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Counting Monopoly Money Twice: Resale Discounting in Consumer-to-Consumer Exchange

CATHERINE A. ARMSTRONG SOULE AND SARA HANSON

ABSTRACT Consumer-to-consumer (C2C) secondhand exchange activity has exploded due to increased user connectivity stemming from widespread digital platform development and adoption. This research focuses on the effects of participation in secondhand exchange collectives on price perceptions. In three studies, the authors find that participation in secondhand exchange leads to price perception changes at various stages of the buying and reselling process, including traditional retail purchase decisions via resale discounting, a novel decision making bias. This research demonstrates that secondhand markets can cause individuals who are considering a purchase to (1) view firsthand prices as more reasonable and (2) increase purchase likelihood of firsthand products. Individuals who engage in secondhand exchange collectives report higher worth for products but only in secondhand-relevant categories. Finally, when individuals resell items, despite factoring resale income into the cost of the original item as a mental discount, they also reduce price perceptions of a future, unrelated purchase.

“It’s like monopoly money!” exclaims a happy seller belonging to a secondhand exchange collective, describing the income she earns from selling used clothing. Another member of this buy/sell/trade (BST) group—a consumer-initiated online collective to facilitate buying and selling (and sometimes trading) secondhand items—confesses when thinking about her traditional firsthand retail purchases, “[BSTs] changed the way I thought about buying. Because instead of spending \$30 on an item and you never see that money again, you’re spending \$30 and you could maybe get \$10 of it back if you resold it at the end.” Quotes like these suggest that participants in secondhand exchange collectives can perceive money earned in resale exchanges quite differently.

Secondhand exchange collectives are consumer-to-consumer collectives that focus on the buying and reselling of products and feature both transactional and social elements. These collectives also depend on consumers fulfilling both supply and demand; therefore, individual consumers often act as both buyers and (re)sellers in these spaces. Secondhand exchange encompasses many types of consumption activities, such as garage sales, thrift shops, flea mar-

kets, and swap meets, auction sites, social media groups, and formal marketplaces, third party applications (e.g., Poshmark, thredUP), and even traditional brand-facilitated reselling platforms (e.g., Nordstrom’s “See You Tomorrow” pop-up, in-store boutiques). While these various types of collectives are experiencing an explosion of growth and consumer activity resulting in dramatically different consumption patterns in the marketplace, they remain understudied (Ertz, Durif, and Arcand 2019). Because behavioral and decision-making patterns in secondhand exchange are fundamentally altered from the traditional consumption conceptualization of the sequential stages of consideration, purchase, use, and dispose pattern, study in this area is necessary. A particularly ripe area for research is how secondhand exchange collective participation (including knowledge and discussion of these groups, browsing, shopping, interacting with others, buying secondhand, and reselling) impacts consumers’ price perceptions.

In consumer-to-consumer (C2C) secondhand contexts, every buyer is a potential (but uncertain) future reseller and every reseller played the role of buyer in the past (whether from firsthand, including traditional retail, or secondhand

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exchange). How do individuals engaged in secondhand exchange collectives evaluate product prices, given their fluid roles as a buyer and reseller? Exploratory evidence from interviews with such individuals, which we discuss in detail as we develop our theory, suggests that resellers may treat the money they earn when selling secondhand products as “fun,” “monopoly,” or “play” money. Resellers reported keeping their secondhand exchange funds separate from their “real” or “regular” money in Paypal accounts. Additionally, as suggested by reports in popular press, buyers often consider future secondhand selling income when making a firsthand purchase. Indeed, a recent report by thredUP (2020), a large mediated C2C selling platform, found that 40% of consumers think about the resale value of their purchases before buying.

Our research focuses on empirically testing the impact of participation in secondhand consumer collectives on price perceptions at various stages of the buying and selling process. We find evidence that consumers psychologically reduce price perceptions by factoring in both the potential for a future (but uncertain) sale, as well as the realized funds from past secondhand reselling. Specifically, two experiments and one survey of secondhand exchange members on Reddit find that the possibility of future resale results in more positive price perceptions (i.e., lower perceived cost) and increased purchase likelihood, due to a novel decision-making bias we term *resale discounting*. Additionally, we find that secondhand exchange members are willing to pay more for secondhand exchange-relevant products, which refer to those in the individual’s focal product category. Finally, we show that the resale of a secondhand product reduces price perceptions of future products, thus demonstrating that consumers discount both pre-secondhand exchange (i.e., anticipatory resale discounting) and post-secondhand exchange (i.e., ex post facto resale discounting). In sum, this research contributes to the literature on C2C exchange, secondhand reselling, consumer price perceptions, and mental accounting biases.

In the next section, we review the literature on secondhand exchange collectives and consumer price perceptions more generally. We then develop theory around the impact of secondhand exchange participation on perceptions of price, building from the literature on mental accounting, motivated by exploratory interviews conducted with members of a secondhand exchange collective. Three studies are then presented to support our hypotheses. Finally, we conclude with a discussion of the theoretical, managerial, and societal implications of our work, and highlight several prom-

ising areas for future research in the realm of secondhand exchange.

THEORETICAL BACKGROUND

Secondhand Exchange Collectives

Consumption collectives, or communities, are networks of consumers that develop around products and brands (Chalmers Thomas, Price, and Schau 2013). These groups can take many forms and can differ on many dimensions, including purpose, modality, ownership transfer, third party intermediation, relationship strength, and levels of consociality, which refers to copresence of consumers in time (Perren and Kozinets 2018; Ertz et al. 2019; Todd and Armstrong Soule 2019). For example, brand publics exist mainly to serve self-expressive or informational purposes (Arvidsson and Caliandro 2016), brand communities exhibit more social motives and community building actions (Muniz and O’Guinn 2001), and peer-to-peer consumption communities and secondhand marketplaces tend to be more transactional (Murphy and Liao 2013) and can be considered “hybrid economies” as there are transactions, socializing, and occasional gift-giving observed (Herrmann 1997; Scaraboto 2015).

Relatedly, Perren and Kozinets (2018) define lateral exchange markets (LEMs) as sharing, access-based, and transactional exchanges that are technologically mediated between equivalent actors. They separate LEMs into distinct categories using a framework based on the technological platform interface and the amount of copresence of the actors. Secondhand exchange collectives we focus on herein are a subset of LEMs, but do not fit neatly into one of Perren and Kozinets’ dimensions. Some LEMs provide access rather than ownership as well as service exchanges rather than solely products (e.g., airbnb). By contrast, secondhand exchange collectives that we study are only those in which *ownership of a physical item is transferred* from reseller to buyer.

