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RISK
INTELLIGENT
PROFESSIONALS



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**GLOBAL RISK
MANAGEMENT
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Recommerce Industry and its Risk | Preksha Manchanda & Jayita Gulati

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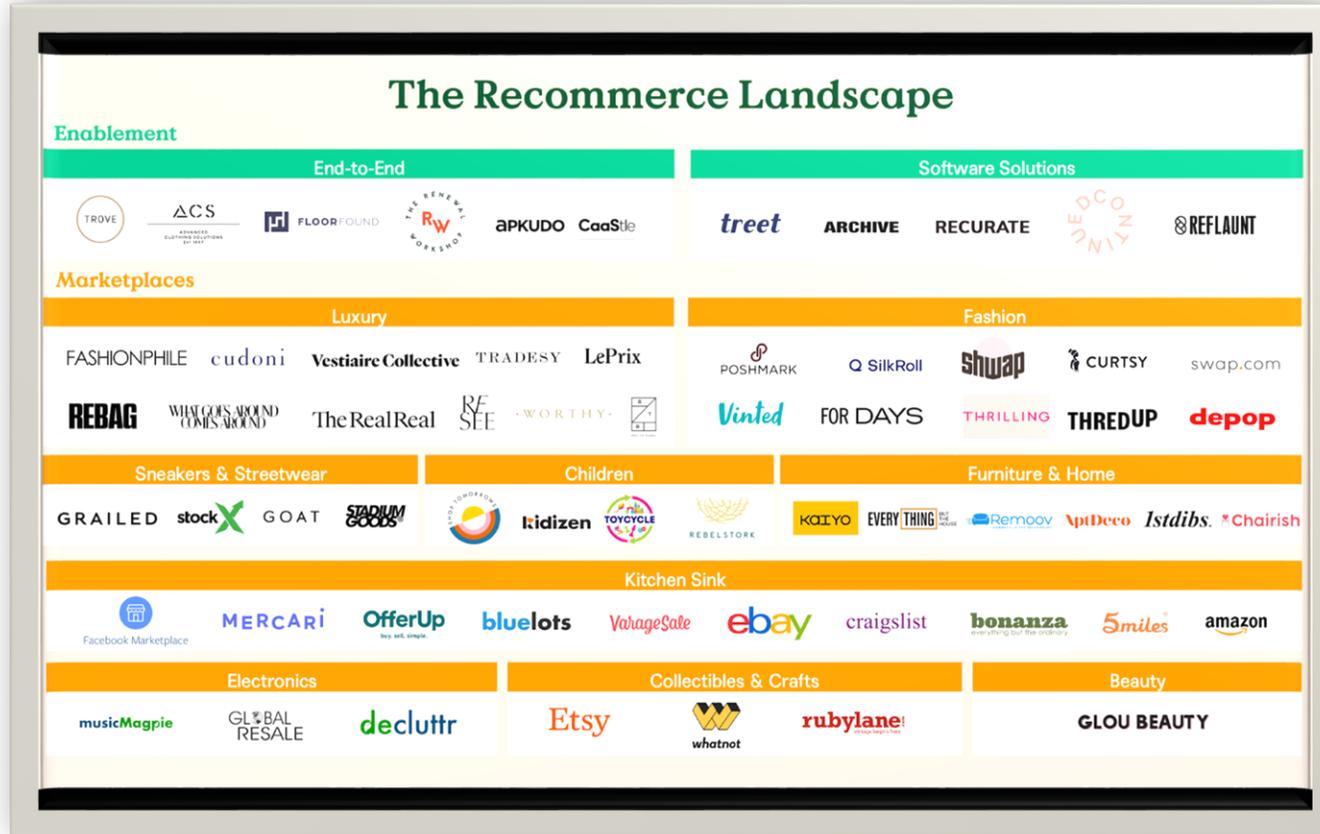
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What is a Re-Commerce Industry?



The selling of previously owned, new or used products, mainly electronic devices or media such as books, through physical or online distribution channels to buyers who repair, if necessary, then reuse, recycle or resell them.”

Online and retail businesses liquidating excess inventory at a discount using alternative distribution channels and Consumer-to-consumer reselling of products, or ReCommerce isn't a new concept. According to ThredUp's 2020 Fashion Resale Market Analysis, C2C ReCommerce, and B2B ReCommerce are expected to hit \$64 billion-dollars by 2024, vs \$28B a few years ago.

1. Millennials' adoption of the sharing economy.

Younger consumers who are now entering prime earning potentials have proven to favor the concept of sharing over owning. Immensely successful companies such as Uber and Airbnb are only a few that comes to mind to illustrate how the sharing economy is here to stay.

