

Proposal 1: Luxury Fashion Resale (a very similar story may be made for luxury fashion fakes):

Inspired by the used car/new car model that informed decisions about lease terms at General Motors (pictured below), I was wondering how these dynamics may play out in the luxury fashion resale space.

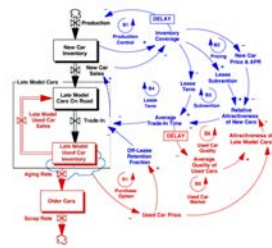


Figure 1: New/Used Car Model

The first question is whether to look at clothes, bags, shoes, cars, watches. I'd assume clothes and shoes would work differently than bags and watches which are different to cars due to both relative cost and durability of the items but I am unsure.

The resale market interacts with luxury brands in interesting ways: increasing price, distributing it to new clients, and decreasing price.

Take a few years ago, the brand supreme would drop new clothing and sell out in minutes. Then resellers would resell the clothing for 5-10x the original price. Here resellers likely help in building brand clout ('selling out in minutes') while also digging into Supreme direct profit (could have priced items at 800 instead of 300).

At some places this may be beneficial as a store attempts to stay 'grounded' in pricing among all the hype, but take a true high luxury company like Hermes and their Birkin Bag. They raised their status among their clientele by being hyper-exclusive and almost handpicking who they allowed to wear their bags. With resellers, their bags can get into the hands of people who they don't believe fit the companies 'image'. Devaluing it for their existing clientele.

Another way resellers interact is putting pieces on the market at lower cost because of defects or vintage condition (though some vintage pieces appreciate in value depending on the piece/brand). This, on one hand, helps bring brand recognition to clientele who cannot

Commented [HR1]: Both projects are viable; pick one. The first has multiple components, discussed below. You should limit the focus on one or max two. Try to spell out the mechanisms you want to model, and those you will assume outside of boundary for this exercise. Also note that Ross Yoon has a very similar problem definition, so it may be a good idea for you two to join forces and work on the same problem after hammering it out into a single problem definition.

Commented [HR2]: You can pick one that you think has the dynamics of interest to you in the most salient fashion, and focus on that.

Commented [HR3]: Explaining this dynamic alone is very interesting and non-trivial: would you sell directly at hire price, or get resellers to do most of the sales if they can hype up demand and increase price based on scarcity? Building a model of this dynamic would be one viable problem definition.

Commented [HR4]: This combines nicely with the other mechanism, as it requires tracking the prestige value of the brand based on the prestige of its clientele. It could be treated separately (i.e. putting aside the reseller problem) or added on top of the previous mechanism. I would say doing both is too much/ too complex, so better to focus on one.

afford new pieces or hadn't heard of the brand before. Potentially, this increases how much the average person desires the brand giving it a higher status, but if the "wrong clients" get their hands on those pieces then that can also ruin brand image

[Follow up question being how much does ruining brand image matter. They can just rebrand and continue to make money. Maybe the brand image destruction is bad for long term profits]

Some keyways this is similar/different to used cars model:

- The attractiveness of the resale/vintage pieces against the new pieces isn't super clear and is dependent on the clients and their perception of the brand
- The used cars are, though, 'objectively' worse quality than the new ones by being older. The same cannot be said for fashion where vintage pieces can claim a much higher price because they have been discontinued, or were in a better era of manufacturing, or appear in a specific editorial look etc.
- There is no formal trade in system with clothes. Many end up in the trash, many others at thrifts like Goodwill, and a select few at designer resale boutiques. There is no 'lease' period for these items.

Project Proposal 2: Art Prices

This project is more inspired by the thoroughbred example we did in class. I am interested in seeing how works of art increase and decrease in value based on perceived value and internal/external manipulation of the market. Additionally, I'm interested in seeing how new entrants, like Masterworks, may change this price dynamic. May also be interesting to see how recessions and wealth inequality play a part.

Commented [HR5]: The question of different types of word of mouth is interesting and another potential topic to focus on. Here you have to separate different market segments (e.g. elite vs. general market), and seems connected to the second problem above, so maybe they could be combined .

Commented [HR6]: It could also be a good problem with a solid dynamic, though the scope of what you can do in the class does not allow for capturing a lot beyond the basic model (e.g. similar to thoroughbred but with different supply side mechanisms).

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