As consumption becomes more liquid in both traditional consumption and in C2C models, the relationship between consumers and possessions is shifting (Bardhi and Eckhardt 2017). Secondhand exchange is meaningfully different from related phenomena such as sharing or access-based consumption because ownership is transferred (Bardhi and Eckhardt 2012). The limited research in C2C secondhand exchange where ownership is transferred has focused in a few primary areas. Early research focused on motives and activities related to in-person exchanges like flea markets and garage sales (Herrmann and Soiffer 1984; Sherry 1990). More recently, researchers have explored the motivations of secondhand

buyers (Chu and Liao 2008; Guiot and Roux 2010), the motivations of resellers (Chu 2013; Murphy and Liao 2013; Ertz, Durif, and Arcand 2018), and the benefits (i.e., functional and affective) associated with thrifting (Bardhi and Arnould 2005; Hulme 2019; Waight 2019).

Beyond understanding the motivations and benefits of secondhand exchange involvement, there has been little research into the different types of secondhand exchange participants and the associated behavioral patterns (i.e., those who only buy, those who buy and sell, and those who only sell). To understand the effects related to the fluid roles all individuals potentially play when participating in secondhand exchange collectives, it is important to provide clarity around the constructs involved and the related changes to the traditional consumption chain. For example, *firsthand buying* refers to an exchange with a traditional retailer of a new item, while *secondhand exchange* refers to both buying and reselling a used or previously owned item. Secondhand exchange can occur directly between individuals, as in the case of the aforementioned BST communities or in other types of LEMs that are mediated by a third party (e.g., thredUP or Poshmark). Because individuals involved in secondhand exchange can simultaneously be potential buyers and future resellers, labels traditionally used in the marketing literature like “buyer” and “seller” become less fitting. As such, we refer to all individuals as participants (see fig. 1).

We suggest that secondhand exchange participation fundamentally changes the nature of consumption by altering the traditional consumption pattern, which historically describes a firsthand purchase from a traditional retailer, resulting in individual ownership and usage, and ending in disposal. When an individual is a participant in secondhand exchange collectives, they may make purchases both firsthand from retailers and secondhand from resellers. These initial purchases result in temporary or permanent ownership of an item that in the future may be resold and the buyer becomes a transitory owner. If/when the item is subse-

quently sold, the former buyer is converted into a reseller. Importantly, we suggest that this secondhand exchange pattern impacts an individual's price perceptions as a buyer of firsthand products, as a transitory owner of a product that may later be resold, and as a reseller considering the funds obtained from a secondhand exchange.

Price Perceptions of Secondhand Exchange Participants

One very important aspect related to how consumers make decisions in secondhand exchange is related to the concept that consumers are often buyers and resellers. This hybrid role suggests that when buying, future resale is possible and may change price perceptions at various stages of the secondhand exchange process. When consumers evaluate a product for purchase, price is normally a very important evaluative criteria (Monroe 2003). However, price perceptions are subjective and influenced by many internal and external factors (Monroe 1973). We suggest that the existence and knowledge of the secondhand market is one contextual factor that will alter price perceptions for consumers, even within the traditional retail environment. For example, at the time of initial purchase, a participant may not only consider the price that they must pay now but also the potential price that they could charge in the future (Chu and Liao 2010).

Belk and Wallendorf (1990) suggest that the manner in which consumers perceive money varies depending on its source. They explain that consumers can treat and use money very differently (e.g., as either sacred or profane) based on where it came from and how it was earned. This meaning construction results in earmarking that money for specific future uses. Furthermore, purchases made in secondhand exchange may be prosaic (i.e., related to basic, life sustaining needs) or indexical (i.e., related to symbolic, identity needs) products; as such, the earmarking during provisioning may be related to spurge or treating goals (Bradford 2015).

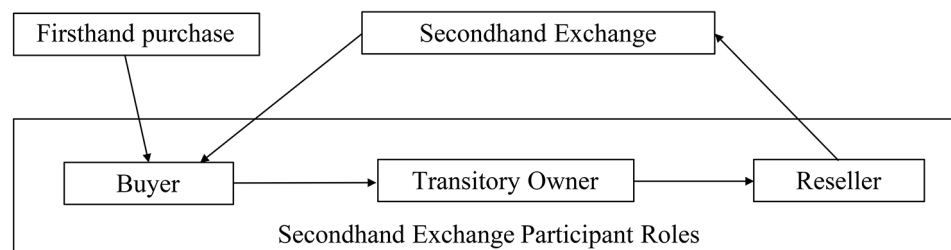


Figure 1. Secondhand exchange participant roles. Buyer serves as a transitory owner after making a firsthand or secondhand purchase, anticipating their future role as a reseller in a secondhand exchange.

Related to this prior work and given the relative dearth of research on the relationship between secondhand exchange participation and perceptions of prices, we used a grounded theory approach (Corbin, Strauss, and Strauss 2014) such that systematic qualitative techniques were used to collect and analyze data before hypotheses were developed around participants' price perceptions. We conducted hour-long exploratory interviews with 10 members of a children's clothing secondhand exchange collective (BST) hosted on Facebook. We interviewed each participant by phone using a semistructured interview guide that focused on participants' purchasing habits within the BST group. The interviews were transcribed resulting in approximately 79 pages of data. Pseudonyms are used in the findings discussed herein.

After analyzing the data, two primary themes emerged around participants' price perceptions, including (1) treating earnings as "play" or "monopoly" money and (2) anticipating and accounting for the earnings from the future resale of secondhand products. For example, Lily, a mother of triplets primarily focused on reselling (vs. buying), discussed the way she approaches her earnings from secondhand sales:

It's my flush fund. The money all goes to Paypal, and that's what I use to buy stuff. I didn't have that until I started doing BST. . . . It feels like monopoly money. It never hits the credit card, so it never hits the official budget. It makes me feel not as bad about splurging on a cute item that they don't really need. . . . I definitely buy more.

Related to anticipating future gains, Lindsay, a member of the group for almost 3 years, reported:

I use the idea that I will resell and I will buy more because of the idea I would resell it, even if I don't resell it. . . . I will purchase all kinds of things I'm not sure that I will like but know I can resell.

