician for example – contribute in activating their own fan base, which will want to have the



shoe”. Vu Nguyen said that “collaborations promise a high success rate and are necessary to continuously create newness. New partners contribute their own new design ideas and thus can bring some fresh air to the brands”. Meanwhile Willy Iffland also stated that “in principle, it is very difficult to release a shoe without a collaboration [...] and to create such a big hype that this shoe is being resold [on the secondary market]. General releases are not able to create a hype like that on their own anymore”. He added that there are rare exceptional cases. “Exceptions are sometimes completely new models that get instant popularity. [An example can be seen in] the adidas NMD which became popular really fast what lead to a value increase for the first few colourways that were released since those will be harder to obtain later because [for the first colourways] the production quantities are lower in order for the brands to be able to test the shoe and assess its success” he said.

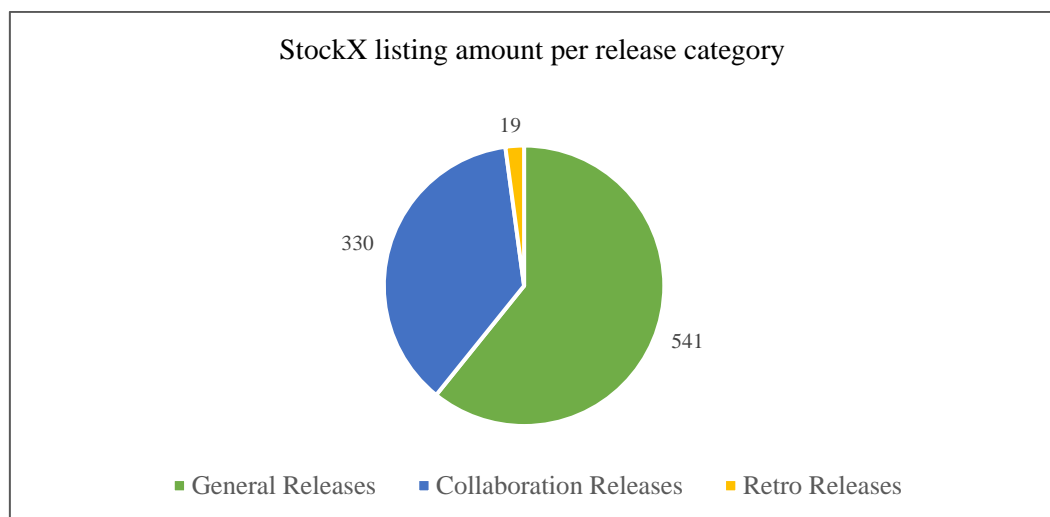


Figure 3: StockX listing amount per release category
Source: StockX

When comparing the StockX sales data of all 890 analysed shoes the first noticeable thing is, that most of them – 60.8% – are general releases as figure 5 shows. The collaboration releases account for 37.1% while the retro releases are only 2.1%. This perspective alone might suggest that general releases are more important than collaborations – contrary to the statements made by the employees.



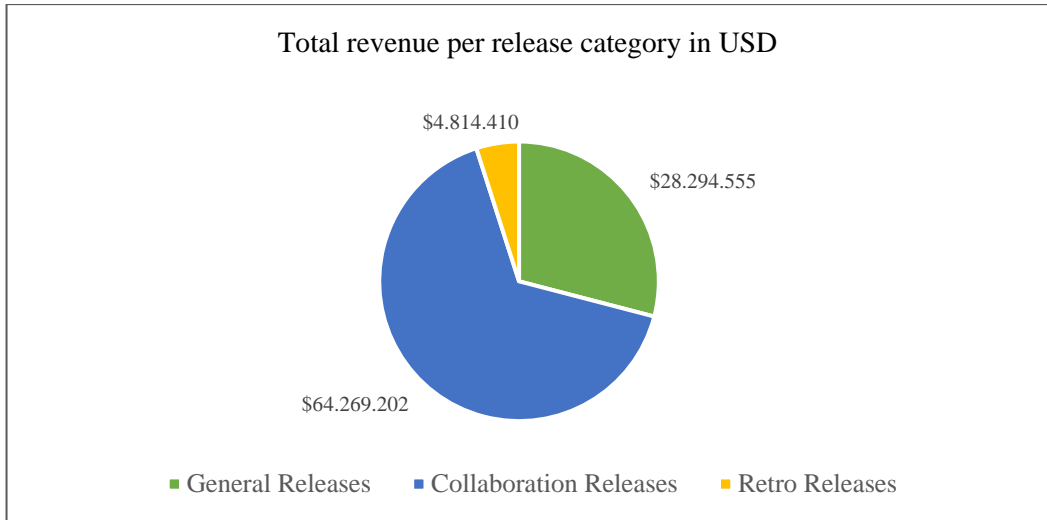


Figure 4: Total resale revenue per release category
Source: StockX

But while more than a half of the new shoe models listed on StockX within five months are general releases, only less than a third – 29.1% – of the total revenue of \$97,378,167 USD generated by all those listings, as figure 6 shows. At the same time, collaboration releases – including signature shoes by athletes – account for more than double that amount with 66%.

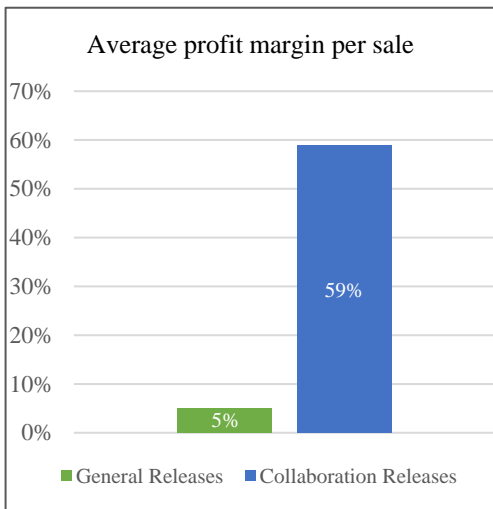


Figure 5: Average profit margin per sale for general and collaboration releases
Source: StockX

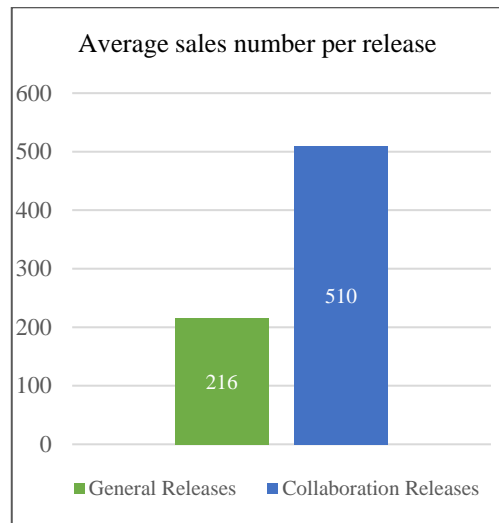


Figure 6: Average sales number per release for general and collaboration releases
Source: StockX

As figures 7 and 8 show, the reasons for the weighting in total revenue shares can be explained by two numbers. Firstly, the average profit margin for collaboration releases is more than ten times higher compared to general releases and secondly, the average amount of resold pairs by release is almost 300 units less for general releases in comparison to collaborations.



In summary, it can be said that collaborations are very impactful on the secondary market and an important tool to create value with regards to the resale market. Although they might not be necessary for the way, that they are the only option sneaker brands have for generating hype and creating value on the resale market, but they are necessary for the way that brands need collaborations in their release portfolios to be relevant for the secondary market because those releases have the higher success rate and higher impact.

