

### Current Firm Analysis

GOAT is a popular online multi-sided platform that was founded in July 2015 by Eddy Lu and Daishin Sugano for buying and selling sneakers, streetwear, and other contemporary fashion items. In recent years, the prominence of sneaker culture has surged, with a growing number of young consumers actively pursuing rare shoe models online and willingly spending hundreds or even thousands of dollars to build their collections. However this market has a prevalent issue revolving around the resale of counterfeit or fake products posing as high-demand and limited-edition sneakers. This makes it very difficult for consumers to enter into a deal with full confidence that the product's authenticity is verified and places them at a high risk of being scammed.

GOAT addresses this issue by employing a comprehensive and rigorous authentication process for the sneaker market and by extension, to other types of streetwear and clothing products as well. They aim to solve the problem of buyers unknowingly purchasing fake or counterfeit merchandise. Sellers on the platform are required to go through an application process before they can post their sneakers for sale. Sellers are also required to take standardized and comprehensive photos of the products from different angles. These photos are used by GOAT's machine learning algorithms and image recognition tools to build a database of what authentic sneaker models should look like. This is also an iterative process that aids in counterfeit detection. Once the sneaker's posted by the sellers pass GOAT's authentication process, then it becomes officially activated and available for consumers to view and purchase. The seller is able to directly interact and negotiate with any offers that they receive from buyers. When an offer is accepted, the seller is provided a shipping label from GOAT and sends the product to one of GOAT's distribution centers in Culver City or New Jersey. The item is further

tested, quality controlled, and authenticated at these distribution centers. The entire process at the distribution center takes approximately a day, and the item is shipped in a GOAT-designed packaging directly to the consumer. GOAT calls this their “ship to verify” model because the seller ships in their items for further authenticity verification. However, there’s still a chance that the customer may receive a counterfeit product or even the wrong product. In these scenarios, GOAT has a buyer protection policy in place that ensures that the buyer gets an authentic replacement from another seller or a full refund. A simplification of the entire process can be seen in Figure 1. With this process, GOAT aimed to reduce as much friction as possible for consumers while at the same time, making it easy for sellers to find offers and ship their products to their buyers.

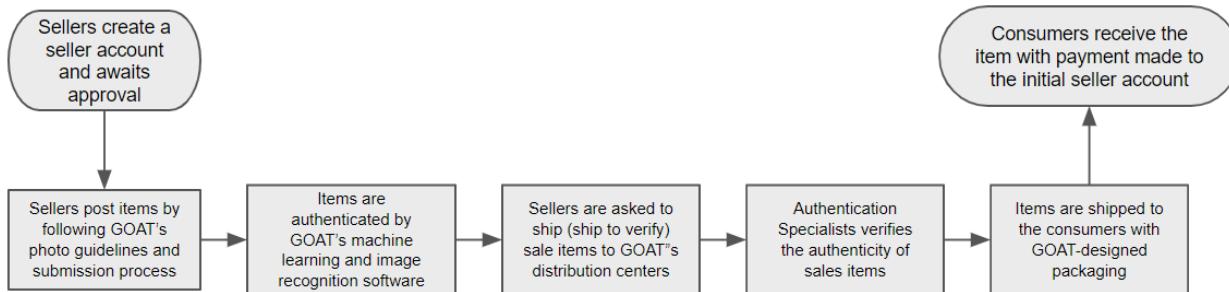


Figure 1: GOAT's authentication and “ship to verify” process

GOAT's item authentication process is multifaceted and involves both human and machine elements. According to their website and statement on their assurance of authenticity, they have a team of authentication specialists that have gone through mandatory training to make them experts in inspecting item details such as labeling, stitching, texture, and color. Concurrently, GOAT also utilizes AI and machine learning algorithms to enhance the authentication process by analyzing patterns, details, and other factors to identify potential inconsistencies when detecting counterfeit products. This is compounded with their image

recognition tools that are fed with the images provided by sellers during the initial transaction phases. This is an iterative process that allows their algorithms to improve over time as they collect more data points over both authentic products and counterfeits through every sale and seller application.

12:21

.LTE

GOAT has a subreddit community on Reddit that serves as a great place to see user feedback and stories about their personal experiences using GOAT. One user and seller states that GOAT's app makes it very easy to track the status of their item's verification process as it goes through GOAT's "ship to verify" model. It allows for the user to see a real-time tracking of their sales item and updates pertaining to whether or not their item passes GOAT's authentication process. An example of this status page can be seen in Figure 2.

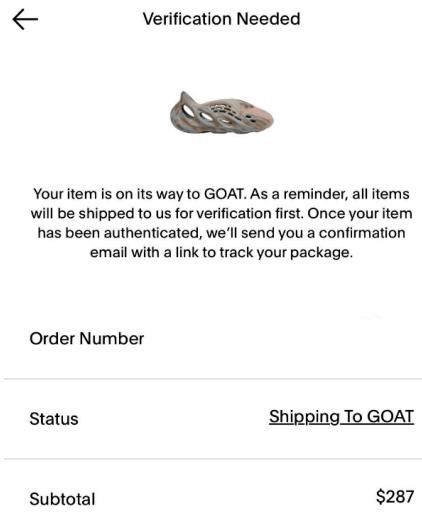


Figure 2: GOAT's Verification Status Page

Their main target segment are sneaker enthusiasts and collectors. Their platform caters to individuals that are passionate about sneakers and streetwear, especially collectors that are interested in acquiring rare and limited edition items. GOAT connects enthusiasts with one another as an easy way to facilitate limited edition transactions while also providing an air of trust and authenticity within the transaction. By extension, their platform also opens the door to any consumers that are interested in streetwear and serves as a good gateway and introduction into the world of rare sneakers and casual streetwear. This allows them to have a global presence since anyone from around the world can participate in their marketplace, especially those who place a heavy emphasis on quality assurance and authenticity. GOAT facilitates a secondary benefit to fashion and retail partners since their platform is a secondary market for their products.