2. Consumer's desire to access used goods at a discount.

Bargain shoppers have the ability to easily shop overstock, out of seasons, or gently used products from trusted online stores without leaving their houses thereby having a FOMO Behavior.

3. Powerful digital marketplaces (eBay, Craigslist, ThredUp, Etc.)

The proliferation of reliable, easy-to-use digital marketplaces that make it easy for consumers to market and sell used goods are plentiful today. They range from offering a large variety of content (eBay and Craigslist) to curated content targeted to nice segments (RentTheRunway, TheRealReal)

4. The environmental consciousness of consumers and brands alike.

Being able to resale used goods instead of throwing them away creates an environment where consumers can easily find an ethical outlet for the product and receive fair compensation. More concern towards sustainability and conscious consumption.

Why is it growing?



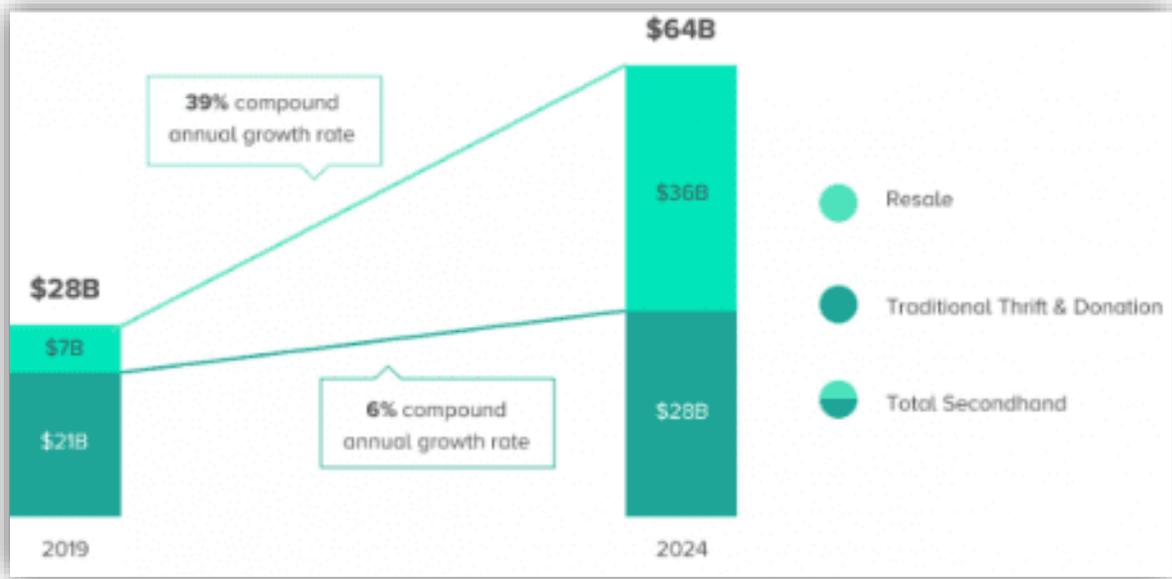
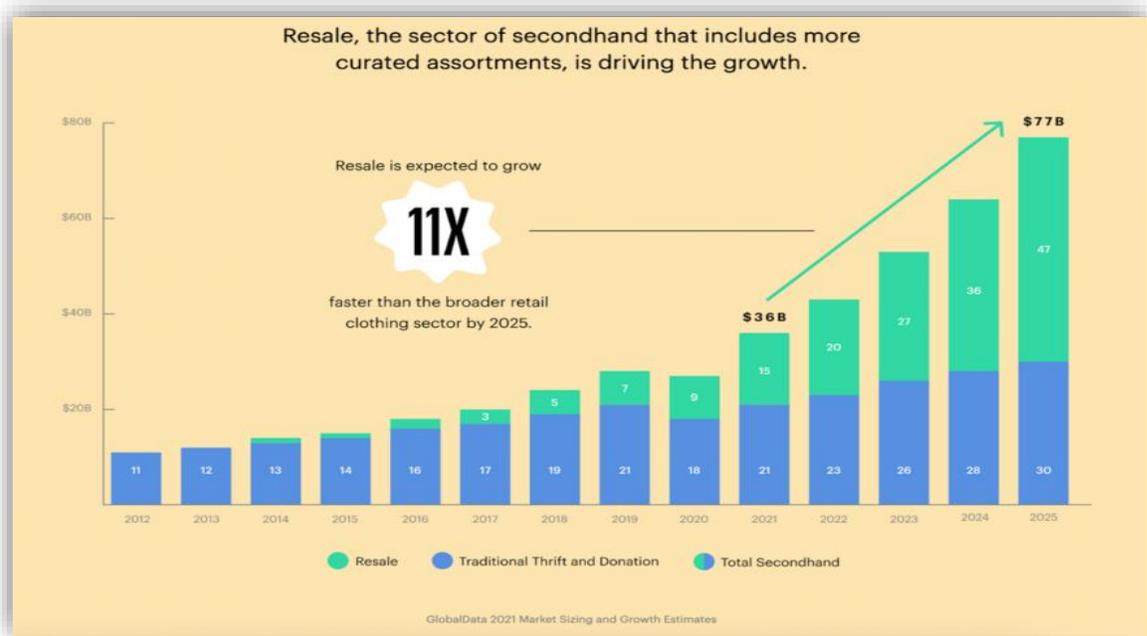
Sustainable Development

