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The Kijiji Second-hand Economy Index: 2016

Duriff, Fabien and Ertz, Myriam and Tedds, Lindsay M.

University of Calgary, University of Victoria

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The Kijiji Second-Hand Economy Index

2016 Report



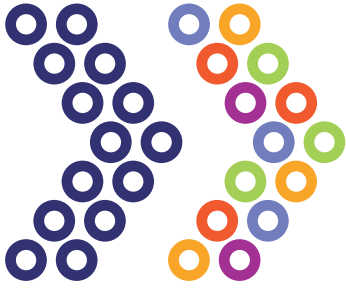
The kijiji Second-Hand
Economy Index

“Nearly 85% of Canadians have participated in some form of second-hand transactions (monetary or non-monetary) in the last year.”



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INTRODUCTION TO THE KIJIJI SECOND-HAND ECONOMY INDEX

In 2015, the Kijiji Second-Hand Economy Index launched to more closely examine the growing phenomenon that is the second-hand economy. The intention of the inaugural study was to devise a first-of-its-kind annual Index to measure Canadians' second-hand practices and their impact on the Canadian economy.

As with the 2015 Index, this year's study measures the growth and intensity of the second-hand market over the last 12 months by taking a closer look at the process of acquiring and disposing of used goods (cf. *intensity index of second-hand practices*).

The study expanded this year to include additional data from major Canadian cities, as well as gather some interesting insights on Canadians' purchasing intentions and experiences in the second-hand marketplace.

This study also reviews the growing significance of the second-hand economy, the interaction between it and the new-goods market place and the resulting contribution to economic activity and consumer well-being. Raising awareness of the economic benefits of this sector and its benefits to Canadians may lead to more participation, thereby reinforcing and growing its benefits. Further, highlighting its contribution to the economy, we hope to pave the way to advancing policy formation in this sector.



Reminder: definition of the second-hand economy

Second-hand practices or reuse is a relatively broad concept that involves extending the lifespan of products by providing for their reuse by other individuals. This can take on a number of different forms: donations, second-hand purchases, exchanges, free sharing, paid sharing, rental or lending.

Second-hand practices can be broadly defined as the acquisition or intentional disposal of durable or semi-durable goods:

- that are either used or new;
- for which the original state and function has been preserved;
- that have had one or more prior owner(s);
- with ownership transfer and use, or transfer of use only (rental);
- for which the exchange has been decided before or after its initial acquisition using different currencies (swap) or total lack thereof (donation);
- and initiated by the consumer, but often facilitated by various intermediaries.





HIGHLIGHTS & OBSERVATIONS

Canadians' second-hand practices: how active are we?

- In the past 12 months, Canadians granted a second life to 77 products, on average, across 22 different product categories, a 1-point increase over last year's intensity Index.
- Although this 1-point increase might not seem like much, it actually has a significant impact on the number of products being exchanged: Canadians granted a second life to 24.9 million more products this year over last year, for a total of 1.85 billion objects.
- **By province**
 - The Prairies (Manitoba and Saskatchewan) scored the highest Index (87) in their second-hand practices followed by Alberta (82), British Columbia (80) and Ontario (79).
 - Similarly to what was observed in the 2015 study, second-hand practices are somewhat less prevalent in Eastern regions, such as Quebec (67) and the Atlantic Provinces (60).
- **By city**
 - Neither rural nor city centres dominated in second-hand consumption. Major cities across the country scored an average Index of 71, which is close to the national average of 77.
 - Second-hand practices appear to increase as the size of a city or a town decreases, indicating an inverse relationship between city size and second-hand consumption.

Most popular product categories: what are Canadians buying or selling?

- Echoing the 2015 study, clothing, shoes and accessories remain the most popular product categories exchanged in the second-hand market with 2 out of every 5 swaps involving these items.
- Entertainment products such as books and CDs also remain popular, coming in second place.

Most popular channels: where are we trading?

- More than a quarter of second-hand practices take place through family, friends or acquaintances.
- With regards to commercial channels, Kijiji is the preferred platform to exchange second-hand goods.

The state of the second-hand economy in Canada

- Nearly 85% of Canadians have participated in some form of second-hand transactions (monetary and non-monetary) in the last year.
- Nearly 70% of Canadians have bought or sold second-hand goods. This means more Canadians participated in the second-hand economy than in Canada's labour force (66%).
- The second-hand economy supports \$33 to \$36 billion in economic activity that may not have occurred otherwise.
- There are about 300,000 to 325,000 jobs directly related to the second-hand economy in Canada.

What it means for the average consumer

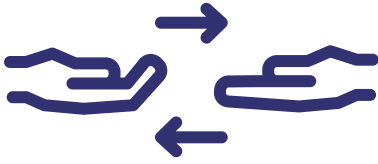
- Last year, Canadians saved an average of \$480 each by buying second-hand goods instead of new goods.
- In 2015, each Canadian spent an average of \$960 on used products, and earned an average of \$883 through their sales.

What motivates Canadians to acquire or dispose of goods through the second-hand economy?

- Repeating the findings from the 2015 study, Canadian consumers are economically motivated when it comes to acquiring second-hand goods: 77% are driven by the prospect of saving money.
- Canadians also continue to be primarily motivated by pragmatic reasons for divesting items, with 70% saying that it is an opportunity to dispose of items they no longer use.

Online behavior

- More than one quarter of the consumers (29%) have made at least one purchase on classified ads websites. On average, this group spent \$1,096 each over the past 12 months on second-hand goods.
- One fifth of consumers (20%) have resold at least one product on classified ads websites. These consumers earned an average of \$775 over the past 12 months.