Lily similarly reported that anticipating later resale changed her price perceptions (and purchase likelihood) of firsthand items purchased at traditional retail:

I'm willing to spend more (at retail) knowing that it has resale value. That changes how I shop. . . . When I know I can sell it, then I'm more likely to purchase it.

Finally, Jennifer, the administrator of the group, spoke of the cycle of buying and selling:

I'm routinely managing my closet—I sell more to buy more. I tend to buy new. I bought almost the whole line [from a particular brand] every year from online direct [from the retailer]. . . . The groups change your concept of price.

While one might expect that knowledge of secondhand markets would result in less favorable price perceptions of traditional retail products due to a comparison to cheaper secondhand alternatives, these exploratory findings suggest that such knowledge may actually make firsthand prices seem more reasonable. Relatedly, Liao and Chu (2013) found that when resellers were given future resale prices, purchase likelihood increased. Furthermore, they discovered that when respondents in an online auction context were given a high external resale price and manipulated the likelihood of an item's resale to be high, consumers' perceived the price to be lower. Extending these findings and building from our interview data, we suggest that consumers may reduce their price perceptions of firsthand products in a more holistic manner. Thus, we hypothesize that knowledge of the secondhand market may be enough for consumers to perceive prices of firsthand products more positively, due to a novel bias we term *resale discounting*.

Mental Accounting and Resale Discounting

Mental accounting refers to the human tendency to mentally assign pools of money into certain categories of consumption (Thaler 1985). Consumers create mental accounts for a variety of reasons related to maximizing pleasure (Thaler 1985; Prelec and Loewenstein 1998), organization (Henderson and Peterson 1992), budgeting (Heath and Soll 1996), and self-restraint (Thaler 1999). Historically, mental accounting has explored how consumers balance and pair losses and gains to minimize the intensity of losses (Thaler and Johnson 1990). Even though money is fungible, meaning no matter where the dollar came from or what category it is mentally accounted for that it has the same purchasing power as the next dollar (Thaler 1990), mental accounting helps consumers reduce the psychological pain associated with spending money. This system can benefit consumers but often can lead to biased patterns of decision making and behavior. In fact, secondhand marketplace knowledge and engagement has been shown to lead to malleable mental accounting (Cheema and Soman 2006), meaning the ambiguity provides a consumer with flexibility when assigning these expenses into mental accounts (e.g., purchases for use and/or investment).

We speculate that a mental accounting bias—resale discounting—might occur when a consumer is engaged in secondhand exchange activities. In secondhand exchange, there is time 1, the initial purchase of the item, and time 2, the uncertain future sale. It is possible that individuals will mentally account for the future resale when evaluating the firsthand price, similar to applying a future discount to the current purchase. Double discounting, documented by Cheng and Cryder (2018), is a similar mental accounting bias whereby consumers deduct promotional savings at two time points (e.g., get a \$25 off \$50 coupon now for a purchase later), resulting in feeling like money was “saved” twice. Related to this anticipatory discounting, Chu and Liao (2010) observed that when individuals are aware of secondhand marketplaces and are actively planning to resell, they incorporate the anticipated resale price into their decision making process, which increases purchase likelihood in an auction setting. In a luxury context, Turunen and Pöyry (2019) provide evidence that secondhand exchange participants demonstrate “resale value consciousness,” meaning that when purchasing, buyers think about the purchase as an investment for future resale. More broadly, we hypothesize that consumers with knowledge of the secondhand marketplace will engage in resale discounting, which leads to more positive price perceptions (i.e., perceive the products price to be a better deal) in traditional retail (i.e., non-secondhand exchange) environments.

H1: Knowledge of secondhand exchange affects consumers’ price perceptions such that individuals perceive firsthand prices of relevant items to be more reasonable (i.e., more positive price perceptions).

Next, we consider how resale discounting affects price perceptions during the ownership stage of the secondhand exchange.

Transitory Ownership: Purchases for Use and Investment

In order to resell, every C2C secondhand reseller must first be a buyer and take ownership of the item for some period of time. After purchase, that item may or may not be sold via secondhand exchange at some uncertain time in the future. The vast majority of consumer research on individual-level decision making and consumption is focused on purchases intended for personal use. There are notable categorical exceptions for research in gifts (e.g., Sherry 1983), family decision making (e.g., Belch, Belch, and Ceresin 1985), and col-

lecting (e.g., Belk, Wallendorf, and Holbrook 1991), the review of which is outside the scope of this article. Still, to the authors’ knowledge, no research has addressed the effects of the transitory ownership on price perceptions, as is inherently present in secondhand exchange.

It is possible that secondhand exchange participants engage in traditional buyer motivations and behaviors at time 1 (i.e., initial purchase) and “switch” to traditional seller motives and behaviors at time 2 (i.e., resale). In a C2C context, Chu and Liao (2007) categorize buyers as either (1) those who plan to resell before the initial purchase or (2) those who only plan to resell after the purchase is made (i.e., unplanned). However, we suggest that the nature of secondhand consumption is more complex, such that consumers play fluid roles as buyer/sellers throughout the consumption and exchange process (Armstrong Soule and Hanson 2018).

Ertz, Durif, and Arcane (2016) refer to this role in collective consumption as the “two-sided consumer,” suggesting that it is different than simply considering a participant a buyer at one point in time and as a seller at another. Turunen and Pöyry (2019) found that consumers in luxury secondhand marketplaces often considered themselves “only one of the owners during the products lifecycle” (552). One possible outcome of these fluid roles is that individuals factor in the resale potential at the time of firsthand purchase, resulting in altered price perceptions as described earlier in hypothesis 1. However, we suggest that this role duality will likely lead to altered price perceptions at many stages—before purchase, during ownership, and at and after resale. In addition to overvaluing firsthand products, we expect that this fluidity may result in secondhand exchange participants overvaluing secondhand-relevant products, resulting in a greater willingness to pay for products that they may resell in the future. Importantly, we hypothesize that greater willingness to pay will appear only in product categories relevant to secondhand selling in the domain of interest, not products in general and not prospective secondhand products in general.

In a secondhand exchange setting, ownership is complicated due to it being potentially transitory. In traditional consumption, we would expect an item to increase in worth to the owner once it is acquired due to endowment (Kahneman, Knetsch, and Thaler 1991). On the other hand, to a future buyer, an item owned by another individual should decrease in worth due to it being used rather than new. However, for secondhand exchange participants, will purchases potentially destined for resale feel like they are

for use or exchange, and how will these perceptions affect the item's worth to the transitory owner?