Raising collective awareness and changing consumer behaviour.



Economic crisis

Decline in purchasing power and optimising consumer behaviours.



Why retailers are swearing on it?

Frugal millennial and Generation Z shoppers are driving the recommerce market with a desire for high-quality designer items at a reasonable price, with a focus on sustainability.

Common Risks in Re-Commerce Industry

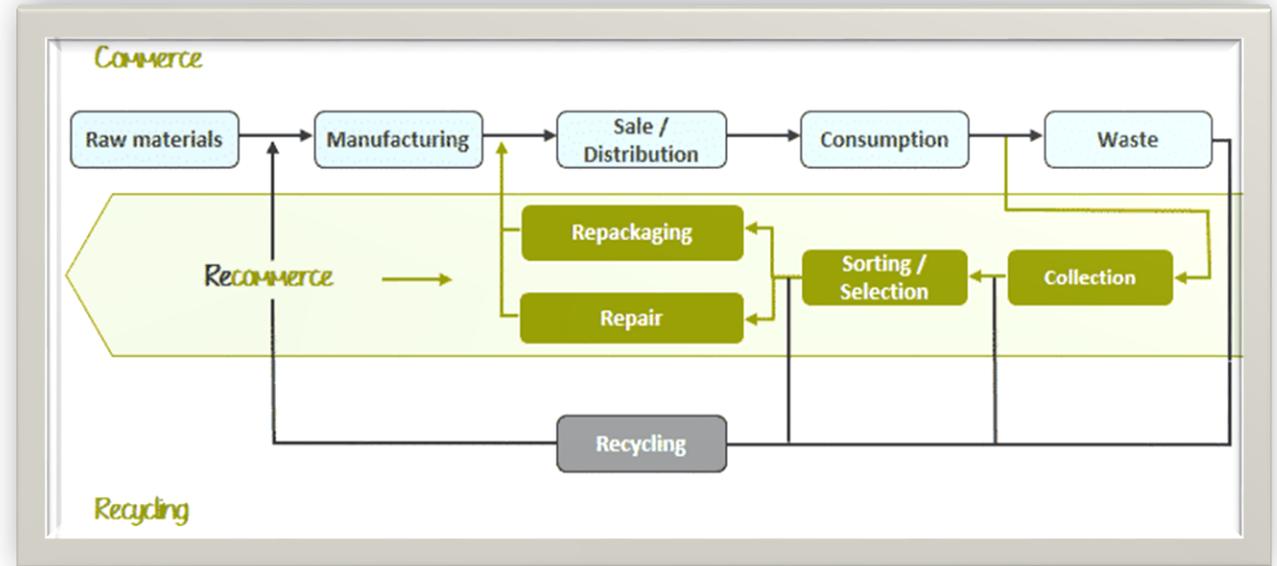
1. Identity theft of customers
2. Low search engine ranks or website traffic interruptions
3. Intellectual property violations
4. Weak authentication and transactions being prone to cyber attacks
5. Bad customer service/Poor customer experience
6. Customer disputes and chargebacks
7. Platform downtime
8. Non-compliance with government rules and regulations
9. Warehousing and Logistics



“Somebody’s waste can be a resource for someone else,” says Nakul Kumar, Co-founder, Cashify.

What does Cashify do?