INTENSITY OF CANADIANS' SECOND-HAND PRACTICES

The *2016 intensity index of second-hand practices* stood at **77**, which is an increase of **1** compared to the 2015 Index. This means in the past 12 months, Canadians granted a second life to 77 products from 22 different product categories, on average. When generalized to the whole Canadian population over the age of 18, this means last year Canadians granted a second life to a total of 24.9 million more products than the previous year, for a total of 1,848,900,000 goods.

Specifically, Canadians acquired 34 second-hand products during the last year (down from 35 in the 2015 study). Of these, almost half (17) were purchases (18 in 2015) and 9 were donations (10 in 2015).

Canadians disposed of 43 products (41 in 2015) over the past 12 months. More than half of those items (27, up from 26 in 2015) were donated and 10 (9 in 2015) were resold.

Table 1. Global intensity of Canadians' second-hand practices

Intensity index of second-hand practices	Global intensity index: 77							
	Acquisition index: 34.3				Disposal index: 42.7			
	Second-hand purchases	Donations reception	Swaps	Borrowings or rentals	Resales	Donations	Swaps	Lendings or rentals
Proportion of the practices	48.4%	26.8%	7.7%	14.8%	21.6%	60.1%	6.7%	6.7%
Average	17	9.4	2.7	5.2	9.7	27	3	3

Intensity of Canadians' second-hand practices



Table 2.1 Intensity of Canadians' second-hand practices by region (acquisition)

Intensity index of second-hand practices	Intensity index (acquisition + disposal)	Indices of acquisition				Total of the acquisition index	Total	
		Second-hand purchases	Donations reception	Swaps	Borrowings or rentals			
Average score	77	17	9.4	2.7	5.2	34.3	%	
Region of residence	Alberta	81.9	15.6	14.7	3.3	4.9	38.5	12%
	British Columbia	80.4	19.9	9.8	4.1	4.7	38.5	14%
	Atlantic Provinces	60	14.4	7.7	1.4	3.5	27	7%
	Prairies	86.5	18.9	8.8	3.7	5	36.4	8%
	Ontario	79.4	16.5	9.1	2.9	5.9	34.4	41%
	Quebec	67.1	15.3	7.7	1	5.3	29.3	18%

Atlantic Provinces gather Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador; Prairies include Manitoba and Saskatchewan. Northwestern, Yukon and Nunavut Territories were excluded due to the lack of representation.

Table 2.2 Intensity of Canadians' second-hand practices by region (disposal)

Intensity index of second-hand practices	Intensity index (acquisition + disposal)	Indices of disposal				Total of the disposal index	Total	
		Resales	Donations	Swaps	Lendings or rentals			
Average score	77	9.7	27	3	3	42.7	%	
Region of residence	Alberta	81.9	11.7	27.9	1.8	2	43.4	12%
	British Columbia	80.4	9	27.6	2.7	2.6	41.9	14%
	Atlantic Provinces	60	6.1	23	1.5	2.4	33	7%
	Prairies	86.5	15.3	29.2	2.2	3.4	50.1	8%
	Ontario	79.4	9.1	26.6	5.3	4	45	41%
	Quebec	67.1	8.2	27.3	0.7	1.6	37.8	18%

Atlantic Provinces gather Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador; Prairies include Manitoba and Saskatchewan. Northwestern, Yukon and Nunavut Territories were excluded due to the lack of representation.

Second-hand practices are highest in the Prairies, with an average Index of 87, followed by Alberta (82), British Columbia (80) and Ontario (79).

Similarly to what was observed in 2015, second-hand practices are somewhat less prevalent in Eastern Canada: Quebec (67) and the Atlantic Provinces (60) scored the lowest Index across the country.

In comparison with the inaugural Index, there appears to be a significant decrease in both Alberta (Index of 106 in 2015 and 82 in 2016) and the Prairies (Index of 115 in 2015 and to 87 in 2016). Yet, these regions remain the most active in the second-hand economy.

Interestingly, the Atlantic provinces' Index remained relatively similar (Index of 63 in 2015 and 60 in 2016) but have dropped to the last position this year. Conversely, we have seen a rise in second-hand practices in Quebec (Index of 50 in 2015 and 67 in 2016) allowing the province to jump up one spot, coming in second to last, before the Atlantic provinces.

Table 3.1 Intensity of Canadians' second-hand practices by city (acquisition)

Intensity index of second-hand practices	Intensity index (acquisition + disposal)	Indices of acquisition				Total of the acquisition index	Total	
		Second-hand purchases	Donations reception	Swaps	Borrowings or rentals			
Average score	77	17	9.4	2.7	5.2	34.3		
Average score by city	71.2	14.4	8.9	2.4	4.8	30.6	%	
City of residence	Calgary	60.3	12.7	8.3	2.1	3.5	26.6	7%
	Edmonton	78.5	13.8	11.2	2.2	3.6	30.8	9%
	Hamilton	58.4	10.8	11.7	2.5	3.7	28.7	4%
	Montreal	77.9	18	9.5	1.1	5.3	33.9	18%
	Ottawa-Gatineau	56.5	11	8.3	1.3	7.9	28.5	6%
	Quebec	52.2	8.5	5.4	1.8	2.2	17.9	4%
	Toronto	69.4	12.8	7.6	2.7	4.2	27.3	28%
	Vancouver	79.7	17.4	11.6	6.3	6.4	41.7	13%
	Winnipeg	71.8	14.8	5.8	1.2	4.3	26.1	6%