5. The significance of athletes as collaboration partners is declining in favour of musicians and fashion designers.

The interviewees were asked to name the most profitable collaboration partners – meaning the most relevant partners that could currently be attached to a sneaker project with regards to value creation for the secondary market. All four interviewees did not name any athlete amongst their suggestions. Virgil Abloh – a fashion designer who gained traction with his label Off-White and collaborated with Nike on an extensive collection of ten shoes which got expanded with even more releases recently – was named instantly by three out of four interviewees. Willy Iffland called the collection “the most successful example of recent years” and “omnipresent”. He added that “even though the production quantities were not excessively low, every shoe out of the collection holds enormous value and many are even continuously further increasing in value”. For reference, the StockX data analysis also includes nine of the shoes Nike released in collaboration with Virgil Abloh. They account for a combined amount of almost \$5 million USD in revenues, sold for an average price premium of 412% over their retail price and 820 pairs were resold on average per release. Out of those nine shoes, four of them were amongst the top five releases regarding average price premium. Only an extremely limited adidas x Pharrell Williams NMD HU – which coincided with a new album release by a band of the musician – had a higher average profit margin. In terms of other fashion designer collaborations, Vu Nguyen also named Errolson Hugh’ ACRONYM label as an important partner for Nike. He also named collaborations between sneaker brands and musicians like adidas and their projects with Kanye West and Pharrell Williams as well as collaborations between Nike and the rappers Skepta and Travis Scott. Felix Jung stated that regarding collaboration projects between sneaker brands and sneaker shops Afew



from Düsseldorf and Patta from Amsterdam are quite popular recently. He added that this question was “difficult to generalise because certain popular partners sometimes release better shoes and sometimes they release lesser shoes since the silhouette on which the collaboration takes place is also important. For example, collaborations on the ASICS Gel-Lyte III are often worth more than collaborations on the Gel-Lyte V because [the Gel-Lyte III model] is more popular in general”.

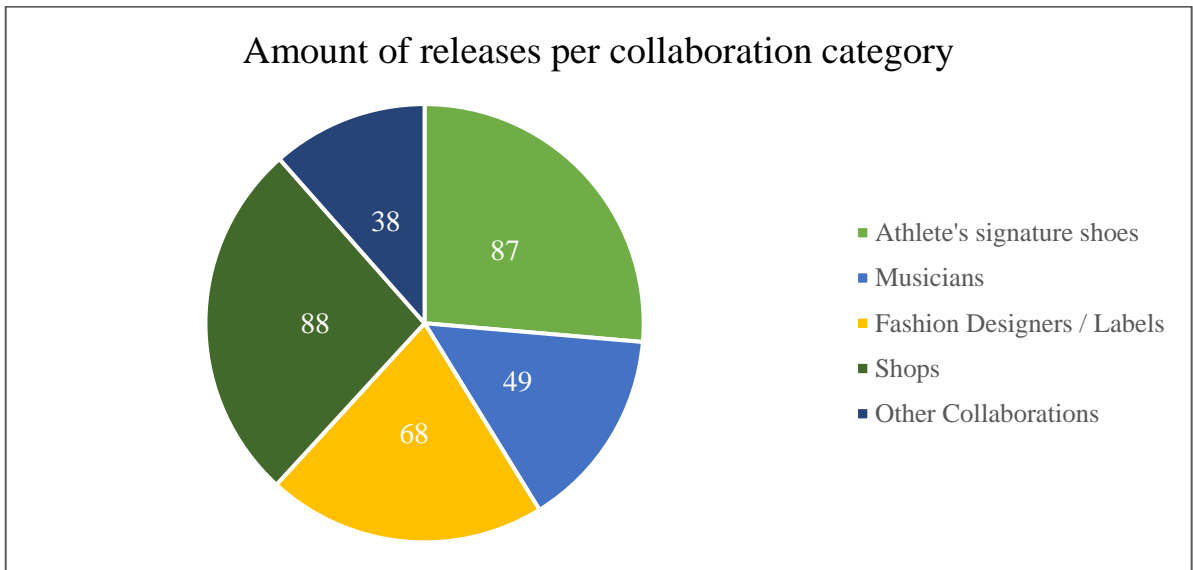


Figure 7: Amount of releases listed on StockX from November 1st, 2017 to March 30th, 2018
Source: StockX

Figure 9 shows that of all collaboration considered in the StockX data analysis, over a quarter are signature shoes by athletes while the category with the most share – just one listing more than the signature shoes – are collaborations with sneaker shops and boutiques. Collaborations with fashion designers or fashion labels make up over 20% of listings while collaborations with musicians account for about 15% of the collaboration listings. This indicates that in terms of variety in different releases and colourways the category of athletes’ signature shoes is still more catered to than collaborations with musicians or fashion entities. It also illustrates, that there are a lot of collaborative projects with sneaker stores releasing on a regular basis.



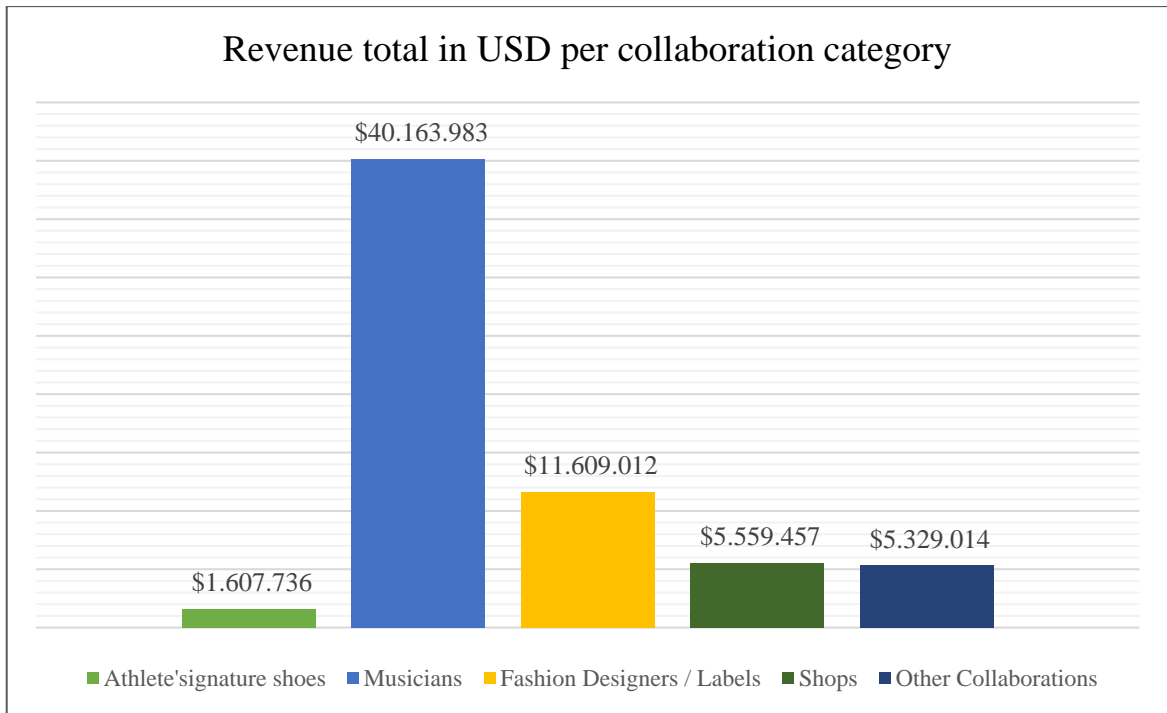


Figure 8: Revenue total in USD per collaboration category
 Source: StockX

Figure 10 illustrates that if you look at the revenue totals which were generated by those releases shown in figure 9, a variety of releases should not be equated with relevance in terms of monetary results and sales volumes. It becomes clear that with a combined total of over \$50 million USD the significance for the secondary sneaker market of collaborations with musicians and fashion designers is far bigger than the impact of athletes' signature shoes. Those releases only sold for a combined total of \$1.6 million USD. Also, signature shoes are sold for an average profit margin of 14% while collaborations with musicians achieved an average mark-up of 98% and fashion collaborations had an average profit margin of 114% what indicated that the latter two categories are more profitable than signature shoes and hence can be described as more significant.