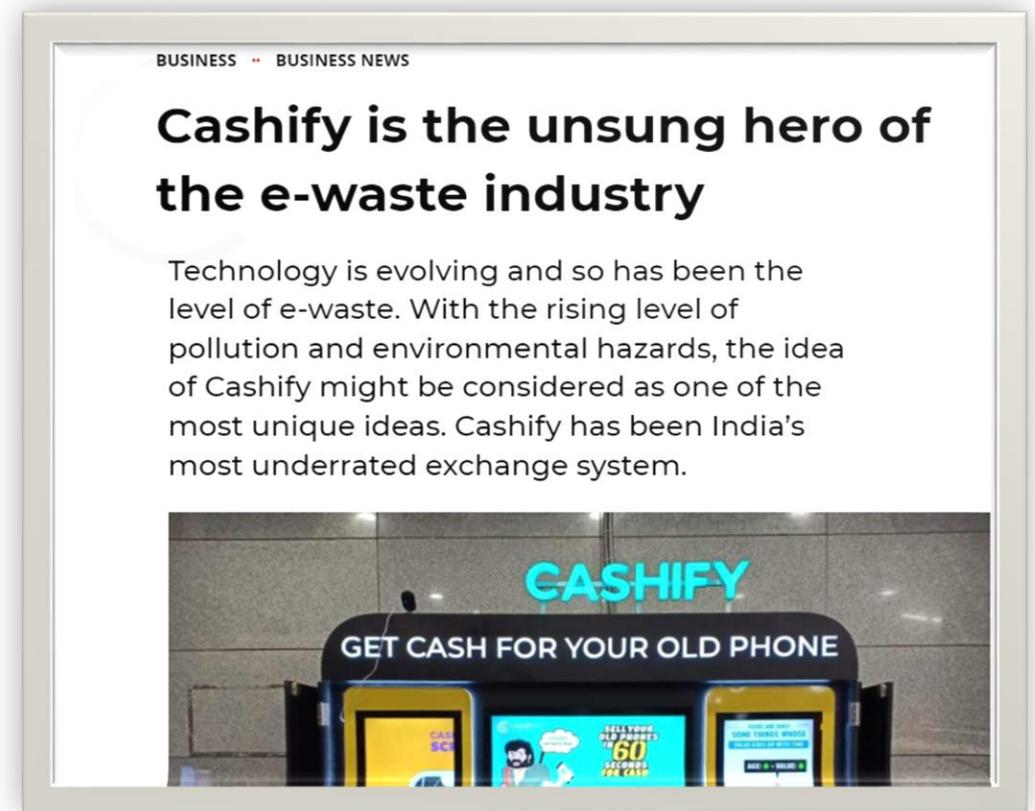
- ✓ Cashify (Manak Waste Management Private Limited) is a re-commerce company which buys obsolete and undesired products, refurbish them, and reintroduce them in the market.
- ✓ **The marketplace** is Cashify's core businesses – which connects customers selling old devices with our partners who are looking to buy second-hand devices. It operates on both online and physical stores and kiosks.
- ✓ Main Focus – Product Lifetime Extension
- ✓ It has a set standard for pricing and have designed software to determine product prices based on set metrics like age, wear and tear and market demand.



Cashify - Future Plans

The company is aiming towards recycling mobiles. The project of recycling mobiles has already started. The goal was to allow the phone users to responsibly dispose of the old phone devices. Smartphones are the most used word in today's world. The company paid a lot of attention towards the e-waste problem. And it's still doing so with every new mobile phone sold and shipped.

Collaborated with Producer Responsibility Organisation (PRO) Karo Sambhav Private Limited. This is to ensure that the Extended Producer Responsibility compliances are met.



Risks faced by the company

- ❖ Lower sales as users might drop off at any stage before converting leading to minimal conversions, loss of buybacks and funnel drop outs.
- ❖ Lack of proper assessment of the device can lead to incorrect calculation of the refurbishment charges.
- ❖ Improper valuation of the device at the time of pickup can lead excess payment being made to customers leading to financial loss to the company.
- ❖ Final pricing may not be according to the market standards eventually losing out on customers.
- ❖ Lack of non verification of devices IMEI numbers can lead to stolen devices being sold to cashify.
- ❖ Inaccurate testing and quality checks/inspection before reselling may lead to dissatisfied customers and disputes with the company.
- ❖ Lack of robust e-waste policies leading to disposal of the same haphazardly into the natural environment.
- ❖ Delayed pickups either through own logistics team or third party logistics may lead to loss of customers/sales
- ❖ Lack of diversified products or hardware's at the site may lead to loss of opportunities for the company.
- ❖ Competition risks with companies like amazon as customers would prefer buying from them due to brand loyalty.
- ❖ The customers can also sell stolen phones can lead to reputational loss to the company if left unrecognized.

What does ThredUp do?