It is possible that holding both the traditional buyer role and future reseller role simultaneously at the time of purchase may affect not only acquisition, but also the relationships that individuals have with their possessions. We propose that this may be particularly relevant in specific categories in which the consumer engages in secondhand exchange. For example, many individuals only buy secondhand in one category, such as children's clothing or sneakers. Before acquisition, do individuals who are future resellers view unowned items as worthy of higher prices? We expect that when a product is being evaluated, secondhand members are willing to pay more in relevant categories because they view these items as transitory possessions for which they can recoup money upon the sale.

In sum, we suggest that individuals who participate in secondhand exchange collectives are willing to pay more for personally relevant secondhand products despite the expectation that their ownership is potentially transitory, implying that transitory ownership manifests traditional consumption endowment effects. Anticipatory resale discounting would suggest that consumers mentally categorize these items as investments, and when items are purchased specifically for resale (i.e., in the case of retailers or collectors for resale), endowment effects are not present (Kahneman, Thaler, and Knetsch 1990). Therefore, finding this pattern would be contradictory, meaning that individuals simultaneously treat the item as a possession and as an investment. If this pattern emerges, it is clear that secondhand exchange participation is not simply a two-stage linear process where a buyer converts to seller at some point, but that both roles are activated.

H2: Consumers who participate in secondhand exchange (vs. those who do not) perceive category-relevant items to have higher worth and hence are willing to pay more.

What happens when an individual has engaged in resale discounting in anticipation of selling at a later point in time, possessed the item and treated it as traditional ownership does, and then later sells that item? It is possible that income will be applied rationally to the past purchase, however anecdotal evidence described earlier via interview data suggests that this anticipated income may feel different to the secondhand exchange participant and will be spent differently.

Secondhand Reselling, Small Windfalls, and Ex Post Facto Resale Discounting

As revealed through our exploratory interviews, we observe that secondhand exchange participants may treat money earned through reselling differently than other money earned through other sources (e.g., a traditional paycheck). In the case of double discounting, at time 2, the individual is again spending money, and again applies the discount, resulting in feeling like the money was saved twice (Cheng and Cryder 2018). On the other hand, in secondhand exchange, the income from resale at time 2 is all gain and there is no concurrent financial loss from which to deduct this income. In this case, the "ledger" should now be in balance (i.e., the anticipated money that was mentally applied in the first purchase is now realized), but we suspect that is not the manner in which this income is treated psychologically by secondhand exchange participants.

Economists have long realized that money or income that is unexpected is different to consumers than anticipated or "permanent" income streams, both in the psychological effects and the manner in which it is spent (Bodkin 1959). This money is referred to as "windfall," which is defined as an unexpected addition to income (from gambling, inheritance, chance, or surprising return on investment, etc.). Bodkin (1959) finds evidence of a strong tendency to spend (vs. save) windfall money. The subjective value of a windfall dollar is less than a non-windfall dollar (i.e., earned or expected) as it is spent more freely (Arkes et al. 1994). Milkman and Beshears (2009) find that consumers who experience small windfalls—in the form of "\$10 off" coupons—end up spending more money overall.

In secondhand exchange, remember, this income is oftentimes anticipated; it was accounted for back at the time of initial purchase through anticipatory resale discounting. But, resellers in secondhand exchange collectives often refer to their reselling income as "play" or "fun" money, as discussed earlier. It appears that these anticipated incomes are treated in a manner similar to windfalls within the secondhand exchange context. Secondhand exchange resale income being treated differently is even more problematic than other fungibility violations like windfalls because has already been accounted for during the initial purchase. This income should, in theory, not be rolled forward to new purchases. However, similar to the pattern demonstrated in double discounting of sales promotions, we expect that, rather than "closing the books" on that item, the consumer will engage in ex post facto resale discounting by applying income earned through secondhand selling as savings onto

a future secondhand-relevant purchase. The consumer will then report reduced price perceptions in the case of the future purchase.

H3: Income earned through secondhand reselling activities results in more favorable price perceptions of future secondhand-relevant purchases.

See figure 2 for the full conceptual model. Next, we report the methodology and findings of three studies designed to empirically test these hypotheses. We propose that secondhand exchange participation leads to resale discounting, which influences price perceptions at all three stages of the C2C exchange process and that this pattern of effects results in skewed spending and valuation of secondhand-relevant goods.

STUDY 1: ANTICIPATING SECONDHAND RESELLING GAINS

The aim of study 1 was to demonstrate that knowledge of secondhand exchange results in consumers perceiving first-hand products to be less expensive, when compared to situations in which secondhand exchange is not salient.

Method

Study 1 adopted a three-condition between-subjects design (control vs. secondhand exchange vs. deal website). Respondents were students at a midsized western university who received course credit for their participation ($N = 106$, $M_{\text{age}} = 21.74$, 42% female).

The study began by describing a consumption situation. Respondents were told that they were shopping for a new winter jacket and went to their favorite local retailer to browse. Then they were told that they found a coat that

met their needs priced at \$100. In the *secondhand exchange condition*, respondents were told that, while they were thinking about the price of the coat, they remembered their friend telling them about a BST resale page on which people frequently sell used winter coats to others (see the appendix (available online)). Additionally, they were told that their friend recently sold a winter coat in the group for \$50. In the *deal website condition*, respondents were told that, while they were thinking about the price of the coat, they remembered their friend telling them about a website that frequently offers deals on winter coats. Additionally, they were told that their friend recently bought a winter coat on the website for \$50. In the *control condition*, participants were provided no additional information.

After viewing the stimuli, respondents answered questions about their price perceptions, purchase likelihood, and resell likelihood. Price perceptions were measured using four items ("How do you feel about the price of the coat?" 1 = very bad/very bad deal/very expensive/poor value, 7 = very good/great deal/very inexpensive/excellent value, $\alpha = .81$). Purchase likelihood ("How likely is it that you would purchase the coat?" 1 = not likely at all, 7 = extremely likely) and reselling likelihood ("How likely is it that you would be able to resell the coat later after you have used it?" 1 = not likely at all, 7 = extremely likely) used single-item measures, followed by demographics.