Table 3.2 Intensity of Canadians' second-hand practices by city (disposal)

Intensity index of second-hand practices	Intensity index (acquisition + disposal)	Indices of disposal				Total of the disposal index	Total	
		Resales	Donations	Swaps	Lendings or rentals			
Average score	77	9.7	27	3	3	42.7		
Average score by city	71.2	8.9	26.1	2.9	2.7	40.6	%	
City of residence	Calgary	60.3	7.9	21.8	1.7	2.3	33.7	7%
	Edmonton	78.5	10.2	33.2	2.2	2.1	47.7	9%
	Hamilton	58.4	4.1	24.1	0.9	0.6	29.7	4%
	Montreal	77.9	11.6	29.9	0.8	1.7	44	18%
	Ottawa-Gatineau	56.5	6.1	19.3	1.4	1.2	28	6%
	Quebec	52.2	4.2	27.9	0.7	1.5	34.3	4%
	Toronto	69.4	8	23.6	6.2	4.3	42.1	28%
	Vancouver	79.7	9.5	21.6	4.3	2.6	38	13%
	Winnipeg	71.8	12.6	25.9	2.1	5.1	45.7	6%

This year, in order to further our understanding of the second-hand economy phenomenon across the country, we took a closer look at major Canadian cities' second-hand practices. The average global intensity index is 71 across major cities, versus 77 for the whole of Canada. In particular:

- Vancouverites are most likely to exchange goods, with residents giving a second life to 80 products, followed closely by Edmonton at 79. While Edmonton residents are most likely to divest their products (disposing of 48 items, on average), Vancouverites display the strongest acquisition practices (taking in 42 items). In fact, contrary to all other cities, Vancouver residents acquire more second-hand goods than they dispose of.
- Montreal residents come in third place (78), despite the fact that the population of Quebec tends to be less involved than the average Canadian. Both second-hand purchases (18) and selling (12) drive Montreal's dynamism.
- Even though Alberta ranks second in the country for exchanging used goods, residents of Calgary ranked among the lowest of major cities (giving second life to only 60 products) while Edmonton comes in over the national average (79). Edmontonians have the highest Disposal Index among cities (48), coming in 14 points ahead of Calgarians.

- With an index of 69, Torontonians display average second-hand practices. In comparison with the rest of Ontario, Torontonians have lower second-hand acquisition practices (27) especially with regards to purchases (13).
- Winnipeg also exhibits average second-hand practices (exchanging 72 goods on average). Interesting to note: residents here are more inclined than any other major city dwellers to dispose of their objects (46), displaying the highest resale practices across major cities.
- Residents of Hamilton (58), Ottawa-Gatineau (57) and Quebec City (52) are the least active in the second-hand economy. Both Hamilton and Ottawa-Gatineau have below average acquisition and disposal indices. While Québec City residents are closer to average disposal practices (34), their acquisition Index is the lowest among cities at 18.

Neither urban nor rural centres dominate in second-hand consumption.¹ Cities do not necessarily reflect the second-hand consumption behavior of the province in which they are located. There also appears to be a negative relationship between urban dwellers and second-hand practices, as illustrated in Table 4.

Table 4. Intensity of Canadians’ second-hand practices: urban vs rural

Intensity index of second-hand practices	Intensity index	Acquisition index	Disposal index	Total
Average	77	34.3	42.7	%
Urban	71.2	30.6	40.6	53%
Rural	82.4	38	44.4	47%

These results confirm quantitatively the preliminary insight that we derived from our qualitative studies. Participants indicated that they felt that, outside of urban centres, free giving away, free lending, sharing of pre-owned goods, as well as mutuality and cooperation, were much more prevalent than in the cities.

¹ Our results support previous findings such as in France, for example. In June 2015, a study conducted by the Ministry of the Economy and the Industry, on collaborative consumption, emphasized that urban people were more involved with technology-enabled forms of mutualisation, such as ridesharing (Uber, AmigoExpress) or lodging (Airbnb, LoveHomeSwap), but that rurals were more likely to exchange tangible goods through swapping, and second-hand purchase and resale. They are also more likely to prefer second-hand goods, whereas urban people prefer new goods.



SECOND-HAND CONSUMER PROFILES²



Women
18 to 44 years old

Heavy second hander

(Global intensity index: 80-plus)

Subgroups more statistically represented in this category:

- in a free union (unmarried)
- lives in a four-person household with children
- household income of more than \$160,000
- is able to put away a considerable amount of money each month and has likely undergone life changes such as birth or adoption of a child (with an Index of 208); departure of one or more children from the household (165) or marriage or a new relationship (137)

This consumer has several years of experience in the second-hand market, having begun buying or selling 5 to 9 years ago, coinciding with the modern advent of e-commerce and online second-hand websites. She spends, on average, at least \$500 per year acquiring used goods.

² These profiles describe the typical **heavy, medium or low** second-hand consumer. This means that the different characteristics that describe that typical person do not necessarily apply to all members of a given group (heavy, medium or low). Besides, these are not clusters, and therefore there is no estimate of the proportion of the sample that each group may represent.



Women or men

Medium second hander

(Global intensity index: 73 to 79)

Subgroups more statistically represented in this category:

- more likely to be or have been in a marital relationship (widow, married, separated or divorced), though some are single
- live in 3-person households
- tend to struggle to make ends meet (they live off their savings, have negotiated loans or their income barely meets their budgets)

They started to buy or sell second-hand either very recently (less than a year to 1 to 4 years) or they have been doing it for a prolonged period of time (more than 10 years). They spend less than \$500 per year to acquire second-hand goods.