- ThredUp is an online sustainable fashion company founded by James Reinhart in 2009. Reinhart got the idea for ThredUp after realizing he had a closet full of clothes he did not want to wear and could not sell. The company has two methods: direct sales and consignment.
- Both companies have a related market focus, albeit different approaches to selling used goods. Poshmark allows users to sell clothing items through its app. ThredUp, in contrast, acquires goods from users and sells them itself.
- A most innovative feature of ThredUP is its recent “Resale-As-A-Service” (RaaS) platform that allows brands and retailers to plug into the marketplace through a loyalty program, online collaboration, and in-store pop-ups. Through the loyalty program UPCycle, sellers to receive payment in the form of a credit to spend with a brand partner (such as Reformation, a sustainable clothing brand and amour vert) creating value for the brand partner in the form of customer acquisition and retention and drives brand loyalty. It creates incremental value for sellers when the brand partner offers a bonus (an additional 15%-20% on top of what ThredUP pays).

The Eco-Impact If Everyone Shopped Thrift

ITEMS UPCYCLED ON THREDUP



If everyone bought used instead of new for just one year we'd save:

SAVINGS

EQUIVALENT

165B LBS
OF CO₂



All the cars in
Los Angeles taken off
the road for 4 years

350B KWH OF
ELECTRICITY



The annual power
consumption of
32M homes

13T GALLONS
OF WATER



Water for all of
California for 14 years

- ThredUp makes money by charging a commission on every piece of clothing sold on its platform. The exact commission depends on the listing price, which the company determines by analyzing the brand, size, seasonality, quality, and age of the item.
- ThredUp also charges customers a fee if they want to have their old clothing items processed by the company within a week.
- Commission rates are based on the listing price and are set by a team of company pricing specialists. Pricing is based on seasonality, item age, quality, style, and existing inventory levels in the same size or brand.
- In general, ThredUp collects a higher commission on lower-priced items than it does on more premium items.
- Customers can order Clean Out Bags from ThredUp when they want to sell or donate unloved clothing items.
- A standard Clean Out Bag is free, but the company does charge \$16 for consumers who want the bag of clothes they send back to be processed within a week.

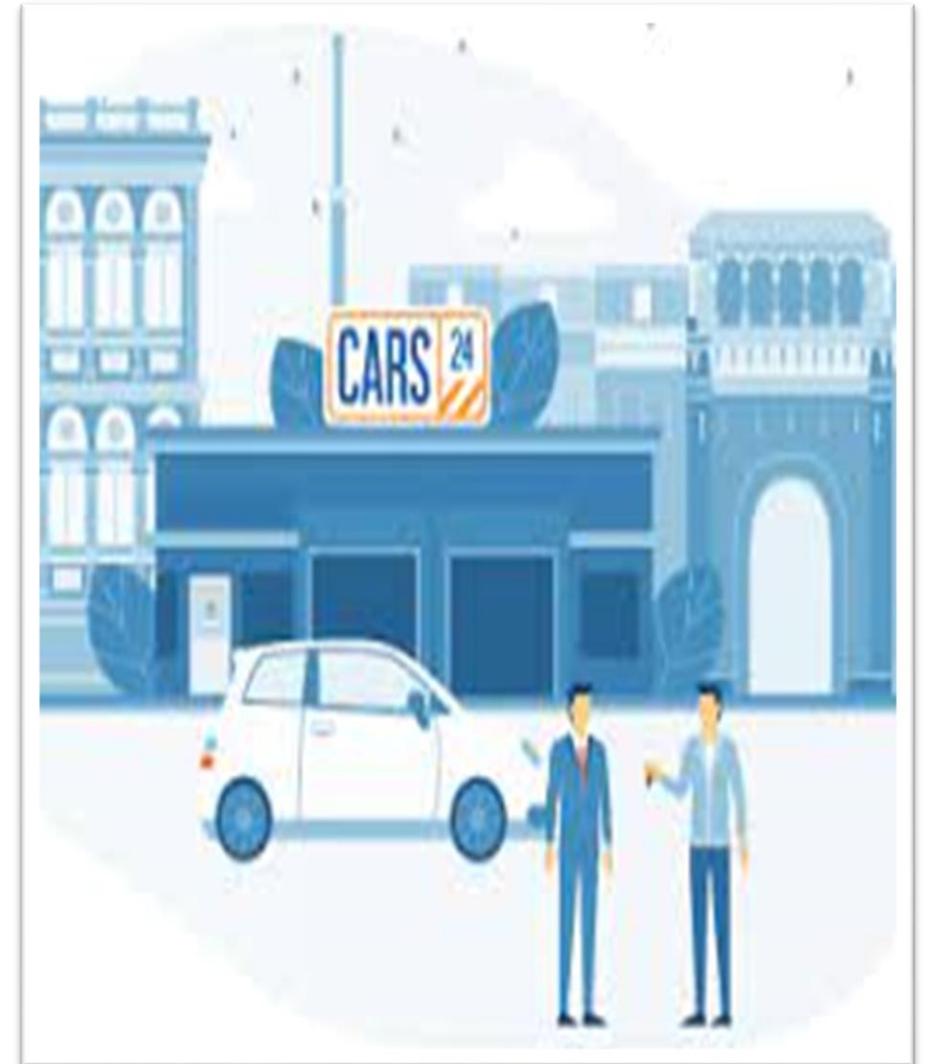
ThreadUp Revenue Generation



“Car becho best price mein”

