

# Luxury goods create new online market

The emergence of websites such as Portero, the 'Ebay for the affluent', is seen as bad news by some brands, writes Lauren Foster

Luxury goods companies pride themselves on offering top-quality, exclusive products in sumptuous surroundings. But well-heeled consumers can now save themselves a trip to Bond Street or Fifth Avenue by choosing to buy a "vintage" Patek Philippe wristwatch or a "pre-owned" Hermès Birkin bag with a simple click of the mouse.

The idea of a secondary market for luxury fashion and accessories is largely anathema to an industry built on the strength of its carefully cultivated brands. Yet as online demand for used luxury goods grows, big brands are divided on how to respond.

Michael Sheldon, chairman and chief executive of Portero, an online trading company that has been called "Ebay for the affluent", says some luxury brands are worried about the effects on their primary market. "They seem to have the idea that a luxury brand shouldn't be doing this," he says.

Portero, which trades luxury goods through Ebay, says it was founded in 2004 "on the belief that buying luxury online should be effortless and without risk" and it "certifies and guarantees every item" on the site.

Last year the company announced a deal with Tourneau, the watch retailer, to authenticate luxury watches. "We believe [Portero] is legitimising the secondary market of online auctions for luxury goods," says Howard Levitt, Tourneau's president. "We recognise this is the future for buying and selling pre-owned luxury goods online and a way for us to extend our brand to the secondary marketplace."

Others are less sanguine. Lew Frankfort, chief executive of Coach, which designs and sells luxury accessories, says: "We prefer our products to be sold in image-enhancing environments only. We don't consider these sites appropriate for the brand."

Yet as some companies speed up their introduction of new product lines, shortening the shelf life of luxury items, more women are looking for ways to empty their closet of last-season's fashion and accessories - especially if those items have a resale value.

Daniel Nissanoff, president of Portero and author of *FutureShop: How the New Auction Culture Will Revolutionise the Way We Buy, Sell and Get the Things We Really Want*, says Americans are increasingly trading their possessions in secondary markets - a trend that has important implications for the makers of new goods.

Milton Pedraza, head of the Luxury Institute, agrees. Wealthy baby boomers, he

says, "want to forgo the burden of ownership" and "would rather collect experiences", so a secondary market makes sense when they tire of their goods. "They would rather leave their heirs a portfolio of investments than a lot of possessions."

The key issue, says Greg Furman, executive director of the Luxury Marketing Council, a trade group in New York, is that a secondary market has to be "meticulously controlled" because of the proliferation of knock-offs. In 2004 Tiffany's sued Ebay for facilitating the trade of counterfeit Tiffany items on the site, claiming the fakes eroded the reputation of its brand. The case is expected to go to trial by the end of this year.

François-Henri Pinault, chief executive of PPR, the French luxury and retail group, says that provided the product is legitimate, a secondary market could be

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..... good news because it educates consumers about the brand. "It would be better to have used products at a good price than fakes," he says.

Cyrus Jilla, head of European consumer products practice at Bain, the management consultancy, says a secondary market is "neutral to good news" for luxury brands. Many pre-owned items are old lines, he notes. "The truth is today's luxury consumer is very savvy and knows what today's hot item is or not. So it won't impact on today's sales." Moreover, consumers still relish the in-store experience of buying luxury goods, which is hard to replicate online.

Its effect in the long term may be "slightly positive", he says, in that certain consumers may be encouraged to buy a luxury item if they believe it has resale value.

"There are consumers who might find it hard to spend \$500-\$600 on a luxury item. A site like Portero might encourage them to buy it if they believe it has residual value," he says. "I could see a scenario where it supports luxury goods purchases. I don't think it displaces the typical consumer who goes into the store."

For now, websites offering used luxury items are here to stay. As Mr Pinault says: "You can't stop a customer selling her bag to whomever she wants."