Men
45 years old
and older

Low second hander

(Global intensity index: less than 72)

Subgroups more statistically represented in this category:

- household is composed of one or two people, with no children
- have not recently undergone any major changes in their lives
- are able to put a little money aside

Interestingly, these consumers do not buy or sell, but rather trade, which may be the reason for their low intensity Index, since second-hand trading is third of overall exchanges.



MOST COMMONLY EXCHANGED GOODS

Top 5 most acquired and disposed of categories of goods

1. Clothings, shoes and fashion accessories

32.5% - 149,479 objects



2. Entertainment products

18.3% - 83,858 objects



3. Baby clothing and accessories

9.9% - 26,790 objects



4. Games, toys and video games

5.8% - 26,790 objects



5. Indoor/outdoor household and decoration items - 4.6% - 21,164 objects



The top three most exchanged products in 2016 remain stable compared to 2015.

When combining clothing categories (1 and 3), we can conclude that roughly 2 out of every 5 second-hand exchanges (42%) involve either adult, children or baby clothes, shoes and accessories.

Entertainment products (books, CDs and DVDs) and amusement products (games, toys and video games) represent almost one quarter of all second-hand exchanges (24%).

Clothing items are mostly disposed of via donations. This category represents the largest share of the disposal index, with 14 products, out of the overall 43 disposal index.

Interestingly, entertainment products are more often given away for free. Reselling is also a popular option for this product category, but comes in after donations.



CHANNELS USED FOR SECOND-HAND PRACTICES

- Over a quarter of second-hand practices (26%) take place through family, friends or acquaintances (non-commercial channels).
- With regards to commercial channels, Kijiji is the dominant platform.

Table 5. Commercial channels used for second-hand practices

Channels	%
Kijiji	12.6%
Shops / networks with a social mission	10.3%
Second-hand clothes shops	5.9%
Social Networks (with strangers)	5.3%
Garage sales	4.1%
One-time events (excluding garage sales)	2.8%
Other shops trading second-hand	2.7%



Craigslist	2.5%
Retailers mostly engaged in selling new products	2.0%
Rental companies / shops	1.7%
eBay	1.6%
Amazon	1.4%
Newspaper classifieds	1.2%
Swap / exchange specialty shops	1.2%
Second-hand specialty shops	1.2%
Websites dedicated to good donations	1.1%
LesPAC*	1.0%
Websites for loans / rentals among individuals	0.9%
Swap or exchange Websites	0.8%
Other online second-hand websites	0.7%
Auto Trader	0.6%
Consignment shops	0.5%
Auto Hebdo	0.4%
Other specialized second-hand websites	0.2%

* Quebec only



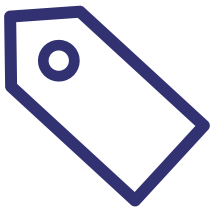


Table 6. Channels used for second-hand practices

Channels	%
Family, friends or acquaintances	25.6%
Kijiji	12.6%
Shops / networks with a social mission	10.3%
Social Networks (with family, friends or acquaintances)	9.7%
Second-hand clothes shops	5.9%
Social Networks (with strangers)	5.3%
Garage sales	4.1%
One-time events (excluding garage sales)	2.8%
Other shops trading second-hand	2.7%
Craigslist	2.5%
Retailers mostly engaged in selling new products	2.0%
The "curb"	1.8%
Rental companies / shops	1.7%
eBay	1.6%
Amazon	1.4%
Newspaper classifieds	1.2%
Swap / exchange specialty shops	1.2%
Second-hand specialty shops	1.2%
Websites dedicated to good donations	1.1%
LesPAC*	1.0%
Websites for loans / rentals among individuals	0.9%
Swap or exchange Websites	0.8%
Other online second-hand websites	0.7%
Auto Trader	0.6%
Consignment shops	0.5%
Auto Hebdo	0.4%
Associations and NPOs	0.3%
Other specialized second-hand websites	0.2%
Total	100%

* Quebec only



CANADIAN CONSUMER MOTIVATIONS

MOTIVATIONS for acquiring second-hand goods

Factors motivating Canadian consumers to acquire second-hand goods:



Echoing last year's study, economic motives are the most important drivers to acquiring goods on the second-hand market. Specifically, consumers are motivated by the prospect of saving money (77%) and getting good deals (73%).

The environment remains the second most important motivation that drives consumers to acquire second-hand goods. Canadians are motivated by the opportunity to recycle unwanted items (60%), reduce waste (56%) or demonstrate eco-responsibility (51%).

Treasure hunting is the third most important motivation to acquire second-hand goods. Consumers are attracted by the prospect of stumbling upon valuable items (47%) or the opportunity to engage in a quest for rare finds (42%).

MOTIVATIONS for disposing of second-hand goods

Factors motivating Canadian consumers to dispose of goods:



Similar to the 2015 study, consumers are primarily motivated to dispose of goods for pragmatic reasons. They are motivated by the opportunity to dispose of items that they no longer use (70%) or items which are no longer of value to them (66%).

The desire of doing good remains the second most important driver for those who are disposing of their items. Mainly, they are motivated by the opportunity to aid individuals less fortunate than themselves (60%), by the prospect of others deriving enjoyment from their possessions (53%) or by the perception of doing something good for their community (50%).

