

## SPOTLIGHT



Luxury rental allows people to enjoy quality products at a lower cost.  
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Chinese buy one-third of the world's luxury goods, and last year they spent more than \$72 billion on them.



Luxury goods are becoming ever more expensive, which means the pool of those able to afford them is shrinking, said Zhang Jun, founder of StarLuxe, an online luxury goods rental service company in Shanghai.

# Shoppers warm to secondhand luxury

Sharing economy is making high-end designer items accessible to all, changing consumers' spending habits

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I'm wearing secondhand hats  
Secondhand clothes  
That's why they call me Second  
Hand Rose ...

I'm wearing secondhand shoes  
Secondhand hose  
All the girls hand me their second-  
hand beaus ...

Once while strolling through the  
Ritz, a woman got my goat  
She nudged her friend and said,  
"Oh, look, there goes my last year's  
coat!"

It seems the titular character of  
the 1920s song *Second Hand  
Rose*, which got a secondhand  
revival in 1965 thanks to Bar-  
bra Streisand, really did feel a social  
stigma about never being able to own  
anything that was brand new. But is  
being unable to get your hands on the  
very newest and the best as dreadful  
as it is cracked up to be?

Bicycles, the darlings of the so-called  
sharing economy, may have gone some  
way to persuading us that we do not  
need to own stuff to survive, let alone  
be happy. But just how far are we will-  
ing to go to shake off the notion that  
people will think more highly of us  
based solely on glitzy new possessions?

Step forward Zhang Jun, 38, a fash-  
ion industry veteran who a couple of  
years ago came up with the idea of  
making the kind of clothing you only  
see at fashion shows and catwalks  
accessible to the masses.

Of course the expression "came up  
with the idea" is used rather loosely  
here because — in a way that Rose  
would no doubt appreciate — the  
idea was in fact a hand-  
me-down from others.

Those others were Jennifer  
Hyman and Jennifer Fleiss, two  
graduates of Harvard Business School  
who nine years ago set up a company  
called Rent the Runway in the United  
States to provide rental services for  
designer dresses, apparel and acces-  
sories.

The idea for the company, Hyman  
and Fleiss say, originated from an  
encounter between Fleiss and her  
sister Becky on Thanksgiving Day in  
2008. Becky showed off a \$2,000 dress  
she bought to attend a wedding but  
lamented that she went into debt to  
purchase it.

Fleiss pondered whether it would  
make more sense for people to rent  
designer items rather than buy them,  
and later shared the idea with Hyman.

The company was initially an e-  
commerce-only operation but has  
since opened brick-and-mortar shops



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in New York, California, Illinois and  
Washington, DC.

Last year, after 16 years in the indus-  
try, during which Zhang had been a  
department store manager, a brand  
manager and had started an e-com-  
merce business, he went to Silicon Val-  
ley, California, scouting for ideas.

Zhang had become jaded by the  
fashion world, feeling that something  
was missing, that it was beginning to  
show its wear and tear.

"Looking back at my career, I re-  
alized what I wanted was to rediscover  
the innovation that is the very basis  
of the fashion industry and keeps it

moving," he said.

In Silicon Valley, Zhang was fortune-  
ate to run into Hyman and Fleiss,  
who told him of how they had watched  
clothes sharing — an idea that a  
decade earlier might have seemed pre-  
posterous in the richest country on the  
planet — become part of the fabric.

What Zhang learned from the pair  
was that there were many more con-  
sumer hot buttons to be pushed than  
the very practical idea of being able to  
rent dresses.

For example, Zhang said, hanging in  
many a closet is stark evidence of eco-  
nomic short-term thinking: expensive

dresses, jackets and coats that do not  
earn their keep because they have only  
been worn once or twice.

What also makes the argument for  
renting clothes so compelling, Zhang  
said, is at least two other things.

First, luxury goods are becoming  
ever more expensive, which means  
the pool of those able to afford them is  
shrinking. Second, fashion trends are  
changing ever more rapidly, such that  
an expensive, top-of-the-range, up-to-  
the-minute item bought one year ago  
can be regarded as yesterday's stuff  
today.

Rent the Runway Unlimited sub-

scribers pay \$159 a month, allowing  
them to borrow up to four pieces of  
clothing and accessories a month.  
These items come from an inventory  
of more than 450,000 items stacked  
with designer labels, and subscribers  
can keep whatever they order as long  
as they want. There is also the option  
to purchase items, usually for half the  
retail price.

So upon return from Silicon Val-  
ley, Zhang set up StarLuxe, an online  
luxury goods rental service company  
in Shanghai.

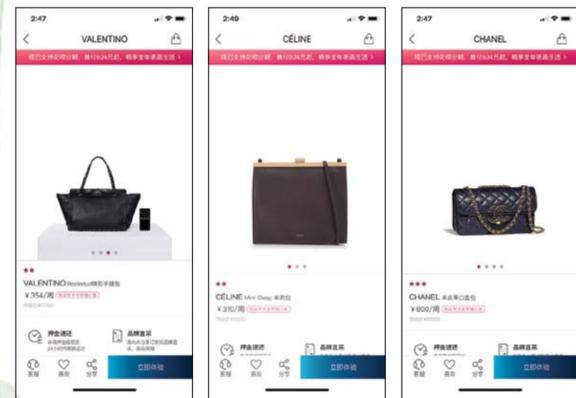
"I was very excited not just about  
the basics of buying and selling, but  
about this totally new concept of doing  
business," he said.