When asked which collaboration partners or models might be relevant in the future, musicians and high fashion designers were named by all interviewees while nobody named any athletes with signature shoes. Vu Nguyen said that “artists from the music business will stay relevant while collaborations with fashion brands and their design ideas will become more important”. Felix Jung said that the on-going collaboration between Nike and Virgil Abloh will stay exciting because of the amount of freedom Nike grants



to Abloh. He also added that “in general musicians – especially rappers like Kanye West or A\$AP Rocky – are the most important partners and it will probably stay like that for some time”. Tom Schmidt mentioned that not only rappers could be relevant, but musicians out of the pop genre like Justin Timberlake might also be interesting collaboration partners for the future. Willy Iffland said that one goal for these collaborations has to be to reach the young generation which is between 14 and 18 years old and their cultural environment. He said that “there is still a lot of potential left for music collaborations, especially with new musicians who have a young audience. This audience can be reached like adidas did it with the Yeezys for example. Many kids probably would have never ever worn adidas before the Yeezys [released]”. He added that “there is also some potential in the area of [collaborations with] artists. The younger generation maybe does not know so much about that but it could be interesting for an older generation [of sneaker enthusiasts]. Popular high fashion brands will be an important factor as well and other [sneaker] brands will try to follow the Nike x Off-White model”. He additionally mentioned that left field ideas might become more common in the future. “What could also work, are surprising concepts which nobody is expecting like the adidas x BVG shoe [– a collaboration between adidas and Berlin public transport which included a ticket for public transport services in Berlin for a whole year sewn into the tongue label of the shoe –] for example. Surely there are other corporations out there which would be interested in doing such a shoe collaboration like a Nike x McDonald’s shoe for example. In that way both parties can get publicity which exceeds the sneaker-media outlets” he said.

While signature shoes by athletes are not that significant for the sneaker resale market anymore, what is both shown by the answers given by interviewees as well as the indications given by StockX data analysis, collaborations with musicians and fashion designers, as well as fashion labels, are more popular. This is also reflected on the resale market and forecasts by the interviewees suggest that this development towards musicians and fashion design will also continue on in the future with no signs pointing at a resurgence of relevance for athletes’ signature shoes in the near future.



6. The widespread use of social media platforms is an important success factor for the sneaker resale market.

All four interviewees said that they also participate in the sneaker resale through using social media. Vu Nguyen and Willy Iffland both use social media platforms like Facebook or Instagram for buying shoes and keeping in contact with their sellers. These platforms are also an important factor in information distribution as shown by all interviewees stating that they use social media for researching market prices or obtaining information about upcoming releases. “I mainly use Instagram. [...] Earlier, I used Facebook more often because there you can usually get deeper information compared to Instagram, for example how a shoe fits. [These days] I see which shoe releases are coming up on Instagram and in case I like one in particular I can get more information in Facebook groups like Sneakerholics” said Felix Jung for example. When asked whether they think the sneaker resale market was possible in the form of today without the networking of social media, Vu Nguyen said it “would be possible in principle. People would find other platforms and ways [to communicate]”. The three other interviewees said that it would not be possible. Tom Schmidt stated that “the start of this whole [sneaker resale] thing was always people asking around and finding out who might be selling a shoe they want. With social media this connection can happen globally and people can easily buy and sell shoes”. Willy Iffland estimates that without social media “the [sneaker] scenes would be more locally centralized to specific cities or regions. Social Media makes it really easy to do business globally from your home. This is the most important factor”. Additionally, when asked whether the sneaker resale market would be damaged if social media usage rates would drop in general, three of four interviewees agreed that this most likely would be the case. Vu Nguyen – as a consequence to his previous answer – stated that this might be the case in the short term “because a lot is being bought and sold on social media” but he added that “in the long term resellers would move to other platforms”. Felix Jung, on the other hand, answered that in that case “nobody would notice new releases anymore and it would become way more difficult to reach potential buyers. Social media is also an important hype factor. If nobody would see stars and influencers on social media wearing the shoes, the hype would be way lower”. Willy Iffland said that in the case of less social media usage “the opportunity to do deals exceeding one’s own region would be missing. Without social media the [sneaker resale] market would probably collapse



because many business relationships are maintained over a distance of several thousand kilometers [through social media]”.

In summary, it can be said that people will probably always find ways to buy and resell shoes. Nonetheless, social media contributes to the popularity of sneakers and hence the popularity of the secondary market mainly because of its user-friendly simplicity what offers users the opportunity to communicate with fellow enthusiasts globally. It makes it also possible to globally search for specific shoes as well as having a huge audience of potential buyers from the perspective of a reseller.

7. Value creation for the resale market either comes from brand activities or community activity.

The interviewees were asked whether a big marketing budget behind a shoe project or approval from the sneaker community is more important regarding value appreciation on the sneaker resale market. Felix Jung and Vu Nguyen both said that acceptance from the sneaker community is the most important factor. Vu Nguyen added that “successful marketing which is targeting the sneaker community is also playing a role of course. However, pushing a shoe heavily with marketing is no guarantee for a shoe being accepted by the community”. Tom Schmidt answered that “with an immense marketing sum it is possible to create some kind of hype but if one manages to get approval from the community, most of the time that is a sure thing”. For Willy Iffland it is less about the marketing budget and more about “how people react to the first teaser photos. Often a shoe is getting hyped before it is even sure that it will release. Therefore, in some cases [sneaker brands] could save their marketing budget theoretically”. He added that “ultimately, hype around certain shoes is created by the people [in the sneaker community] and not by brands with big marketing budgets. The value for a shoe can only increase because many people like it”.

These answers indicate that value creation for the secondary market can come from brand activities and marketing, as well as community activity, while the most important factor is acceptance and approval by the community.



8. The sneaker resell market is dynamic and volatile regarding which products or brands are most coveted.

Interviewees were asked how quickly product trends change on the sneaker resale market. “The market is very fast moving. Trends last for about a year before changing” was the answer given by Vu Nguyen. Felix Jung said that “in general [the fluctuation of trends] has gotten way faster but [the duration] is different for each trend. Also, trends do not always apply to the whole sneaker scene. Instead, they apply to certain groups within the scene or the mainstream even because it depends on personal taste, too”. A similar answer was given by Tom Schmidt. He said that “one can say that general trends change in about half a year, although there is not only one trend [happening simultaneously] because different people are interested in different things”. Willy Iffland added that “it is hard to generalise but one could say that a trend lasts for half a year or a year. Currently, the dad shoe topic [– bulky, maximalist, exaggerated silhouettes –] is very relevant but I believe that after a year it will be over and something new will be focused on. I never saw a trend lasting longer than a year as long as I have been involved [in the sneaker scene]”.

When asked what trends could be relevant for the future, the interviewees gave varied answers. Tom Schmidt said that “designer and music collaboration will be even more important” while Felix Jung said that “when [he thinks] about the future, [he is thinking] adidas. The adidas Futurecraft has a lot of potential because the thought of owning a shoe which was made with a 3D-printer is just very cool”. Vu Nguyen, on the other hand, sees Nike becoming more predominant in the coming years. “After a weaker phase Nike will probably return to dominance in the coming years” he said and added that “predicting design trends is very difficult”. Willy Iffland’s answer was more specific as he predicted a variety of upcoming trends. “I think deconstructed silhouettes with new materials, misplaced logos or something similar could be an even bigger trend [than it is right now]. Also, I am deeply convinced that chunky skate shoes similar to éS and Osiris styles will have a comeback and be a trend in the next two to three years. These should be the main tendencies, but it would also be possible for some brands to bank on a timeless minimalism topic because high-quality materials and a general focus on quality might also gain relevance in the future”.