Protecting the environment is the third most important motive for disposing of goods in the second-hand economy. Consumers are motivated by the opportunity to protect the environment by extending a product's lifespan (53%), to help preserve the planet (52%) or to limit resource exploitation (45%).

As in 2015, economic reasons are less decisive motives to disposal than for acquisition. Consumers engage more often in second-hand practices in order to save rather than to earn money.



OVER THE PAST 12
MONTHS, **CONSUMERS**
SPEND ON AVERAGE
\$1,096 EACH THROUGH
CLASSIFIED ADS
WEBSITES

ONLINE PURCHASE & RESELLING BEHAVIOR

Online purchase

Over the past 12 months, consumers spend on average \$1,096 each through classified ads websites.

More than one third (37%) of respondents who indicated they purchased a product on classified ads websites indicated they have been doing so for more than five years.

Bargaining process

Respondents seem more likely to bargain high prices products such as cars, trucks, motorcycles or tools and hardware. Conversely, they are least likely to bargain when purchasing household appliances, health-related and special needs items (medical equipment and specialized accessories), and smaller-scale items (clothing, small electronics, entertainment equipment). One fifth (21%) of purchasers who did not pay the price initially asked by the reseller decreased the price by more than 25%.

Table 7. Bargaining process

% of price decrease from price asked by the reseller	Classified ads websites
Less than 10%	23.9%
10-25%	55.4%
26-50%	14.9%
More than 50%	6.2%

Discrepancy between new and second-hand prices online

Overall, consumers estimate there is a notable difference between the price of a new product and the price of a comparable second-hand product purchased online. On average, consumers perceive the products they purchase on classified ads websites are 48% cheaper.

The discrepancy is highest for specialized goods such as health-related and special-needs items (83%), tools, hardware and renovation materials (74%), as well as sports and outdoor equipment (72%). The discrepancy is lowest for computer equipment (38%) or baby clothing and accessories (35%).

Intentions of new product purchase in case of second-hand unavailability

On average, 32% of consumers would have purchased a new product instead of a second-hand one, had they not found the product they were looking for in the second-hand marketplace. That proportion is higher for off-road vehicles (54%), baby clothing and accessories (46%) and household appliances (45%), but lower for vehicles [motorcycles (7%), cars and trucks (13%) or recreational vehicles (11%)].

Online reselling

Over the past 12 months, consumers earned on average \$775 each through classified ads websites.

More than half (54%) of respondents who indicated they resold a product on classified ads websites indicated they have been doing so for less than three years, which suggests that online reselling is a relatively recent practice for many consumers.

OVER THE PAST 12 MONTHS, CONSUMERS EARNED ON AVERAGE \$775 EACH THROUGH CLASSIFIED ADS WEBSITES

Table 8. Determination of the resale price on classified ads websites

Process to determine resale price	%
The price that I personally think the product is worth (no research)	64%
I researched the price similar products to mine have been traded for online (e.g. eBay, Amazon) or offline (e.g. stores)	39.5%
I had some prior knowledge about the market price of my product	32.1%



I determined a discount on the price based on the price I paid for the product	26.1%
I compared with the price for new products either on online or offline stores	17.7%
I asked members of my family, friends or acquaintances either online (e.g. email, social networks) or offline (e.g. in person)	11.2%
I researched prices in magazines, newspapers and other written media	5.5%
I researched the price on information and expert websites (e.g. Les Affaires website)	5.1%
I asked experts about an appropriate price either online (e.g. forums, social networks, chatrooms, blogs) or offline (e.g. stores, fairs)	4.2%
Total	100%

More than two thirds (64%) of resellers who priced their product for resale estimated it based on their gut feeling. Those who conducted research to estimate the resale price consulted between 1 (most frequent) and 6 sources (least frequent).

As shown in table 8, consumers are more likely to ask their family, friends and acquaintances, rather than experts, when it comes to determining the resale price of their goods.

Table 9. Estimation of the amount earned on classified ads websites

Information source	Amounts
Resellers having used no information source to estimate their resale price	\$279
Resellers having used at least one source of information to estimate their resale price	\$579
Total	\$410

Resellers who indicated that they conducted research in order to determine their resale price resold for more money than those who did not undertake any research. As shown in table 9, resellers that consulted at least one source of information to estimate their resale price have made average gains of \$579 which is \$300 more than those who did not conduct research.

There appears to be limited price bargaining on classified ads websites, as 64% of resellers resold at the price they asked for on classified ads websites.

ECONOMIC BENEFITS

Table 10. Perception of savings through classified ads websites

Product category	Savings in %
Average	52.7%
Off-road vehicles	78.8%
Health-related and special needs items	74.6%
Commercial and specialty equipment	67.5%
Indoor/outdoor household and decorator items	64.8%
Household appliances	59.7%
Furniture	59.7%
Computer equipment	59.4%
Cars and trucks	59.3%
Games, toys and video games	57.7%
Vehicle parts and tires	56.3%
Entertainment products (books, CDs, DVDs, blu-ray discs)	55.4%
Electronic products	54.6%
Leisure and craft items	51.2%
Watches and jewellery	48.1%
Sports and outdoor equipment (bicycles, sports accessories)	45.8%



Tools, hardware and renovation materials	44.5%
Motorcycles	40.7%
Recreational vehicles	34.7%
Art and collectibles	33.3%
Music instruments	29%
Clothing, shoes and fashion accessories	18.7%
Baby clothing and accessories	11.2%
Photo equipment, cameras and accessories	6.3%

