

# Q3 2024 Observations from Tokuhn 2400

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## TLDR Summary

The Q3 2024 Tokuhn 2400 report reveals key insights into the current trends and challenges in e-commerce. It highlights the rising demand for sustainable shopping, increased e-commerce return rates, the benefits of direct-to-consumer sales, and the importance of effective inventory management. The report also identifies gaps in current Shopify apps that fail to support small merchants in managing and reselling returned items. Addressing these gaps is crucial for enhancing profitability and fostering a more sustainable shopping ecosystem.



## Rising Consumer Demand for Sustainable Shopping

The Tokuhn 2400 data has shown a significant shift in consumer behavior, particularly among Gen Z and Millennials, towards sustainable shopping

practices. According to their feedback, a considerable percentage of these consumers prefer buying secondhand items before purchasing new ones. This is supported by studies indicating that 62% of Gen Z and 56% of Millennials actively prefer secondhand clothing, advocating for a more sustainable and eco-friendly fashion industry. This trend extends beyond fashion, as younger consumers are also drawn to secondhand items in categories like furniture, electronics, and home goods, driven by the desire to save money and reduce environmental impact.

*Source: ProductsUp, CapitalOne Shopping, NARTS*



## **Increased E-Commerce Return Rates**

The Tokuhn 2400 highlighted the challenge of increased e-commerce return rates. Reports indicate that the overall return rate for online purchases remains substantial despite fluctuations. Effective management and resale of these returns present an opportunity to recover value from these products and reduce the financial strain on merchants.

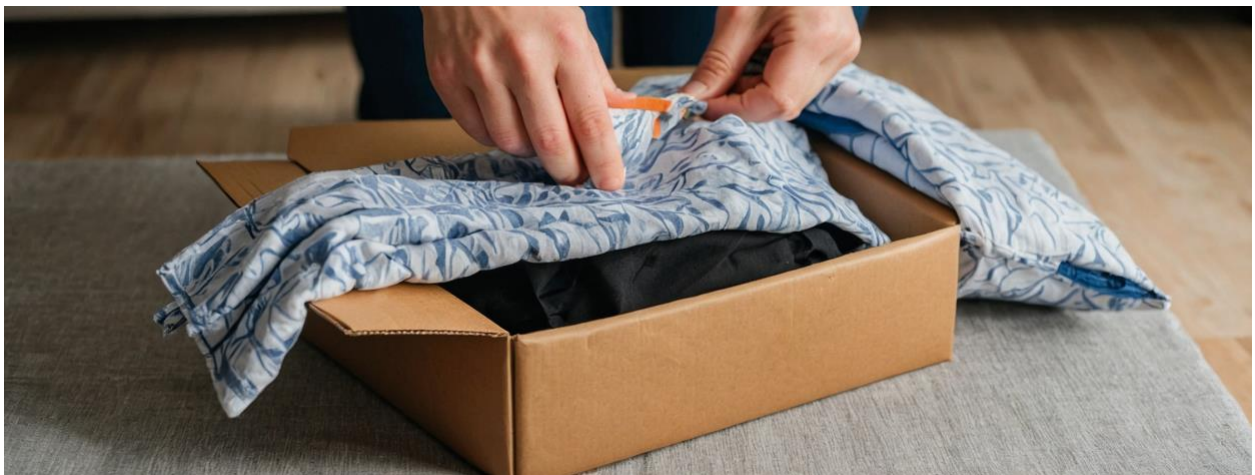
*Source: Digital Commerce 360*



## **Benefits of Direct-to-Consumer Sales**

Direct-to-consumer (D2C) sales models were another point of focus for the Tokuhn 2400 analysis. They offer several advantages, such as eliminating middlemen and leading to higher profit margins. Direct sales also foster better customer relationships and brand loyalty by allowing merchants to engage directly with their customers and provide personalized experiences.

*Source: Digital Commerce 360*



## **Enhanced Inventory Management**

The Tokuhn 2400 data highlighted the importance of properly managing returned items to optimize inventory turnover, reduce storage costs, and free up space for new products. This is crucial for small merchants who need to maximize the value of their inventory efficiently.

*Source: Digital Commerce 360*



## **Direct-to-Consumer Sales Impact**

Beyond Tokuhn 2400, studies show that D2C sales increase profit margins by reducing costs associated with intermediaries. This model also allows for greater control over brand image and customer experience, fostering loyalty and trust.

*Source: Digital Commerce 360*



# Consumer Preferences

Consumers appreciate transparency and trust in their purchasing decisions. Merchandising returned items with clear descriptions and pricing can enhance customer satisfaction and loyalty. Additionally, the growing demand for sustainable shopping options further validates the appeal of these products.

*Source: ProductsUp, Digital Commerce 360*



# Market Trends

The ongoing growth of e-commerce and the rise in return rates points to a significant opportunity for reselling returned items. Effective resale

strategies can help merchants manage returns more efficiently and capitalize on the growing consumer interest in secondhand and sustainable products.

*Source: ProductsUp, Digital Commerce 360*



## The Gaps in Current Shopify Apps

Despite the availability of numerous apps on the Shopify platform, Tokuhn 2400 data has indicated several critical areas where current apps fall short in helping small merchants effectively manage and resell returned items:

- **Inadequate Support for Sustainability Initiatives:** Research finds that while some apps offer basic resale functionalities, they do not fully cater to the growing consumer demand for sustainability. There is a lack of features specifically designed to highlight the eco-friendly aspects of purchasing returned items, such as detailed descriptions of product conditions, stories about the items, and their reduced environmental impact.
- **Limited Inventory Management Capabilities:** Existing apps frequently lack robust inventory management tools tailored for returned items. According to Tokuhn 2400, merchants need advanced features that

allow them to seamlessly integrate these items into their existing inventory systems, track their status, and optimize their turnover.

- **Poor Customer Engagement and Transparency:** Many apps do not provide sufficient tools for merchants to communicate the value and condition of returned items effectively. Consumers are looking for transparency and detailed information to make informed purchasing decisions, which current apps fail to deliver comprehensively.
- **Lack of Customization and Personalization:** Small merchants often require customizable solutions that can adapt to their unique business needs and product types. Many merchants observed that current apps tend to offer one-size-fits-all solutions that do not allow for the necessary level of personalization to maximize the resale value of returned items.

*Source: Digital Commerce 360*

## **Additional Insight: Profitability of Selling Open-Box Items**

Research indicates that selling open-box products does not lead to a loss of profitability and can actually be a great way to convert new customers. Selling returned items as open-box products can increase a retailer's profits by as much as 3.3%. Additionally, showcasing these products beside new items has been found to significantly reduce costs. This strategy not only helps recover value from returned items but also attracts price-conscious consumers, offering them a cost-effective alternative and potentially converting them into loyal customers.

*Source: dealnews, twin-cities.umn*



## Conclusion

The rise in consumer demand for sustainable shopping, coupled with the increased return rates in e-commerce, presents a significant opportunity for Shopify merchants to capitalize on the market for returned items. However, the current apps available in the Shopify app store fall short in addressing the specific needs of small merchants in this area. The challenges include inadequate support for sustainability initiatives, limited inventory management capabilities, poor customer engagement and transparency, and a lack of customization and personalization options. Addressing these gaps is crucial for merchants looking to improve their profitability and contribute to a more sustainable and eco-friendly shopping ecosystem.