While all interviewees agreed that trends on the sneaker resale market change rather quickly – with the longest estimation of one year – the predictions for the future vary in terms of brand preferences as well as design-related trends. This shows that the market is indeed fast moving, that trends have a low half-life and that one can never be too sure about the popularity tendencies and acceptance on the part of the community.

9. There is a risk of oversaturating the resale market and losing desirability.

When asked whether the sneaker resale market has potential to further grow and if yes, how much potential is left, all interviewees answered that the market will continuously grow in the future. Although Vu Nguyen stated that “the sneaker trend, in general, is slightly flattening, therefore, it is difficult to exactly say how much the market can grow further because a market with more resellers than buyers cannot function”, he added that “the market can definitely still grow”. Tom Schmidt said that “the market is growing every day and there is no end in sight” while Willy Iffland answered that “the resale market has not yet reached its end point. Wealthy people [...] will always fall back on the resale market because of comfort reasons and because they want to be on trend. The resale market will become even more luxurious, exclusive and professionalized”. Felix Jung stated that “[the market] definitely will keep growing. Today, there are fifteen-year-olds wearing shoes worth 800€. They probably will not stop being interested in [sneakers] and will maybe even get their classmates excited about the subject for example. When this group grows older they will most likely have even more disposable income available to them and they will buy more shoes accordingly”.

While all interviewees responded saying yes when asked whether there might also be the danger of oversaturation, they also all added that this danger is not very urgent. Tom Schmidt said that “of course [the danger] is there. [...] But still, the demand is so high that somebody will pay a very high price what makes other people think they can speculate on it and they also pay high prices”. Willy Iffland answered that “it is a fine line between even more hype and oversaturation at the moment. But with many new people paying attention to the market, the [sneaker] scene will stay intact and grow further. So although there is a danger of oversaturation, the sneaker resale market still has a lot of potential”. The answer of Vu Nguyen goes in a similar direction. “This danger [of oversaturation] is



definitely there. Since the peak of the sneaker hype a couple of years ago, every brand is constantly releasing collaborations, exclusive shoes and limited shoes. That is noticeable currently. Many people are oversaturated by adidas and especially their BOOST technology for example. But I would not call this danger very acute. The people are still buying a lot of sneakers and this will go on in the future” he said. Felix Jung stated that “for some models [the market] seems oversaturated already. The market for Yeezys is way more saturated than a year ago for example. Nonetheless, there is growth-potential for those people who got excited [about sneakers] because of Yeezys because they might also be interested in other shoes now”.

In summary, it can be said that there is a danger of oversaturating the sneaker resale market for certain models or collections in keeping limitation numbers not low enough or rehashing the same products over and over for example. Although, from an overall perspective, the market still has potential to grow and the danger of oversaturating the market as a whole is less imminent. Buyers who get bored with particular models or collections probably will not leave the market completely but will focus on something else since the current flow of releases does not seem to stop anytime soon and brands are competing in releasing exciting, new, and relevant products.

10. Sneakers now either resell for very high amounts or for a low resell margin without much middle ground.

The interviewees were asked what common mark-ups or profit margins on the resale market are and gave various answers. Tom Schmidt said that “the span is very wide. Some shoes do not generate any profit while others are worth ten times [their retail price] on the secondary market”. While Felix Jung stated that profits of 100€ to 200€ are realistic, Vu Nguyen answered that “for most shoes which are not too strictly limited there usually is a margin of 30€. For extremely limited models which are available in very low number, the margins are way higher of course. But there are also people who buy a lot of shoes in outlet stores and resell them with a small margin”. Willy Iffland added that “professional resellers usually work with profit margins of about 200€ but it depends on the specific shoe. Also, there are always people with delusions who offer a shoe for three or four times [their retail price] even though there might not even be that much hype”.



To make it easier to compare these answers to percentage numbers from StockX data analysis, the absolute amounts named in the answers can be put in relation to the average retail price of all shoes analysed via StockX which is circa \$179 USD - \$178.78 USD to be exact. Compared to this number a price increase of 30€ [ca. \$35 USD] would represent a margin of 19.6% while increases of 100€ [ca. \$116 USD] and 200€ [ca. \$233 USD] translate into margins of 64.8% and 130% respectively.

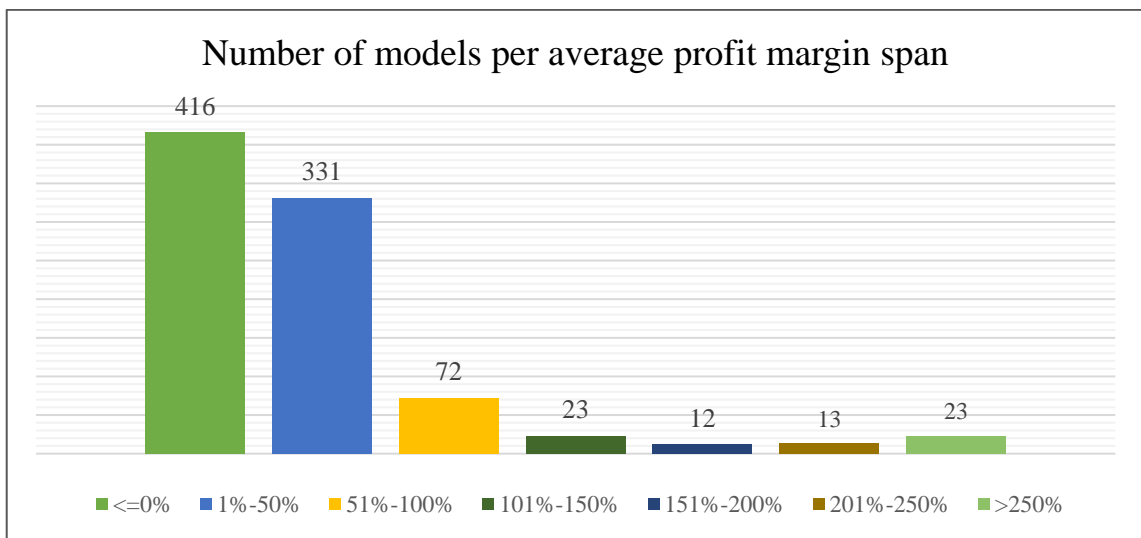


Figure 9: Number of models included in the data analysis per average profit margin span
Source: StockX

Figure 11 shows that of all 890 sneaker models included in the analysis, ca. 47% did not make any profit and instead sold with negative margins or for their retail price on average – for reference, 7 models had an average price premium of 0% what means that the results for 409 models were negative on average. Out of the profitable models, 331 averagely sold for margins of 1% to 50%. For next step of average profit margins from 51% to 100%, this number drops to only 72. This decreasing development continues until a slight increase for models which sold for average price premiums of over 250%. Still, this should not be interpreted as a statement that most sneakers sell for these margins, because for that the sales volumes need to be taken into consideration. Nonetheless, it indicates that in an overall context on the market only few releases are so coveted that they reach super high margins beyond 150% or even 250%. Considering that the shoes included in the analysis released over a five-month timespan that would mean that on average an amount of about five releases per month have the potential to profitable beyond 200% margins.