Results

Price Perceptions. Respondents in the secondhand exchange condition had more positive price perceptions than those in the control condition and the deal website condition ($M_{\text{secondhand}} = 4.31$ vs. $M_{\text{control}} = 3.72$ vs. $M_{\text{deal}} = 3.62$, $F(2, 104) = 4.81$, $p = .010$). This result indicated that when consumers are reminded of the opportunity

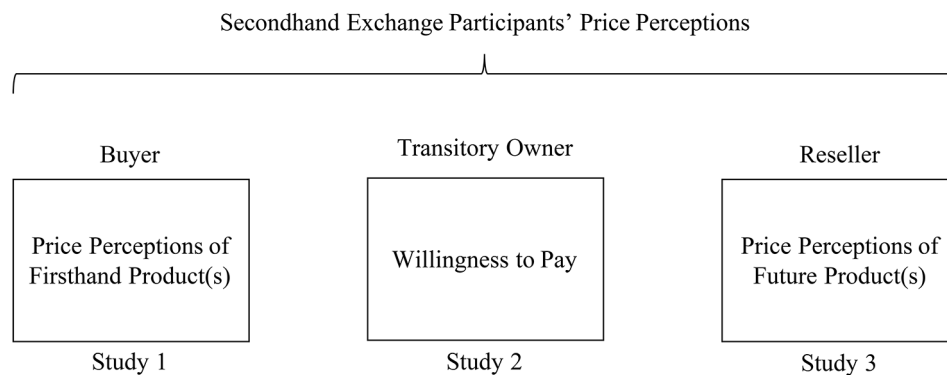


Figure 2. Conceptual model. We suggest that secondhand exchange effects price perceptions at all stages of the consumption process, buying, owning, and reselling.

to sell a product via secondhand exchange, their price perceptions are more positive than when such an exchange opportunity is not mentioned ($t(104) = 2.47, p = .015$) or a deal website opportunity is mentioned ($t(104) = -2.87, p = .005$).

Purchase Likelihood. When comparing respondents in the secondhand exchange condition to those in the control and deal website conditions, purchase likelihood was marginally greater when respondents were reminded about secondhand markets ($M_{\text{secondhand}} = 4.26$ vs. $M_{\text{control}} = 3.83$ vs. $M_{\text{deal}} = 3.36, F(2, 104) = 2.51, p = .086$). Respondents who were told about a possible future reselling opportunity were more likely to purchase the coat in a traditional retail environment than when a deal website was mentioned ($t(104) = -2.24, p = .027$). We found no difference between the secondhand exchange condition and the control condition on purchase likelihood ($t(104) = 1.06, p = .29$).

Resell Likelihood. Respondents in the secondhand exchange condition were more likely to report intentions to resell the product later than those in the control condition or the deal website condition ($M_{\text{secondhand}} = 3.77$ vs. $M_{\text{control}} = 2.86$ vs. $M_{\text{deal}} = 2.72, F(2, 104) = 4.18, p = .018$), following the same pattern as price perceptions.

Discussion

Study 1 examined how knowledge of secondhand exchange collectives impacts price perceptions. Specifically, when consumers were made aware of the chance to later sell a product via a secondhand exchange collective, price perceptions were more positive than when consumers were made aware of a similarly structured non-secondhand-related deal website. This finding also suggests that consumers evaluate products with the consideration that secondhand reselling is a possible future income stream, rather than solely as an alternative purchase platform; otherwise, we would have revealed comparable results in the deal website condition. Additionally, consumers reported being more motivated to resell the product later when informed of a secondhand exchange collective. In sum, these results suggest thoughts of a future secondhand sale influence consumers to perceive firsthand products to be less expensive and a better deal.

STUDY 2: WILLINGNESS TO PAY FOR SECONDHAND-RELEVANT ITEMS

In study 2, our focus was to source a known population of secondhand exchange collective members and to determine

how membership impacts willingness to pay, specifically for secondhand-relevant items. We hypothesized that participation in secondhand exchange collectives would increase willingness to pay (i.e., reflecting exaggerated worth or future resale value) in product categories that are secondhand-relevant (i.e., product focus of secondhand exchange platform matches the product evaluated), but not for non-relevant secondhand products or non-secondhand products (i.e., products not appropriate for sale in secondhand markets). Theoretically, if items are viewed as potential investments for future resale, then we should see the worth of products (reflected through willingness to pay) to be similar to the worth of products in other categories that are not relevant to reselling. However, if we observe anticipatory resale discounting (hypothesis 1), as well as overvaluation of worth via increased willingness to pay (hypothesis 2), this would suggest a contradiction wherein items are considered as possessions and investments at the same time.

Method

In this study, our intention was to compare a known-group of secondhand exchange collective members to a control group. As such, we recruited the known group from BST communities (i.e., subreddits) on Reddit. Upon approval from subreddit administrators, we posted a link to our survey in communities related to sneakers (r/sneakermarket) and male fashion (r/MaleFashionMarket). Respondents were provided an option to enter a raffle for a \$100 Amazon gift card as an incentive for participation. As a control group, we collected data from Amazon Mechanical Turk respondents, who completed the same survey in return for a small payment. Collectively, 256 respondents completed the survey for study 2. Descriptives for each group are included in table 1.

Upon entering the survey, respondents were told that they would see four products with an associated image and brand name, and would be asked to rate their willingness to pay (i.e., "Regarding the price of this product, how much are you willing to pay for this product?" with quantitative slider). Products included were a Brooks Brothers suit, Nike running sneakers, Coca-Cola soda, and a Samsung dishwasher. We selected two products that are typically exchanged via the secondhand exchange collectives of focus (i.e., shoes to correspond with r/sneakermarket and suits to correspond with r/MaleFashionMarket). Additionally, we hypothesized that effects would emerge only when the product was relevant to the secondhand exchange group in

Table 1. Study 2 Descriptives

Sample	r/MaleFashionMarket	r/sneakermarket	Control group
N	38	102	115
Age	$M_{\text{age}} = 25.39$, range 18–36	$M_{\text{age}} = 23.18$, range 18–43	$M_{\text{age}} = 35.16$, range 18–65
Gender	92.3% male 7.7% other	92.3% male 4.9% female 1.9% other	54.8% male 42.6% female 2.6% other
Household income (last year, pretax)	Less than \$10K: 2.6% \$10K–\$49K: 46.1% \$50K–\$99K: 30.8% \$100K–\$149K: 7.7% \$150K+: 7.7% Prefer not to disclose: 5.1%	Less than \$10K: 5.8% \$10K–\$49K: 21.4% \$50K–\$99K: 32% \$100K–\$149K: 15.5% \$150K+: 11.7% Prefer not to disclose: 13.6%	Less than \$10K: 5.2% \$10K–\$49K: 40% \$50K–\$99K: 36.5% \$100K–\$149K: 13% \$150K+: 2.6% Prefer not to disclose: 2.6%
Education	Less than high school: 2.6% High school graduate: 5.1% Some college: 33.3% Associates degree: 10.3% Bachelor's degree: 38.5% Master's degree: 10.3%	Less than high school: 2.9% High school graduate: 12.6% Some college: 32% Associates degree: 8.7% Bachelor's degree: 35% Master's degree: 6.8% Doctoral/prof. degree: 1.9%	Less than high school: 1.7% High school graduate: 15.7% Some college: 21.7% Associates degree: 7.8% Bachelor's degree: 43.5% Master's degree: 6.1% Doctoral/prof. degree: 3.5%
Participation frequency (1 = never participate, 7 = very frequent participation)	4.95	4.88	3.16

