

15.879 Advanced System Dynamics Modeling

Spring 2025

Fashion Cycles (Choose one)

Problem 1 *Scarcity and Profits:*

One could say that for many clothing brands maximizing profits is the end goal, but what if maximizing your profits required sharing some of it with the secondhand retail market. Using the clothing brand Supreme, we will explore this dynamic.

- Suppose there is no innate quality improvement of your brand over other brands priced up to 10x less than yours. You derive your pricing levels almost solely of cultural relevance and branding
- Consider a variety of ways one may develop cultural relevance:
 - o Being the go to brand for a particular demographic (skaters)
 - o Being seen on celebrities
- Consider a variety of ways one may heighten the sense of one's brand
 - o Scarcity
 - o High prices
- Consider how these forces may synergize or cancel each other out
 - o High prices means it may be more likely to be seen on a celebrity
 - o High prices may alienate the demographics that originally made the brand cool (skaters)
- Consider how the 2nd hand market may play a part in both scarcity and high prices
 - o By having a very active 2nd hand market you can 'sell out in minutes' increasing scarcity
 - o An active 2nd hand market (with sold out stock) does also mean that they are able to jack up their prices to 5x retail which implies you have lost money to the 2nd hand space
 - o On the other hand, pricing so high that you do not sell out in minutes, completely removes the possibility of your original demographic getting their hands on your product (does that matter?), removes the idea of scarcity, and may reposition your brand from that of cultural relevance to pure luxury. This is competition in a different bracket which may not be interested in your product offerings without the cultural relevance attached.

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