Table 11. Perception of economic benefits through second-hand economy

Perception of savings by acquiring goods via (...)	% of agreement
... second-hand purchases	65.4%
... swapping	52.3%
... reception of donations	46.9%
... borrowing or renting	42.1%
Perception of earnings by disposing goods via (...)	% of agreement
... swapping	63.7%
... reselling	53.6%
... lending or renting	50.8%

Table 12. Second-hand consumption behavior

Behaviour	Frequency in %
Planning to give away new products when purchasing them	20.9%
Planning to give away second-hand products when purchasing them	15.7%
Sell/donate products with the intention to buy used products	14.7%
Planning to resell new products when purchasing them	13.3%
Sell/donate object with the intention to buy new products	12.9%
Planning to give away products received for free	10.9%
Planning to resell second-hand products when purchasing them	9.8%
Planning to resell products when received for free	5.6%

15% of consumers, who sold or donated a product in the last 12 months, did so with the intention to repurchase used products, whereas 13% did so with the intention to repurchase new products.

11% of consumers who received a product for free in the last 12 months, planned to give it away in the future, whereas 13% planned to resell them.

When purchasing new products, 21% plan to eventually give them away, while 13% plan to resell them.

When purchasing second-hand goods, 16% do so with the intention to give them away, while 10% plan to resell them.



ECONOMIC CONCLUSIONS

It is generally accepted that the second-hand marketplace in Canada is an important source of economic activity, yet forming economic conclusions regarding the marketplace is hindered because it is not included in any measures of economic activity. Gross domestic product (GDP), probably the most well-known measure of economic activity, purposefully excludes most second-hand transactions,³ meaning that official estimates of the second-hand marketplace and its contribution to Canada's economic well-being are not available. Sales from and income generated from second-hand transactions are generally not taxable meaning that measures of sales and individual income do not represent the full benefits derived the second-hand economy. Economic research on the second-hand economy is minimal, which means economic models fail to incorporate it. As a result, the survey results provide important insights into the second-hand economy and shed light on the debate over the interaction between the second-hand and the new market place.

As a major generator of used-goods practices, the internet is playing a key role in obtaining and tracking the second-hand economy. Digital platforms have allowed the second-hand economy in Canada to evolve beyond its more traditional forms of thrift, consignment, and antique stores, flea-markets, auctions and garage sales. This evolution has been more recently spurred by the development of online second-hand marketplaces such as Kijiji. Online platforms make it easier for people to buy and sell gently used goods by simplifying the posting and searching process. As a result, digital platforms reduce the time and effort needed to engage in second-hand transactions and improve the matching of people with goods for sale with the people who want to buy those goods. They also overcome geographical constraints, enabling buyers and sellers to engage with each other that would otherwise not be matched. Online platforms, therefore, have enabled more second-hand product exchanges that would not have otherwise been viable through the traditional bricks-and-mortar sources.

³ The only second-hand transactions that are included are the services provided by used car dealers and real estate agents.

Participation in the Second-hand Economy

The survey results show the importance of the second-hand economy in Canada. Eight in 10 (84%) Canadians have participated in some form of a second-hand transaction in the last year, including both monetary transactions (buying, selling, renting) and non-monetary transactions (donating, borrowing, swapping, lending).

While non-monetary transactions represent a majority of second-hand transactions, monetary transactions are becoming increasingly important, accounting for 40% of second-hand transactions. If we focus solely on these monetary transactions, nearly 70% of Canadians have bought or sold second-hand goods. To put this figure into some context, it means that more Canadians participated in buying and selling second-hand goods in the last year than participated in Canada's labour force⁴ (66%).

“More Canadians participated in buying and selling second-hand goods in the last year than participated in Canada's labour force.”

Monetary Value of Second-hand Economy Transactions

Focusing on the acquisition of second-hand goods, the survey results show Canadians spent an average of \$960 acquiring second-hand goods in the last year. The main motivation for purchasing used goods was to save money. Respondents indicated the prices for items on the second-hand market were on average 50% lower than if they were to purchase the product new. This means that every individual saved, on average, approximately \$480 last year by acquiring used goods instead of new goods.

Second-hand economy acquisitions, however, do not simply displace the purchase of new goods. While half of those that acquired second-hand goods thought about purchasing a new product, only one third would have if they not been able to find it used. For the other two thirds of buyers of used goods, the acquisition of second-hand goods represents economic activity that would otherwise have not occurred. This includes providing low- and middle- income earners access to goods that they would otherwise not be able to afford. The second-hand economy, therefore, makes

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⁴ According to the standard definition employed by Statistics Canada, the employed are persons having a job or business, whereas the unemployed are without work, are available for work, and are actively seeking work. Together the unemployed and the employed constitute the labour force. <http://www.statcan.gc.ca/pub/81-004-x/def/4153361-eng.htm>

needed products available to individuals at an affordable price. Doing so increases Canadians' purchasing power, raises their economic well-being and narrows economic inequality.

There are also economic benefits from the seller's side of the second-hand economy. Sellers in the second-hand market place earned \$883 in the last year, on average. The main motivation for disposing of second-hand goods was to discard items that no longer provided economic value to the individual, and 22%⁵ of such individuals indicated that they did so with the express intention to buy new products. This shows that the second-hand economy actually supports the purchase of new goods, meaning that there is an important interrelationship between the market for used and new goods.

The survey also shows that online platforms are increasing in popularity for second-hand transactions, accounting for more than 20% of the share of the second-hand market which is second only to social networks (e.g. family, friends, and acquaintances). Further 37% of Canadians used online platforms in the last year for their second-hand transactions. Those using online platforms spend more on second-hand goods, \$1,096, than through other second-hand channels.