Note.—We sampled respondents from two Reddit BST communities (r/MaleFashionMarket and r/sneakermarket) and compared responses to a control group.

which the respondent was a member (i.e., both the Brooks Brothers suit and Nike sneakers would be relevant to male fashion members, Nike sneakers would be relevant to sneaker members). Finally, we selected two products (i.e., one expensive durable and one inexpensive nondurable) that are not typically exchanged via secondhand collectives (i.e., soda and dishwasher). The products were displayed in a random order.

Results

A one-way ANOVA revealed a significant difference between the groups on willingness to pay for both suits ($F(2, 254) = 5.33$, $p = .005$) and sneakers ($F(2, 254) = 5.96$, $p = .003$). As predicted, respondents reported greater willingness to pay for products that were highly relevant to secondhand exchange. Specifically, members of the male fashion BST group were willing to pay more for the suit ($M_{\text{fashion}} = 490.30$ vs. $M_{\text{control}} = 328.32$, $t(254) = 3.25$, $p = .001$) and sneakers ($M_{\text{fashion}} = 76.59$ vs. $M_{\text{control}} = 61.51$, $t(254) = 2.45$, $p = .015$) when compared to the control group. Additionally, male fashion BST members were

willing to pay more for the suit than sneaker BST members ($M_{\text{fashion}} = 490.30$ vs. $M_{\text{sneakers}} = 382.54$, $t(254) = -2.15$, $p = .032$), as the suit product was relevant to the male fashion group but not the sneaker group.

As expected, members of the sneakers BST group were willing to pay more for sneakers when compared to the control group ($M_{\text{sneakers}} = 75.58$ vs. $M_{\text{control}} = 61.51$, $t(254) = 3.13$, $p = .002$). In line with our assumption that sneakers were also relevant to the male fashion group, we found no difference between the sneakers BST members and the male fashion BST members on willingness to pay for sneakers ($M_{\text{sneakers}} = 75.58$ vs. $M_{\text{control}} = 79.59$, $t(254) = -.16$, $p = .87$).

In further support of hypothesis 2, we also found no difference in willingness to pay for non-BST relevant items including soda ($M_{\text{fashion}} = 1.69$ vs. $M_{\text{sneakers}} = 1.78$ vs. $M_{\text{control}} = 1.66$, $F(2, 254) = .46$, $p = .63$) and a dishwasher ($M_{\text{fashion}} = 423.72$ vs. $M_{\text{sneakers}} = 484.37$ vs. $M_{\text{control}} = 448.98$, $F(2, 254) = 1.30$, $p = .27$), suggesting that willingness to pay was enhanced only for secondhand-relevant and category-relevant items. In sum, these results show that

Table 2. Study 2 Willingness to Pay by Group

Participants	Willingness to pay by product			
	Suit	Sneakers	Soda	Dishwasher
r/MaleFashionMarket	\$490.30	\$76.59	\$1.69	\$423.72
r/sneakermarket	\$382.54	\$75.58	\$1.78	\$484.37
Control group	\$328.32	\$61.51	\$1.66	\$448.98

Note.—Respondents have a greater willingness to pay for secondhand-relevant items within the focal product category.

individuals who participate in secondhand exchange collectives overvalue products and are willing to pay more for products in categories that are relevant to their BST membership (see table 2).

STUDY 3: DISCOUNTING FUTURE PURCHASES POST-BST

In study 3, we extended our theorizing to examine consumers' price perceptions after a secondhand exchange is complete. Specifically, we hypothesized that participants who completed a secondhand exchange resale would discount a future and unrelated purchase (i.e., they would feel like they were spending less when compared to individuals not involved with a secondhand exchange). Evidence supporting this behavior would have far-reaching implications for the manner in which reselling fundamentally influences price perceptions in the general marketplace (i.e., for both first-hand and secondhand products).

Method

Study 3 adopted a three-condition between subjects design (control vs. secondhand exchange vs. earned). Respondents were students at a midsized western university who received course credit for their participation ($N = 83$, $M_{\text{age}} = 22.5$, 45.8% female).

The study began by describing a scenario in which the respondent needed to purchase a new coat, as their current coat no longer meets their needs. In the *secondhand exchange condition*, respondents are told that they decide to post their coat for sale for \$20 on a local BST page on Facebook. They are then told that someone buys the coat for \$20, which they receive in cash and the transaction takes only about 30 minutes out of their day. In the *earned condition*, respondents are told that they toss their old coat in the trash, but

during this time, they sign up to do a temporary job that pays \$20. They are told that they receive the money in cash and the job takes only about 30 minutes out of their day.¹ In the *control condition*, respondents are told that they toss their old coat in the trash. At the end of all conditions, respondents are told that they later decide to purchase a new coat at a local retailer and find one that meets their needs for \$100.

Participants then answered a single item regarding their price perception of the new purchase (i.e., "How much does it feel like you're spending on the new coat?" with quantitative slider), followed by demographics.

Results

A one-way ANOVA revealed a significant difference between the groups on price perception of the new coat ($F(2,80) = 5.58$, $p = .005$). As predicted, respondents who sold their coat via secondhand exchange felt like they were spending significantly less on the new coat than participants who earned the same amount of money by completing a job ($M_{\text{secondhand}} = 84.14$ vs. $M_{\text{earn}} = 98.14$, $t(80) = -3.11$, $p = .003$) and those in the control condition ($M_{\text{secondhand}} = 84.14$ vs. $M_{\text{control}} = 95.83$, $t(80) = -2.60$, $p = .011$). We found no difference between the control condition and the condition in which respondents earned the same amount as the secondhand exchange, but by completing a job ($M_{\text{control}} = 95.83$ vs. $M_{\text{earn}} = 98.14$, $t(80) = .49$, $p = .63$). The findings from this study suggest that the source of the money to be spent changes the perception of the price of a future purchase. In other words, when spending resale income, future prices seem less expensive. In sum, these results suggest that price perceptions are altered not only by the uncertain future secondhand exchange via anticipated resale discounting (i.e., studies 1 and 2), but also price perceptions of a subsequent purchase are reduced by a prior secondhand resale of an unrelated product via ex post facto resale discounting.