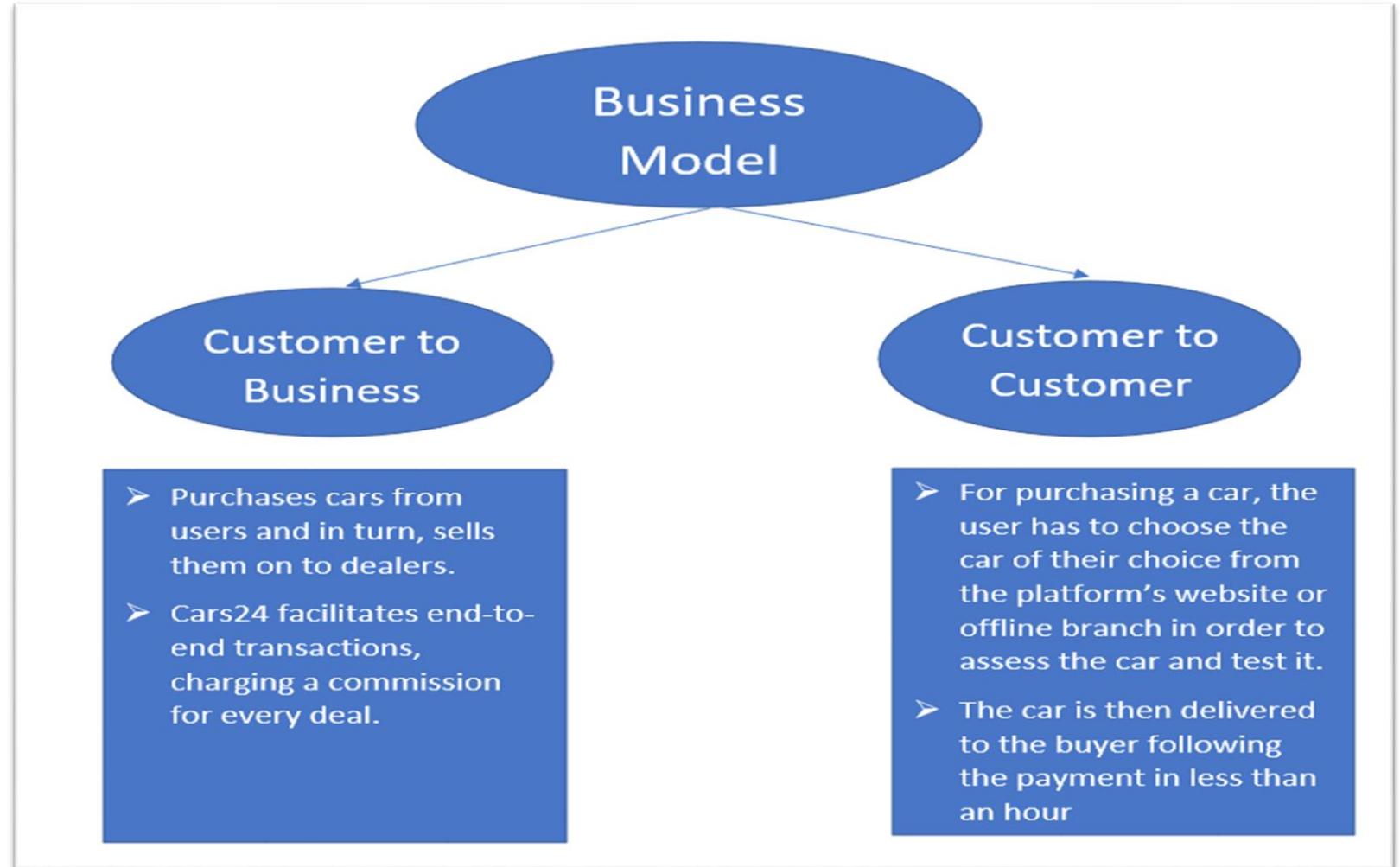
About CARS24

- Cars24 belonging to automotive e-commerce sector, incorporated on 12 August, 2015
- Registered office of the company is in Gurugram.
- Have presence in more than 161 branches across 134+ major cities in India
- In 2021, the company expanded operations internationally in several countries, including the United Arab Emirates and Australia.
- Cars24 platform facilitates the transaction and has an offline presence
- Apart from selling used cars, the company's services include resale paperwork and provide loan against car.
- Generated revenue of \$371 billion in FY21