**SELLERS IN THE
SECOND-HAND
MARKET PLACE
EARNED \$883 IN THE
LAST YEAR**

In terms of what types of goods are exchanged on the second-hand market, it tends to be items with lasting usefulness, often referred to as durable and semi-durable goods. The most popular transactions include those related to all types of clothing, entertainment equipment, and baby items. That said, the survey results show that the idea of second-hand market places as being only for small-scale personal consumption goods is misguided. Beyond the more typical used vehicle transactions, many commercial, specialty, and professional equipment transactions also occur. Second-hand transactions, therefore, allow businesses to liquidate their assets, benefiting both new and smaller businesses.

Economic Implications for Canada

The survey results reveal that the second-hand economy plays a vital role in the Canadian economy. Based on the survey results regarding participation in and the economic value of second-hand economy transactions, we estimate that the value of second-hand economy transactions is approximately \$28 billion. Because two thirds of these transactions would not have occurred without the second-hand economy, this means that about \$19 billion of this value represents economic activity that would not have occurred.

The remaining \$9 billion represents economic activity that is shifted from the new to the used market. However, had this spending for new goods occurred in lieu of used goods, only \$900

⁵ This figure was obtained by calculating the weighted frequency of direct responses in the survey and obtaining the cumulative percentage for responses valued 7 and higher, rounded to the nearest whole number. The figure of 22%, therefore, clearly represents the portion of individuals who sold or donated goods and who responded to the question with a value indicating that they were very likely to buy a new product. The result is interpreted and employed as such.

million would have accrued in Canada. This is because approximately 90% of the products that would have been purchased new are imported. As a result, the purchase of used goods in lieu of new goods represents a net increase of nearly \$8.1 billion in Canadian economic activity.

In addition, any potential crowding out of new purchases is offset by two factors. First, some sellers of second-hand goods are using the income generated from sales of second-hand goods to purchase new goods that otherwise would not be purchased. Second, consumers who would have otherwise purchased a new product saved around \$480 last year, and these savings can therefore be redirected towards additional purchases, most of which will be for new goods. In addition, when any new spending is injected into the system, it creates a snowball effect: the first person who gets the income spends it, which creates income for somebody else, who also spends it and so on.

We can use the income re-spending multiplier, a widely accepted concept in economics, to calculate the total value of both the direct and indirect effects of the new spending due to the second-hand economy. In an economy without international trade, the multiplier is quite large, but in the case of Canada, the multiplier is moderated due to the sizeable reliance on imports. Consensus among Canadian economists suggests a value for the multiplier of between 1.2 to 1.3. The presence of the income re-spending multiplier means the value of economic transactions generated by the second-hand economy totals between \$33 and 36 billion. This means that the second-hand economy potentially supports up to \$8 billion in additional purchases, most of which will be for new goods.



All this additional economic activity that is being generated not only supports spending but also jobs. Currently in Canada, the ratio of employment to GDP tells us that there is about one job relative to each \$110,000 of GDP. Given the estimate of the economic activity generated by the second-hand economy, this ratio implies that there are between 300,000 and 325,000 job in Canada that owe their existence to the second-hand economy.

Government Revenues and the Second-hand Economy

Does the second-hand economy directly contribute to tax revenues? The answer is unequivocally yes. First, it has been shown that the second-hand economy potentially supports up to \$8 billion in additional purchases, most of which would be subject to sales tax. The federal government accrues up to \$400 million in GST revenues from these sales, and provincial governments would also accrue their share based on the provincial sales tax rates.

Second, traditional bricks and mortar stores (excluding those with a social mission) that specialize in selling second-hand goods account for 15% of the share of the second-hand economy. Because these stores are operating as a business, these transactions are subject to GST (and potentially provincial sales taxes depending on the rules in the province) and the revenues generated subject to income tax. While the survey results do not allow for specific calculations



in this area, back-of-the-envelope calculations indicate these stores could contribute up to \$670 million in federal tax revenues. Provincial government would also accrue their share based on provincial sales and businesses tax rates. Again, because most second-hand transactions would not otherwise occur, most of these revenues represent additional revenues that would not accrue to the government if the second-hand economy did not exist.

“The second-hand economy supports \$33 to \$36 billion in economic activity that would not otherwise occur which supports the existence of about 300,000 to 325,000 jobs.”

The second-hand economy boosts government tax revenues

It is clear, however, that the bulk of second-hand-transactions occur between individuals and there are concerns that the second-hand economy may contribute to tax avoidance. However, these concerns are mostly unwarranted. With respect to sales taxes, most second-hand economy transactions are well below the GST/HST “small supplier” exemption of \$30,000 per year. In addition, provinces with a PST system generally exempt used goods whose value falls below a specified threshold. With respect to income taxes, since most used goods are sold for a price below its original purchase price, the good is sold at a loss and it not considered be taxable income.

The second-hand economy is not a significant contributor to the underground economy

As shown here, the survey results provide important insights about the second-hand economy. One of the most important findings is that contrary to conventional wisdom, the second-hand economy represents economic activity that is over and above what is measured. Not only does the purchase of second-hand goods not crowd out purchases of new goods, but the sale of second-hand goods actually supports the sale of new goods through the revenues earned by the sellers. In addition, the second-hand economy contributes to overall tax revenues. It therefore increases overall economic activity in Canada and technological advances resulting in second-hand transactions continuing to grow with significant positive social and economic implications.