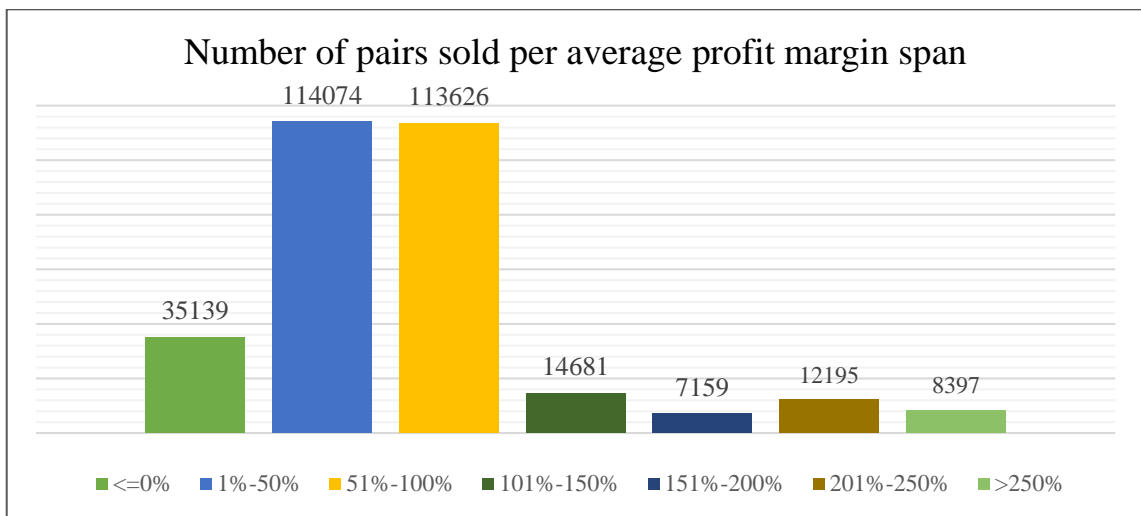


Figure 10: Number of pairs sold per average profit margin span
Source: StockX

When comparing the numbers of pairs sold divided per average profit margin – which are shown in figure 12 – it becomes clear that a major share of shoes sold on the secondary market is sold for price premiums of 1% to 100% compared to their retail price. Of course, it has to be considered that the highly coveted shoes which sell for very high mark-ups are probably more limited and thus the overall sales numbers are lower simply because there are fewer pairs in existence and available to the market to be resold.

Nonetheless, this comparison shows that the hypothesis cannot be completely validated. While there is indeed not much middle ground, in terms of sales volumes as well as release amounts, there are not as many releases selling for very high margins as the hypothesis might suggest. Especially compared to the more middle ground ranges of margins from 101% to 200% there is no big difference between those releases and the releases selling for higher margins. Instead, the weighing is clearly on the lower margins from 1% to 100%. Explanations could be that these releases – while still being limited – have higher production numbers what means there are more pairs available to the secondary market. Thus these shoes are not as coveted as a super limited shoe reselling for high amounts and selling for lower margins while at the same time more pairs are being resold. This is also compatible with the answers given by the interviewees. In conclusion, it can be said that most [profitable] releases resell for profit margins between 1% and 100% on the secondary market with a rapid decline in sales numbers once the price premium exceeds 100%.



11. Bots are necessary to be able to buy sneakers at retail price on the primary market.

In order to get more information about bot usage in the sneaker scene, the interviewees were asked whether they personally are using bots. Vu Nguyen denied with the explanation that he does not know enough about the bot systems to use them while Felix Jung said that he also does not use bots but “[has] multiple friends who use [bots]”. Willy Iffland said he tried to use a bot once for an online release of Supreme – a New York based skate shop turned global streetwear phenomenon with weekly online product drops – but never for shoe releases and it did not work properly. “I have to say that the effort of buying a bot, installing it and learning how to use it is too much for me. I would rather buy on the resale market out of comfort” he said. Tom Schmidt stated that he tried to use bots to obtain coveted sneakers in order to resell them. “I approached that subject [of bots] just recently and for about a month I have been trying [to buy with bots]. But I was not successful with it yet” he answered. When asked whether they think if bots are necessary for them to being able to buy limited shoes on the primary market, the answers differed. Vu Nguyen stated that is not the case. “Either I get lucky with an online release which uses a random queuing system or I try to get the shoes via my contacts with stores”. The answer given by Willy Iffland is similar. He says that “if one is well connected and knows what is releasing when it is possible to [get limited shoes] without a bot. Also, with online raffles, for example, it is not about being faster with a bot. Instead, you simply need luck”. Felix Jung also said that one needs luck. “One still has a chance [without a bot] but it is very slim” he answered. Tom Schmidt added that he thinks that “a large share of inventory is bought by bots during online releases”.

While bots are being used by lots of people, the answers given, show that they might increase chances but are not fully necessary and the exclusive way to obtain limited sneakers on the primary market since there also alternative release models like raffles and random queuing systems for example. Additionally, being well informed and connected to the sneaker scene can also increase chances and present opportunities.



12. Security of product authenticity is essential to successfully selling on the sneaker resale market.

When asked whether they intentionally bought a fake sneaker or unintentionally ended up with a fake sneaker all interviewees denied both scenarios while Vu Nguyen added that he “would never buy or wear a fake [sneaker]”. Willy Iffland said that he would “never intentionally buy a fake [sneaker]”. When further asked whether they might consider buying a counterfeit shoe with the objective of avoiding high resell prices, all interviewees denied again. Felix Jung answered that “fakes are frowned upon [in the sneaker scene] and a no-go. If you wear a fake, you did not understand what the [sneaker] game is about”. Tom Schmidt said he would always buy the original while Willy Iffland stated there was “no way” he would buy a counterfeit shoe. “Personally I condemn supporting the fake market intentionally. Nonetheless, there are many people who intentionally buy fakes which are close to the original, only to show off with it. I would never do that [...]”. The interviewees were also asked if they would be willing to take the risk of ending up with a counterfeit sneaker if they find a cheap deal and only Tom Schmidt answered that he might take that chance. The three other interviewees said they would not. Vu Nguyen said that he “always takes the secure route. If the offer seems suspicious [he lets] it be”. Felix Jung answered that he is very meticulous when buying on the secondary sneaker market and added that “if something seems too good to be true, mostly it’s not worth it”. Willy Iffland stated that he always does research on the seller and only buys a shoe if he is absolutely sure about the authenticity.

These answers and the vehemence of statements against counterfeit sneakers indicate the importance of product authenticity for the sneaker resale market. The willingness to research about the sellers to absolutely safe attested by the interviewees shows that in order to be a successful seller on the sneaker resale market one has to make sure that the buyers feel absolutely certain about the authenticity of the products offered.



13. The sneaker resale market is widely fragmented and de-centralized in terms of sales platforms.

When asked which sales platforms are relevant for the sneaker resale market, various platforms were named by the interviewees. Amongst them were eBay, Presented by KLEKT, StockX, Instagram and GOAT for the international market and Kleiderkreisel – a German online platform for selling second hand clothes –, Facebook groups as well as eBay Kleinanzeigen – a sub-platform for local classified ads under the eBay umbrella – for Germany specifically. Willy Iffland said that “Facebook groups and Instagram are very relevant. More professional platforms like StockX or Presented by KLEKT are also popular because they legit check the shoes and one can safely shop there. Additionally, there are more and more smaller consignment and online stores where you can also easily and safely buy shoes. Those sometimes have higher prices but one can be sure that shoes bought there are not fakes”. The interviewees were also asked what platforms they use themselves. Vu Nguyen answered that he uses social media platforms, eBay Kleinanzeigen and Kleiderkreisel. “One uses all available platforms, especially for price determination. It is like buying a car. One includes all information one can get” he added. As a seller Felix Jung offers his product on multiple platforms simultaneously. “Why wouldn’t I do that? That way I have a far bigger reach. I just have to be careful that one item does not sell on multiple platforms at the same time. But that has never happened to me” he said. Willy Iffland mainly buys in Facebook groups or from StockX or Presented by KLEKT while Tom Schmidt concentrated his selling efforts on one single platform. “Previously, I sold via eBay Kleinanzeigen. That became too exhausting because most of the time you have to meet the buyers in person and then there are a lot of situations where something can go wrong and the buyer does not show up for example. Today I only sell via StockX” he said. When asked to describe why they use the platforms they use and what their advantages are, Tom Schmidt added that “StockX has a very simple design and usually people pay the highest price there”. Willy Iffland said he prefers StockX or Presented by KLEKT because of the “large selection of shoes including older models as well as the service, the size ranges and the level of professionalism”. Felix Jung stated that “the advantage of StockX is the anonymity and the security because every shoe is legit checked. eBay Kleinanzeigen for example is way less secure because it is difficult to assess the sellers. On Kleiderkreisel there are seller ratings at least. Security is the most