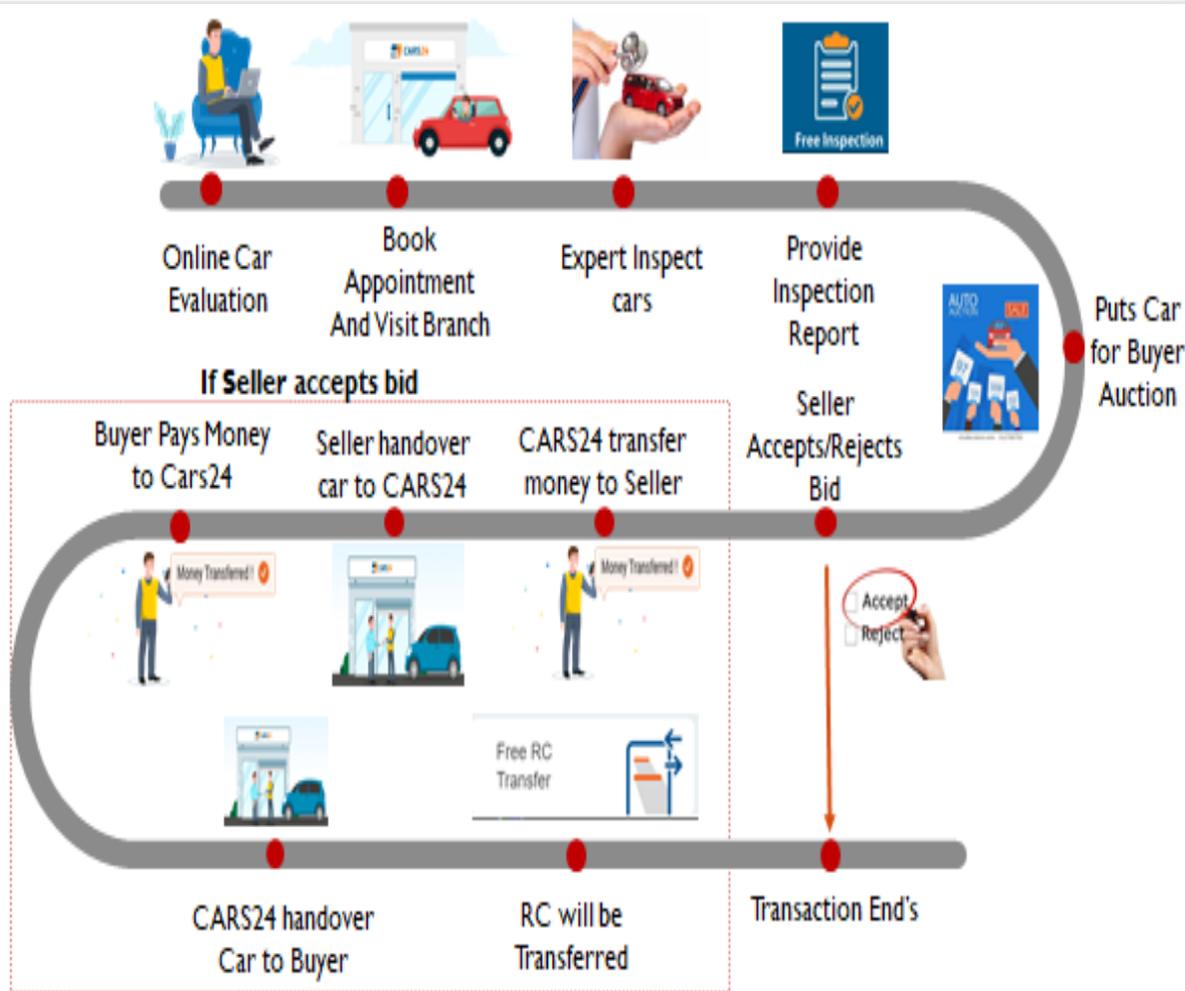
Business Model of CARS24

CARS24 is primarily a business for resale of used cars with a view to organizing the vastly unorganized used car industry in India. The platform's business model is based on the criteria of purchasing a car from their owner at the most suitable price and competent price in comparison with the other alternate services for car resale around the neighborhood.