1. In both the secondhand and earned condition, we wanted to ensure that respondents obtained the same amount of money, holding effort (i.e., time required) constant. A pretest ($N = 43$, $M_{\text{age}} = 35.53$, 34.9% female) of each scenario demonstrated that the effort exerted ("In the scenario, how much effort did you put forth?" 1 = not much effort, 7 = a great deal of effort) in both conditions was held constant ($M_{\text{secondhand}} = 4.50$ vs. $M_{\text{earn}} = 4.86$, $t(41) = -.69$, $p = .49$). This was important to be able to demonstrate the unique effects are from resale income, rather than simple income from any source. Thirty minutes was deemed a reasonable time for a secondhand exchange as well as a short task for which they were paid.

GENERAL DISCUSSION

Taken together, findings from three studies present a novel pattern of price perceptions for individuals who engage in secondhand exchange collectives. First, we find that the possibility of future secondhand exchange results in more favorable price perceptions of firsthand goods (i.e., anticipatory resale discounting). Next, individuals report inflated worth for secondhand-relevant possessions via higher willingness to pay, demonstrating the first evidence of reseller endowment effects. Finally, and perhaps most importantly, when individuals do resell their possessions via secondhand exchange, the income they receive is not accounted for properly, which leads them to experience another bias (i.e., *ex post facto* resale discounting), which reduces the financial pain of future purchases due to the incorporation of prior—and unrelated—resale gains.

Theoretical Implications

Theoretically, our work contributes to the literature on consumer-to-consumer exchange, the consumer decision making process before, during, and after consumption in the context of secondhand exchange collectives, and the nature of possessions. We introduce the concept of transitory ownership—the idea that consumers may purchase goods with the intention to act as a buyer and user as well as a prospective seller. Buyer/sellers in such transactional consumption collectives are not merely buyers during purchase and sellers during resale (Chu and Liao 2007) but rather hold a blend of both roles during all stages of consumption. Our research extends from prior work on cherished possessions (e.g., inalienable wealth) and guardianship (Curasi, Price, and Arnould 2004), similarly demonstrating that consumers in secondhand exchange collectives consider their possessions differently when they may be transferred on (i.e., passed down within a family vs. sold) at a later point. Interestingly, we show that the transitory nature of possessions nested in a secondhand exchange environment translates into inflated worth alongside pricing biases. While not empirically tested herein, these findings suggest that consumers may also be deriving additional experiential value as a result of their involvement in secondhand exchange collectives.

By uncovering how secondhand exchange participants value products, we also add to the literature on consumer attachment (Belk 1988), which would suggest that secondhand participation may result in weaker attachments to owned possessions that may be destined for resale. However, there is little evidence to suggest that secondhand exchange participants have lower levels of materialism (Rich-

ens and Dawson 1992). Although the possessions themselves may be evolving and more transient, we suspect that these consumers still place high value on the importance of possessions (in general) and life success defined by items. The pursuit of happiness through acquisition may even be enhanced for consumers involved in secondhand exchange. In fact, involvement in such collectives seems to introduce a push-pull dichotomy for consumers, wherein possessions are simultaneously highly valued and ready for ownership transfer.

The tension inherent in transitory ownership also has broader implications for consumption patterns. This research contributes to the small but burgeoning stream of research in liquid consumption (Bauman 2000, 2007; Bardhi, Eckhardt, and Arnould 2012; Bardhi and Eckhardt 2017), wherein consumption is unpredictable, unstable, open-ended, and flexible, as opposed to the more “solid” view of possessions in traditional consumer research. Our work provides a phenomenological example of consumers’ flowing shift between attached and detached, certain and uncertain, valued possession and object for sale. We focus our efforts on secondhand exchange markets to encourage marketing academics and researchers to consider a shift in the traditional conceptualization of ownership. Where access-based models remove ownership transfer from consumption (Bardhi and Eckhardt 2012), in secondhand markets, ownership is transferred, but we suggest it results in a less solid conceptualization of ownership and possession.

While prior work has found that consumer resellers consider themselves to be savvy shoppers (Chu and Liao 2010), our findings show that individuals involved in C2C exchange collectives experience flawed mental accounting, a novel bias we introduce as resale discounting. We demonstrate that decision-making biases are present in the way secondhand exchange members perceive prices, consider their possessions, and spend secondhand income. Related to the above discussion around consumers’ relationships to possessions, the current research adds to the literature on consumption goals and provisioning. Extending from Bradford’s (2015) work on consumers’ mental allocation of funds, we show that consumers involved in secondhand exchange markets may earmark potential and uncertain income from these activities, changing the way both firsthand and secondhand prices are evaluated.

Managerial Guidance

Managerially, our research is valuable to two key audiences: (1) for-profit platform businesses that support C2C secondhand exchange by connecting buyer/sellers (e.g., RealReal,

Poshmark, thredUP, Facebook Marketplace, StockX, eBay) and (2) traditional retailers that are entering the secondhand reselling market directly through proprietary platforms (e.g., REI, Nordstrom, Eileen Fisher).

Traditional retailers that sell goods with secondhand potential would likely appreciate a better understanding of how consumers value these products during initial consideration and acquisition to maximize profit. For example, REI's practice of reselling returned items at "garage sales" held semi-annually might not only be a way to recoup income from these items, but our research suggests that shoppers might perceive the prices of the adjacent firsthand items more favorably as secondhand reselling is salient. Our findings therefore suggest that retail managers would benefit from both highlighting the prospective secondhand market for both firsthand and secondhand items and creating product assortments that incorporate both product types to enhance price perceptions. While retail brands may initially view secondhand reselling as a competitor, our results suggest that embracing secondhand exchange may boost consumers' purchase intentions in traditional retail settings. When anticipating a future secondhand resale, individuals have more positive price perceptions, are more likely to purchase, and are willing to pay more for the product. Therefore, it would be advantageous for retailers to highlight reselling opportunities during the evaluation and purchase process, thus benefitting from anticipated resale discounting. In fact, these brands might even further benefit by reminding individuals of money that secondhand resellers have "earned" through prior sales and encouraging "reinvestment" through additional purchases.