important thing in general”. Vu Nguyen says he prefers to shop on local platforms because this way he can save money on shipping and potential import duties. “Also, this way I can be sure that the seller is known or that I know somebody who knows the seller. Besides, these platforms are rather small what means there are often lower prices in comparison to eBay for example, where everybody is instantly rushing at the shoes” he added.

To give an outlook on the future, interviewees were asked whether the sneaker resale market will stay as fragmented as it is currently or if there is a development towards one single centralised market. Vu Nguyen said that “in the near future there will definitely be multiple platforms. Of course, there is the possibility to acquire other platforms with huge investments sums or offering such an intriguing experience that other platforms become irrelevant. But that is highly unlikely [...] because there are many large platforms already what makes it difficult to prevail against those as a single entity”. Felix Jung also thinks the market will stay diversified. “Not everybody wants to sell on StockX because you have to pay \$30 USD for shipping from Germany for example. The Facebook market is also huge and probably very difficult to acquire through mergers. [The market] will never be limited to just one platform” he answered. Willy Iffland stated that the “development will further move towards a bigger selection for the consumer. It will not be limited to one platform because there are too many different market [genres], views and strategies for everybody being able to agree on one single platform. Because some people just care about the money while some people care about reputation the market will stay fragmented. Also, the [sneaker] scene benefits from this competition. If there was a single monopoly platform where one would be forced to pay horrendous prices, many people would turn away from the [sneaker] subject probably”. Tom Schmidt agreed that the sneaker resale market will stay fragmented because “different people want different things and want to buy on different platforms”. “On StockX you have to be very patient because of the double shipping for example. Some people might want to see or touch the shoe in persona before paying a large amount of money and therefore go to consignment stores like Stadium Goods or they organize meetups via eBay Kleinanzeigen or Facebook groups”.



The tendencies of the interviewees to use multiple platforms simultaneously as well as their future predictions validate the hypothesis. Because of the wide popularity of sneakers and the resell market, the needs and wants of buyers on the resale market are also wide-ranging. These varying demands are met in different ways by various platforms which all have distinct focuses, features and advantages. Because of factors like shipping costs as well as import duties, there seems to be a preference for locally operating platforms as long as product authenticity and a safe transaction are secured even though sneaker scenes and enthusiasts are connected globally via social networks for example. Thus, a development towards a single centralised platform appears unlikely compared to a future scenario in which the sneaker resale market will stay widely fragmented.

3.2 Additional Findings

Motivations of buyers and sellers

The interviewees were also asked to give possible reasons or motivations for buying as well as selling on the sneaker resale market. Vu Nguyen said that for buyers it is the “desire for a special shoe at all costs and the secondary market being the last option to get that shoe”. Felix Jung answered that in most cases the shoes bought on the secondary market function as a status symbol because “one probably seems cooler wearing a rare shoe and some people define themselves via what they wear. Also, when someone wears a rare shoe and meets somebody who recognizes [that shoe], that can be a conversation starter and an opportunity to become a part of the sneaker community”. For Willy Iffland it is mostly about comfort. “If one can afford it, the resale market can spare someone a lot of effort like camping outside a store or entering all available raffles. These processes have become very extensive and un-relaxing, so it is much easier to just order the shoe with an extra charge from home” he said. Tom Schmidt differentiates between two typical buyers he encountered. “On the one hand there are people who wear the shoes they buy [on the secondary market]. These people did not get lucky when the shoe released [on the primary market] and are so obsessed by it that they are willing to pay resale prices. On the other hand, there are people who go on and sell the shoe with even more profit afterwards. They buy every pair they can get in Berlin for example and sell them all to Asia with a profit” he stated.



In the case of sellers, the interviewees pointed out two typical types. “For many sellers, profit is the only motivation because some people make their living like that. For some sneaker enthusiasts, it is common to reinvest their profits from selling on the secondary market into their own purchases from other resellers” Vu Nguyen answered. Felix Jung added that “making money is the main reason, for some people it is a job even. They are not really interested in sneakers. Instead, they just see an opportunity to easily earn money”. The answer given by Willy Iffland is similar. “Of course because one can earn money doing it. The last few years have shown that the [sneaker resale] market became more and more business oriented and that there are people who [resell sneakers] commercially and thus make their living” he said. Tom Schmidt stated that “everybody involved with sneakers probably has the realization at some point that one could wear a shoe or resell it for profit. For many people that is a positive side effect to their hobby [...] and helps financing their own shoe purchases”.

In summary, the most common buyer types are sneaker enthusiasts who crave a specific shoe, people who can afford resale prices and want to avoid the stress of a primary market release and also those who buy on the secondary market with the objective to resell the shoes again for even more profit in the future. For sellers, there are mainly people who want to make profit in reselling sneakers, whether it might be to finance their own sneaker purchases or to make a living even.

Sneakers as an investment

Interviewees were also asked if they view sneakers as an investment. Vu Nguyen said that he did view them as an investment opportunity until recently, but less and less because “sneaker trends are changing at a faster pace and become harder to predict correctly”. Felix Jung answered “yes, definitely. Sometimes I bought shoes knowing that they would increase in value and resold them with 50€ profit for example. Many people do not even wear their shoes anymore and put them in a display case because they would lose value when they are worn”. Even though Willy Iffland said that the money aspect is not in the foreground for him, he views his collection also in a way as a reinsurance. “Of course one is aware of the resale value of certain shoes [...] and therefore it is some kind of reinsurance when one knows that you could survive for two to three years if one would sell all those shoes” he stated. Tom Schmidt also agreed to the classification of sneakers



as an investment opportunity. He answered that “if someone would have bought the right shoe a couple of years ago, this investment could have been multiplied”.

Brand comparison

When asked what brands are relevant for the sneaker resale market all interviewees named Nike and adidas. Furthermore, it was stated by Felix Jung that Asics and Diadora sometimes release collaborations that are “relevant for a smaller circle of people who really like those brands”. Tom Schmidt also answered that Nike and adidas are the top-sellers but he added that “occasionally there are exciting collaborations by a lot of different sneaker brands which can be resold [with profit]”. Vu Nguyen said that “everything that is hyped [is relevant]. Currently, that is also the case with high fashion sneakers by brands like Balenciaga. Despite the high retail price of 650€, such a shoe can be resold for prices of up to 1000€. Nonetheless, adidas and Nike keep the market running” while Willy Iffland added that “Nike is currently the alpha in the [sneaker] scene”.