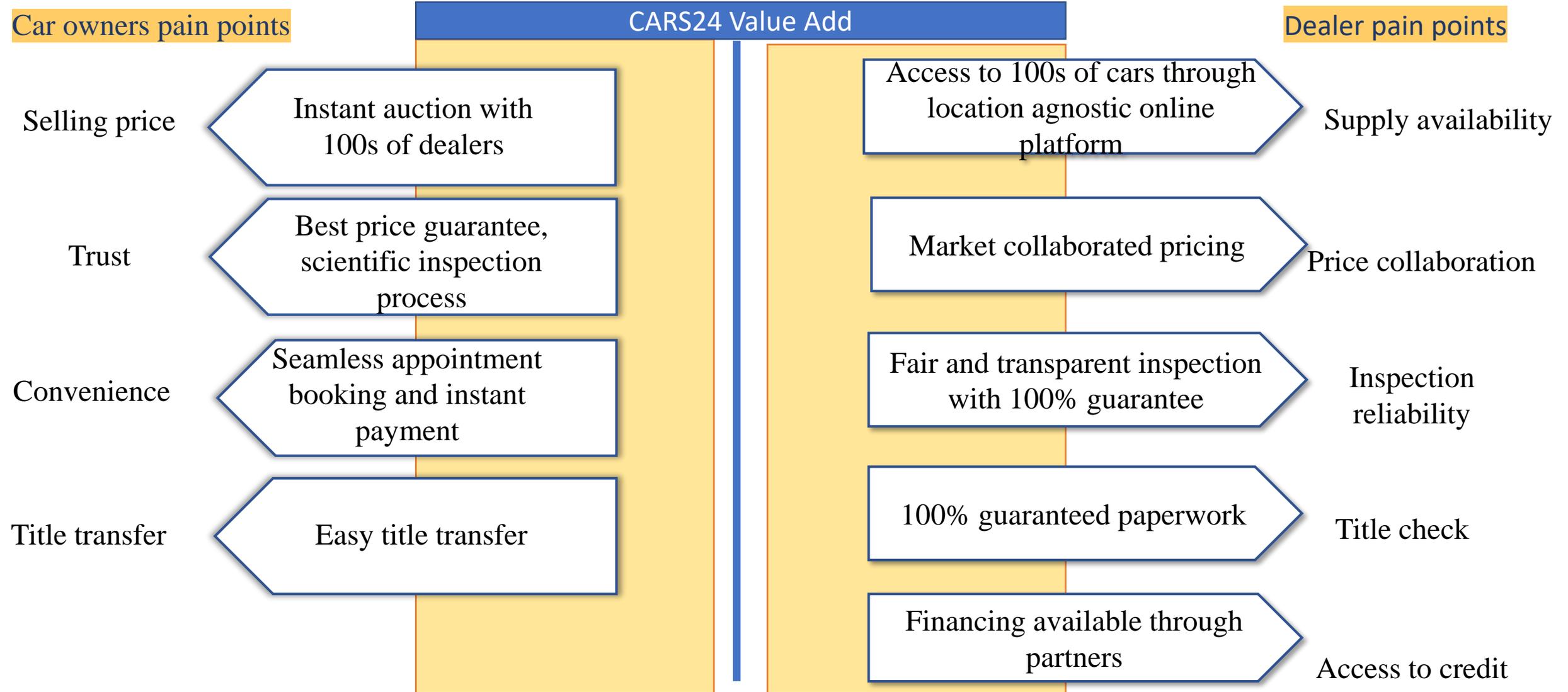


Product Solution Fit

Following is how CARS24 made the journey easy, quick and effective and creating value to their customers



Value Proposition to Customer



Risks faced by Cars24



Risks faced by CARS24(Cont..)

Decline in demand of certain type of vehicle:

- Introduction of innovative technologies for new cars, such as autonomous driving systems
- Manufacturer/dealers offering discounts or attractive financing, or lower prices for new cars

Breach of technology platform:

- Hardware/software malfunctions, third party security breach leading to interruption in operation
- Unauthorized use or inappropriate access to networks leading to failure to protect data

Fraudulent behavior by seller and purchaser:

- Vehicles offered through our platforms have been stolen
- stolen vehicles sold through platform, may be subject to legal proceedings

Failing to maintain or increase base of customers and business, the results of operations, cash flows and financial condition would be adversely affected

- Used vehicles stored, maybe stolen, damaged or destroyed before they can be sold
- Vehicles stored or parked or owned maybe used without authorization for illegal activities leading to negative publicity

CARS24 Future plan



Expand across India and give customers hassle-free selling experience

Investing in technology to make it more robust as well as convenient and friction-less so that car owner's can sell their car at great price in less than an hour by driving down to the nearest CARS24 branch.

Increase their network of partners to more than 20,000 by 2022

Launching operations in tier 2 and tier 3 cities



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Thank you!