⁶ If the total value of the transactions does not exceed \$30,000 during a calendar quarter nor in the previous four calendar quarters, the seller is considering as a “small supplier”. In this case, the sales taxes do not need to be paid or perceived. www.cra-arc.gc.ca/E/pub/gm/2-2/2-2-e.html



METHODOLOGY & RESEARCH

Primary data was collected using a sample of 5,990 respondents representative of the Canadian population. The survey was conducted online in partnership with MBA Recherche. Respondents were selected from a pan-Canadian Web panel according to pre-specified retention criteria such as gender, age and place of residence. Given that responses were obtained from a panel, the computation of the margin of error does not apply. Respondents aged 18 years or more.

The results of the survey revealed Canadians' behaviours and habits related to second-hand practices and quantification of the actual intensity of such practices across 22 product categories.

The conclusions reached in the economic considerations section of this report were based on the survey results regarding participation in and the economic value of second-hand economy transactions. The aggregation of these results to produce an estimate of the size of the second-hand in Canada is based on the assumption that the economic value of second-hand transactions is representative of goods not only bought and sold, but also acquired or disposed of through non-monetary transactions. The objective of this approach was to provide important insights into the second-hand economy and shed light on the debate over the interaction between the second-hand and the new market place.



Researchers



FABIEN DURIF (Ph.D.)



Fabien Durif is a Professor in the department of marketing at the Université du Québec à Montréal (UQAM)'s School of Management Sciences since 2012. He is a graduate from the Institut d'Etudes Politiques de Lyon (BA, MA, France), holds an MSc. in Marketing from HEC Montreal and a Ph. D. in Business Administration from HEC Montreal's joint program with UQAM, McGill and Concordia.

Specialized in responsible consumption, environmental marketing, product obsolescence, ethical governance and socially responsible investing, he has published over one hundred papers, including 28 in international publications (Journal of Business Research, European Journal of Marketing, International Journal of Sustainable Development, International Journal of Market Research, Electronic Green Journal, Revue Française de Gestion, Revue Française du Marketing, Gestion); and 100 papers for international conferences (ex. Academy of Marketing Science World Congress, American Marketing Association, European Marketing Academy Conference, The European Institute of Retailing and Services Studies, Annual Business Conference Promoting Business Ethics, Association Française du Marketing).

He is the Director of the UQAM School of Management's Responsible Consumption Observatory, specifically the Observatoire de la consommation responsable (OCR). Comprised of over ten researchers, the OCR conducts studies on responsible consumption. Its mission is to contribute to the development of scientific and functional analysis of the responsible consumption phenomenon by providing academic and private researchers, practitioners, citizens, NPOs, and the media, access to existing knowledge and relevant data.

MANON ARCAND (Ph.D.)



Dr. Manon Arcand is a professor at the UQAM School of Management since 2007. She holds a bachelor's degree and a master's degree in management, with a specialization in marketing from UQAM along with a PhD in marketing under Professor Jacques Nantel at HEC Montréal. Her research interests include online consumer behaviour and the impact of the Internet on consumer privacy. In collaboration with other researchers, she has published and presented in scientific journals and at online security conferences her research findings on the impact of websites' confidentiality policies on consumer perceptions of trust and control. She was recently awarded a research grant from the Social Sciences and Humanities Research Council

(SSHRC) to study Canadians consumers' process of searching for multichannel information.

CAROLINE BOIVIN (Ph.D.)



Caroline Boivin is a full professor in the department of marketing at the University of Sherbrooke. Her research interests lie in responsible consumption, marketing strategies for green products, pricing methods as well as conjoint analysis. Her research has been published in international journals such as the *International Journal of Market Research*, *Marketing Review*, and *Management Decision*. She is the co-founder of the 'Observatoire de la consommation responsable'.

MYRIAM ERTZ (Ph.D. STUDENT)

Myriam Ertz is a student in the joint doctorate in Administration the UQAM School of Management and her research interests lie in responsible marketing. She has experience in research and marketing intelligence at FedEx Express EMEA in Brussels, Belgium as well as with the Altus Group in Montreal, Canada. Her publications have appeared in the *International Journal of Electronic Commerce Studies* and have been communicated at conferences such as Net Impact, Administrative Sciences Association of Canada, European Marketing Academy Conference and *Association Francophone pour le savoir*.

LINDSAY TEDDS (Ph.D.)



Lindsay Tedds is an Associate Professor of Economics in the School of Public Administration at the University of Victoria and Visiting Professor in the School of Public Policy at the University of Calgary. She obtained her Ph.D. in Economics from McMaster University. She also holds an M.A. and B.A. in economics from the University of Victoria along with a B.A. in political science from Carleton University.

Lindsay is a specialist in applied economic research and policy analysis, with a particular focus on the design and implementation of tax policy. Her work spans a number of topics including the underground economy, income underreporting, the tax treatments of stock options, user fees, insider disclosure, and birth seasonality. She is the co-author of two books and has published a number of book chapters, technical reports, interactive guides, and papers in peer reviewed journals.

Lindsay is a regular non-partisan public commentator, writing for print media, appearing on a variety of T.V., radio, and podcasts, and providing testimony to the House of Commons Finance Committee. She is a member of the research advisory board for the Northern Policy Institute and a member of the editorial Board for the Mowat Centre. Before becoming an academic, Lindsay held several non-partisan posts with the Government of Canada in Ottawa as well as in municipal government in the areas of public economics and policy implementation.



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