Zhang's confidence in his project  
is bolstered, too, by the evidence of  
Chinese consumers' taste for luxury.

Chinese consumers spent more  
than 500 billion yuan (\$72 billion)



Luxury renting encourages big spenders to spend even more and coaxes into the fold the less well-off who would otherwise spend nothing.



Fashion trends are changing so rapidly that a top-of-the-range, up-to-the-minute item bought one year ago can be regarded as yesterday's stuff today.

on luxury items last year, and  
Chinese buy one-third of the  
world's luxury goods, according  
to international consulting firm  
McKinsey & Company.

Annual reports of several luxury  
goods groups have also described  
China as the strongest growth region,  
and the rate of growth shows no signs  
of abating, the report said. This means  
that by 2024, China will account for  
40 percent of the world's luxury goods  
spending.

StarLuxe said that more than 40  
percent of those who begin using its  
services are already luxury goods high  
rollers, spending more than 200,000  
yuan a year on luxury items. And only  
25 percent of its users, who could  
be regarded as ordinary consumers,  
have salaries between 10,000 yuan and  
20,000 yuan a month.

This suggests that rental luxury  
clothing encourages heavy spenders to  
spend even more and coaxes less well-  
off consumers who would otherwise  
spend nothing into the fold.

Those kinds of figures, too, seem  
to have caught the attention of those  
who could be pivotal in helping this  
industry not only get off the ground  
but to thrive and survive. StarLuxe  
received startup funding appropriate  
to its name this year when Chinese

actress Zhang Ziyi put 60 million yuan  
into the venture.

"We have a mission: to change peo-  
ple's spending habits," Zhang Jun said.

In so doing, customers can have  
access to more quality products at a  
lower cost, even as they reduce the  
wasteful use of resources and add a  
warm eco-friendly glow to their enjoy-  
ment of luxury, he said.

That luxury is not limited to cloth-  
ing — taking in handbags, suitcases,  
household supplies and even technol-  
ogy like drones that can be delivered  
within a few hours of being ordered.

In all of this, Zhang does not, of  
course, have the field to himself. His  
rivals include apps through which  
similar services are offered: Baozupo  
and Youmiao both give owners of lux-  
ury handbags the opportunity to rent  
them out to others.

Zhang said that an initial concern  
was that this sharing concept would  
be too radical for most people, but  
in marketing research that he com-  
missioned, 90 percent of those in his  
target group — women aged 25 to 40  
in first-tier cities — declared their sup-  
port for the idea.

One of the survey respondents com-  
pared renting luxury goods with stay-  
ing in a hotel, he said.

"She said that in hotel rooms, bed

sheets and coverings will have been  
used by others, but she still enjoys  
spending time in these places because  
of the fresh experience of staying  
somewhere far from home, and she  
enjoys the pampering that the hotels  
offer."

Yi Lingna, 39, of Beijing, is a dedi-  
cated follower of fashion and a regu-  
lar customer of luxury goods rental  
services.

She frequently scours StarLuxe's  
many new and limited editions, and  
by renting things she saves space in  
her home, she said. Yi also rents bags  
and watches for her husband.

"I'm a Taurus (purportedly someone  
who is extremely careful in financial  
matters), so I'm keen to spend the  
least amount of money for the great-  
est number of goods."

However, for the many thousands  
who have been converted by the gos-  
pel of luxury goods sharing, there are  
plenty more still to be convinced about  
this new economic model.

Lin Han, 25, of Ningbo, in East  
China's Zhejiang province, said she  
owns more than 30 luxury goods items  
each costing over 10,000 yuan and is  
repelled by the idea of anybody but her  
leaving a crease or mark on anything  
she owns.

"I think I'd even lose sleep over it.  
I just can't entrust my babies (hand-  
bags) to anyone else. I don't think  
there is anyone who would care for  
my things the way I and their real  
owner, do."

Even being compensated financially  
for damage to rented items or having  
them repaired or replaced would be  
inadequate, she said.

"It's just not the same."

Chen Ting, 32, of Shanghai, said that  
apart from well-known brand names  
like Louis Vuitton, Chanel and Gucci,  
"anyone who is keen on following fash-  
ion can look to many niche designer  
brands".

"More importantly, the stuff these  
designers sell has a smaller number  
on the price tag."

StarLuxe currently serves custom-  
ers in Shanghai and Beijing only, and  
Zhang said it has more than 10,000 reg-  
ular users, with 10 percent of those hav-  
ing paid a membership fee that entitles  
them to a discount on rental fees and  
a waiver on deposits and delivery fees.

"We're not making money at the  
moment," Zhang said.

"Right now it's a matter of changing  
people's lifestyles, just as the online  
payment service Alipay and the e-com-  
merce platform JD have been trying to  
do. Over the years they have lost a  
lot of money, but it's the economies of  
scale in the future that they have their  
eye on."

Zhang is convinced that consum-  
ers are changing the way they look at  
luxury goods.

"Over the past few years the pace of  
change in the luxury goods industry  
has become faster and faster. People  
used to buy these things to show off  
their status; now they're simply enjoy-  
ing the pleasure of keeping up with  
fashion trends."