On the other hand, platform businesses that focus on secondhand items would do well to reinforce consumers' interest in specific categories, as we find that, compared to the average consumer, consumers involved in secondhand exchange report greater worth for products within their focal category. Linking to research on brand communities more generally (Muniz and O'Guinn 2001) and branded BST communities specifically (Armstrong Soule and Hanson 2018), it appears that creating subcommunities by product category or brand within the platform could further enhance secondhand exchange participants' affinity and willingness to pay—and the platform's bottom line. Furthermore, rather than treating these consumer groups (i.e., buyers and resellers) as two separate audiences, it may be advantageous for platforms to encourage both types of participation (i.e., buying secondhand and reselling). It is expected that frequent or active resellers would be even more likely to dem-

onstrate this pattern of price perceptions, therefore encouraging buyers to also resell could have multiple advantages for these platforms.

Additionally, due to *ex post facto* (as well as anticipatory) resale discounting, we find that consumers are likely to carry forward income from prior sales into the price of a new product. Predatory practices by managers could then remind relevant consumers of past secondhand success, thus reducing price perceptions, and hypothetically increasing spending. Yet consumers who spiral into addictive behavior around reselling may turn away from secondhand exchange in efforts to curb their own maladaptive behaviors. Our research indicates that consumer education around secondhand exchange and/or self-constraint practices may be needed to curb the overspending that could be associated with these aforementioned decision making biases, forestall consumer hostility against platform resellers, and minimize regulatory intervention. Given that secondhand markets are expected to reach \$64 billion by 2024 (thredUP 2020), investing in such educational programs would be valuable to the 62 million consumers who made secondhand purchases in 2019, as well as the longevity of platform resellers and reselling retail brands alike.

Future Research Directions

Secondhand exchange is an area ripe for additional consumer research. While the research herein focused on apparel product categories (i.e., coat in study 1 and 3, sneakers and men's clothing in study 2), future research should explore additional popular secondhand categories, particularly those in which price knowledge may be less certain (e.g., electronics). We hypothesize that price uncertainty and volatility would likely enhance the pricing biases tested herein. Additionally, because there are many types of participants (e.g., the 10 types of garage sale sellers described by Herrmann and Soiffer [1984] and the three types of sellers noted by Chu and Liao [2007]), future research should explore whether different types of consumers result in changes to the pattern we demonstrate in this research. For example, it is possible that "professional" secondhand sellers or flippers (i.e., those who buy in order to resell) may not experience this bias as Chu and Liao's (2010) work on seasoned resellers would suggest.

Consumers consider and spend money differently depending on the method (e.g., Chatterjee and Rose 2012), so future research should test the effects of cash versus cashless (e.g., Venmo, Paypal, etc.) on this resale discounting

pattern. Because cash transactions are known to elicit more pain than credit cards (e.g., Feinberg 1986), it is likely that purchase barriers would be further reduced when transactions are mediated by more frictionless methods such as Venmo or PayPal. In this case, perceptions of lower prices may be even more pronounced. Additionally, the data were collected for this research prior to the COVID-19 pandemic. It would be a valuable effort to address how both the pandemic and the associated recession impact the prevalence of C2C exchange and its related perceptions. Industry reports suggest that resale marketplaces are still booming (Gallagher 2020), despite potential issues of contagion and contamination. Related to risk, it will also be important for future research to explore how ease and likelihood of resale impacts price perceptions. For example, would evaluations that the item might be hard to sell or become easily damaged during its lifetime affect price perceptions on initial purchase? Anecdotal research suggests that individuals who intend to resell may treat their items better (Minter 2019). Future research can unpack how this behavior affects ownership and use empirically in a secondhand context.

Continued research is needed that directly addresses elements of the collective nature of secondhand exchange and how those factors may moderate price perceptions and other participant evaluations and behaviors. It is likely that meaningful differences between platforms related to anonymity, administration/controls, and boundaries (e.g., geographics, brand-based, category-based) will influence the social and transactional relationships in secondhand exchange. Because different platforms of secondhand exchange vary on social interaction, connection and collectivity (Perren and Kozinets 2018), it is possible that some types of secondhand collectives would encourage more social versus market-based norms and interactions, which may reduce or enhance these findings. For example, behaviors on an enabler platform (Perren and Kozinets 2018) that is fully mediated, such that the buyer and the reseller are unknown to each other and the brand controls all aspects of the process (i.e., intake, quality control, posting, shipping, etc.), could vary from hub platforms that simply connect buyers and resellers who are in control of their own descriptions, interactions, and transactions. We hypothesize that greater levels of consociality (i.e., participant copresence; Perren and Kozinets 2018) may result in stronger emphasis on the buyer role and ownership facets, while secondhand exchange knowledge (via interface education and intermediation) may highlight the influence of seller-side associations of the dual role.

Another important area for consumer research is to extend the findings related to transitory ownership. As consumption becomes more liquid, it is critical that nuances in different forms of consumption are more fully understood, as the traditional models are under rapid and meaningful change. Many researchers have created frameworks and typologies to organize these rapidly evolving exchange types (e.g., Perren and Kozinets 2018; Sousa et al. 2019; Gerwe and Silva 2020), but more attention is needed to deeply understand how consumption and ownership are evolving in response to external changes such as technology and communication platforms. Also important is gaining a better understanding of how secondhand economies fit inside of our greater conceptualization of consumption—away from a linear process to a more circular model where ownership is transitory and pre-purchase, purchase, and post-purchase phases are becoming blurred.

As we focused the current research on identifying consumer biases related to secondhand exchange and price perceptions, future research could address different mitigation strategies that could help consumers address these biases. For example, as mentioned earlier, education or self-constraint efforts could be included as a moderator to secondhand exchange involvement, suggesting that the decision-making bias—resale discounting—could be reduced. Related to the decision-making bias discussed herein, additional research should address how differences in price perceptions in secondhand exchange may evoke potentially troubling consumer behaviors. For example, prior research has suggested that secondhand exchange hosted on social media, such as BST exchanges, may encourage impulsive and compulsive purchase, enabling, and hoarding (Armstrong Soule and Hanson 2018). Because C2C is often perceived to be all positive for consumers, it is important to shed light on these potentially negative patterns and outcomes with future study.

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