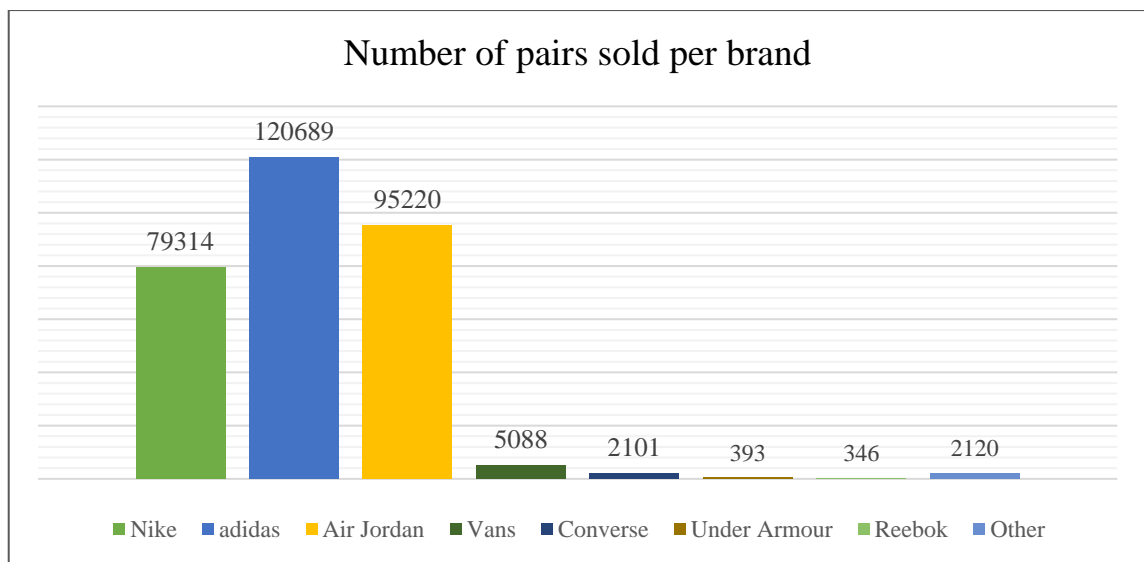


Figure 11: Number of pairs sold per brand
Source: StockX

Figure 13 shows how many pairs of shoes released between November 1st, 2017 and March 30th, 2018 were sold in total on the secondary market categorized per sneaker brand. With over 120,000 pairs resold, adidas takes the top spot, followed by Air Jordan and Nike what indicates the significance of these three brands for the market. All



additional labels like Vans, Converse, Under Armour or Reebok, were resold in significantly lower numbers. For reference, the category “Other” includes releases by the labels Asics, Balenciaga, BAPE, Diadora, K-Swiss, Li-Ning, New Balance, Puma, Revenge x Storm, Saucony and Y-3. Considering that the Nike, Air Jordan and Converse brands belong to Nike Inc. like Reebok and adidas belong to the adidas AG, it becomes clear that these two companies are the most important factors for the sneaker resale market in terms of providing products which can potentially be resold.

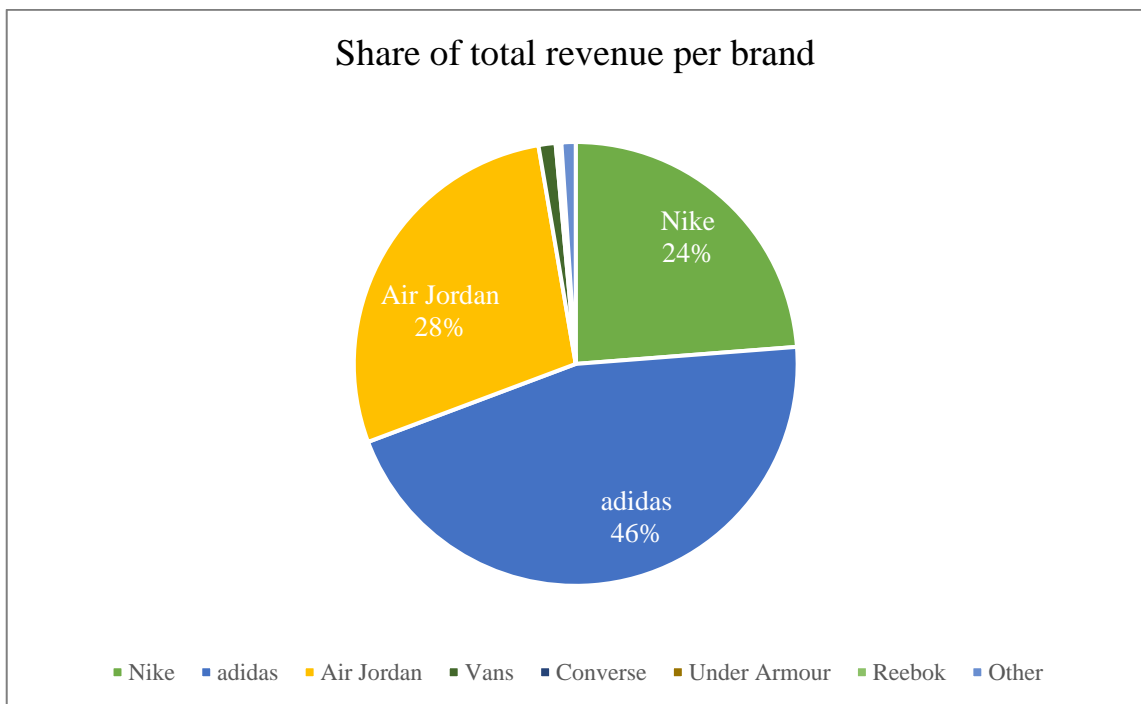


Figure 12: Share of total revenue per brand
Source: StockX

When looking at the total revenue of generated with shoes which released between November 1st, 2017 and March 30th, 2018 until April 1st, 2018 and the share per brand, what is shown in figure 14, this impression is strengthened. Nike, Air Jordan and adidas combine for 98% of revenue totals with adidas accounting for almost half of the total revenue with 46% and nearly as much as Nike and Air Jordan combined.

The answers given by the interviewees as well as the StockX data analysis show how much the sneaker resale market is focused on and dominated by adidas and the Nike Inc. brands Nike and Air Jordan.



4 Discussion

The opinions, thoughts and ideas in the following discussion are the author's own. They are based on the empirical findings presented in this paper as well as the personal experience by the author who has been closely following the sneaker scene and thus also the sneaker resale market since 2010.

People often want what they can not have, especially when they are prone to collecting behaviour and collect sneakers. Thus the limitation of a shoe naturally has a very big influence on its value on the secondary market. This means that of course the sneaker brands have a very big influence exceeding the design of or the storytelling behind a shoe since they control production volumes. This weighting of power on the side of the sneaker brands might lead to the impression that the sneaker market has an immanent fragility because of its dependence on the sneaker brands. Yet, the sneaker brands also benefit from their shoes being sold for high amounts of money on the secondary market because of halo effects in terms of brand image and brand popularity. The brands benefit from a general sneaker trend and the popularity of sneakers. The existence of a large resale market for those products in itself represents the level of popularity and coveting of sneakers which was reached during the last years and currently. Therefore, it is a give and take between sneaker brands and the resale market and vice versa.

Because it is getting more difficult to predict trends and because of the fast-shifting pace of trends, it is questionable whether sneakers can be seen as an investment still. Of course, there will probably always be a few releases each year which will create so much hype that they will be safe bets, but for everything else, it becomes increasingly complicated and uncertain. More and more shoes are releasing each week what makes it more difficult for resellers to differentiate between releases which will increase in value and those which will not. For example, the headline of Highsnobiety's weekly article previewing the sneakers releasing on the upcoming weekend went from "The 7 Best Sneakers Releasing This Weekend" in July of 2015 (Fischer, 2015) to "The 45 Best Sneakers Releasing This Weekend [...]" in August of 2017 (Campbell, 2017). Also, for popular collections like the adidas Yeezy or Off-White x Nike packs the pace is increasing. While social media presents many options to connect with fellow sneaker enthusiasts as well as for selling



and buying shoes, it also contributes to a development towards shorter attention spans. For some people, their new pair of recently purchased Yeezys did not even arrive in the mail yet and they are already browsing social media and sneaker websites to get information about upcoming drops and colourways. Exemplary for the speed of the market is, that amongst younger sneaker buyers especially, a common behaviour pattern of buying a hyped up sneaker when it is released or on the secondary market shortly after the release and not keeping it for very long can be recognized. They wear it to take photos for showing off on social media and then resell them again in order to be able to finance a newer release and start this cycle over. For them, it is less about admiring one specific shoe and more about getting instant gratification through approval from their peers and always showing off the newest releases. This also shows that owning a limited pair of sneakers is less special compared to a few years ago and the excitement of obtaining a specific coveted pair is generally less long-lasting because other interesting releases might already be coming up and some people might already be desensitized because of the constant influx of releases. The result of this is that many people are looking for a short term satisfaction of being able to buy the shoes and the sense of achievement associated with it instead of the long-term satisfaction of wearing and appreciating a shoe over a longer period of time. A consequence of this is that if one buys a pair of sneakers with the objective of reselling it, the time window in which it can be resold for profit becomes smaller and smaller because most people are already putting their attention – and money – towards the next hyped release. Considering that for the major share of releases and sales the profit margins do not exceed 100%, for most releases it could be advisable to try to capitalize on a current hype and use this potential before the hype slows down and resale prices lower towards or even below the retail price.

These developments involve the recurring theme of speed, which is becoming an essential factor for the sneaker resale market. People need speed for certain online releases and use bots to be quicker, the faster someone posts a picture wearing a new shoe on social media the bigger the approval will be because of being first and as explained before, many resellers try to resell their shoes as quickly as possible. Unfortunately, speed conflicts with the also recurring theme of security, meaning the guarantee of product authenticity and a safe transaction. If one takes StockX as an example; a big advantage of theirs is the legit checking of every single shoe that is dealt with their platform, but this takes a long



time. Thus their advantage in the security aspect is a disadvantage regarding speed. In general, these two themes seem quite incompatible. Because of the high-level fragmentation and the sneaker resale market providing many options for buyers as well as resellers, finding a balance between the two factors will most likely be a big success factor for sneaker resale market sales platform in the future in order to stand out against competitors. Also, it presents an option to specialize in providing different kinds of services. On the one hand, a platform could treat certain sneakers as luxury items and focus on highly valued sneaker transactions with a high level of security and service. On the other hand, there could be community oriented platforms with a wider-ranging product offering a lot of sellers and quick availability while tolerating higher risks in terms of security.

In general, hype is the most important currency regarding value increases. Sneaker culture is deeply connected with other pop culture genres like graffiti, art, movies and especially music and hip-hop culture. People who are active in these sub-cultures are probably likely to also be active in sneaker culture and thus have a big influence on what ends up being hyped and as a result becomes valuable for the resale market. Collaborations are a tool to stay in touch with the current development in these pop culture genres as well as speaking to their communities and attaching oneself to their cultural relevance as a sneaker brand. Through collaborating with successful or iconic personalities out of these genres, a sneaker brand can reach the target groups and fan bases of these personalities while at the same time generating the impression of being a relevant part of the current zeitgeist. That is why collaborations are currently of such high importance and will probably keep that status. When predicting future trends, the question is probably not “What release model can supersede collaborations?” but rather “With whom should one collaborate?” with musicians and high fashion designers seemingly being the answer to the latter question. The main reason for this is that the icons for today’s fashion savvy youth mainly are musicians or fashion designers and thus they are the most influential in terms of being responsible for new trends and shaping them.

While the approach to the sneaker resale market for many people shifts towards a focus business and professionalism, some people who have been a part of the sneaker scene for a long time, despise this professionalization because in their opinion it comes at the cost



of authenticity, passion and credibility. One could argue that a part of the foundation of the sneaker culture is celebrating consumerism and therefore it is questionable how much moral integrity or deep authenticity such a culture can have. In a way, the recent developments on the sneaker resale market towards professionalism can be considered a logical consequence. But many discontents for current developments from people who have been passionate about sneakers for a long time could be interpreted as a kind of defense mechanism. This is simply provoked by the circumstance that it became significantly more difficult – or expensive – for them to obtain the sneakers they want. Certain highly coveted releases sell out in seconds and are almost impossible to obtain on the primary market for most people. Then they see the shoes which they desire on resale platforms for multiples of the retail price. With this experience of failure happening multiple times over and over again, without a successful experience from time to time, frustration can build up. This poses a threat for the sneaker companies as well as the resale market because there is a risk of exceeding tolerance limits of frustration for some people who might – in extreme cases – turn away from sneakers in total because they have more negative experiences than good experiences even though they might have an affinity for the product or the culture attached to it. This threat might not be imminent but in the author's opinion, this is something the sneaker brands should be aware of. Again, it is a matter of balance. In this case the balance between keeping limitations and quantities below the demand while at the same time projecting the impression that there is always a realistic – and more importantly a fair – chance for anyone to get the shoes at retail price. The raffling systems which are being implemented more and more recently could be a tool to achieve that. Once the releases on the primary market appear to be fair, the resale market can also benefit from it since then people might still be passionate about a shoe and more willing to pay higher prices on the resale market.

5 Conclusion

In conclusion, there are several aspects that can describe and characterise the sneaker resale market as well as its processes. The sneaker resale market is not self-sustainable and depends on the success of the sneaker brands in releasing exciting and strictly limited products but the sneaker brands also benefit from their products selling for high prices on the secondary market and thus have an interest in catering to it. The market is dominated by the products of three brands – Nike, adidas and Air Jordan. Buyers participating in the



sneaker resale market are mainly looking for one specific shoe which they are obsessed with and see the secondary market as their last chance to obtain it. Other motivations of buyers are buying status symbols or even speculating on the price development of a shoe and reselling it themselves later. For sellers the main objective is profit; whether to make a living or to finance the own sneaker buying habit. In order to be relevant for the secondary market, a shoe needs to possess a quality or meaning exceeding its functional values. A significant additional quality is the strict limitation of production quantities and hence availability. Additionally, the shoe needs a story or cultural relevance –interviewee Willy Iffland called it the “soul” of a shoe. Examples for this could be retro releases which play on nostalgic emotions or collaborations; the latter being the more important of the two. Collaborations are necessary for sneaker brands to be impactful on the secondary market and this circumstance will probably not change in the foreseeable future. In terms of collaboration partners, the focus is shifting from athletes to cultural figures like musicians or popular fashion designers. Either way, it is essential to have product which is coveted by the sneaker community and in the best cases, celebrated by it because the community is the main target group who assesses the value of a sneaker on the resale market. The global networking of this community via social media is an important factor for the sneaker resale market because it influences the hype mechanisms and simultaneously provides a sales platform. In terms of sales platforms, the sneaker resale market is widely fragmented and this condition will probably not change in the future because of different preferences for sellers and buyers. Regardless of other factors defining and differentiating a sales platform, security of product authenticity is essential to successfully selling on the sneaker resale market. While many people – especially professional resellers – use bots to get as many pairs of a coveted shoe as possible, the bots are not always necessary in order to obtain a shoe on the primary market because of alternative release models like raffle systems. In terms of market pace and trend pace, the speed is increasing with overarching trends usually not lasting longer than a year. While some exceptionally coveted sneakers resell for multiple times their retail price, the most common price premiums do not exceed 100%. Although there might be a risk of oversaturating the market for special shoe types or collections, from an overall perspective there is still a lot of potential left in the sneaker resale market.



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