It allows specific brands to maintain or even expand the desirability of their products in this resale market.

### **Future Strategy**

#### **Problem 1:**

The first problem that GOAT faces is the fierce competition in its industry. In the general e-commerce market, there exists dominant players like Amazon, Temu, and eBay. GOAT operates in a niche of the e-commerce market, luxury goods. GOAT offers platforms for resale of sneakers, streetwear apparel, and accessories. In this luxury digital marketplace space, there are players that have a growing presence. Here are a few examples:

**RealReal:** An online and physical marketplace that specializes in the resale of authenticated luxury goods similar to GOAT. RealReal has a broader product range compared to GOAT. In 2019, RealReal was the first resale startup to go public. This firm highlights the volatility of this business segment; in 2021, they reached a valuation of \$2.5B, but in 2023 that valuation has dropped to \$113M

**StockX:** Founded in 2015, Stock is an online platform for reselling sneakers. StockX also authenticates all items. On the StockX platform, users may make anonymous bids for items. In 2020, they began selling electronic products to diversify their product offerings.

**eBay:** Founded in 1995, eBay is the original platform for brokering customer to customer retail sales through an online marketplace. eBay transacts a wide range of products. In 2019, eBay sold six million sneakers. In 2020, eBay began verifying select sneakers by partnering with Sneaker Con industry experts. A year since then, over 1.55 million authenticated sneakers have been sold globally on eBay. eBay has gone on to offer authentication services for other luxury goods sold on their platform.

These companies illustrate the competition that GOAT faces. All these companies offer similar product ranges, authentication services, and a familiar platform user interface as seen in Appendix A. The key to surviving and thriving in this type of industry is market share. As a newer entrant GOAT needs to differentiate itself to capture more market share. The solution to differentiation is a multi-pronged approach which involves offering competitive pricing, collaborating with other companies/brands, building community, highlighting green initiatives, and pursuing data analytics efforts to understand customer trends.

GOAT offers a competitive fee structure. They take a 9.5% commission on each sale. In comparison, StockX takes 8%-10% commission on each sale and eBay takes 13.25% commission on each sale. Meanwhile, RealReal takes between 15%-80% of an item's value. GOAT's fee structure will enable them to stay competitive. If GOAT continues to provide this type of competitive fee structure while maintaining transparency, then they will keep a hold of their existing customer base while enticing new customers to switch over to their platforms. Additionally, GOAT may benefit from offering occasional discounts to move less popular items and attract new buyers and sellers.

GOAT may also differentiate itself from its competitors through collaborations. In 2022, GOAT partnered with European soccer powerhouse Paris Saint-Germain (PSG). For \$50M, the GOAT brand was displayed on the soccer club's performance kits including their match apparel. During the course of this partnership, the GOAT brand was seen by millions globally. Also PSG players like Messi, Neymar, and Mbappe wore items that appeared on the GOAT marketplace. Thus, GOAT may differentiate itself through more of these collaborations. For example, GOAT can partner with up and coming athletes to promote their platform offerings. As evidenced by the website snapshots, GOAT.com does not look different from its competitors, but they could

promote key partnerships to distinguish their site. GOAT can also launch a youtube channel or partner with influencers for live streaming sessions where potential buyers can see and interact with products.

Creating a strong community is really important for companies like GOAT, which are all about sneaker and luxury fashion culture. By sharing interesting articles and putting on events, GOAT can make its connection with customers stronger and have a robust business model. For example, as of May 2023, GOAT Group has a huge community of over 40 million people in 170 countries. Putting effort into making the community stronger can really make people more loyal to the brand and feel like they're part of something special. Look at Nike – their work in getting their community involved has helped them keep customers for longer by building a good relationship between the brand and its fans. GOAT can do similar things by sharing more stories and news, like in their Greatest magazine, and organizing more events to keep leading in the world of fashion resale.

More people are caring about being eco-friendly, so GOAT focusing on selling used luxury items is a smart move. The market for selling used items is expected to grow to \$64 billion by 2024, showing that more people want to shop in a way that's better for the planet. If GOAT starts to sell high-quality items that aren't luxury as well, it can attract even more customers. This approach fits well with the 42% of people who find it easier to shop for second hand items and helps the environment by cutting down on the need to make new items.

Data analytics helps understand what customers like and how the market is changing. By looking at information from more than 320,000 items on its website, GOAT can give sellers tips on how to set prices and manage their stock. Leveraging the value of data helps GOAT stay ahead in the market by changing prices and what they sell based on what people want. For

example, by using special computer programs, GOAT can guess when prices will go up or down and spot popular items. This lets sellers change their prices or what they're selling to make more sales. Additionally, GOAT can conduct customer preference measurements through mini surveys. These measurements will enable GOAT to understand user preferences which may drive platform direction.

Lastly, the luxury market often reacts strongly to changes in the economy. For example, during tough economic times like the 2008 financial crisis, sales of expensive items went down a lot. But GOAT's way of doing business is flexible, with different ways of making money, such as charging sellers a starting fee of 9.5% or fixed fees for various services. This flexibility helps GOAT deal with ups and downs in the market. By keeping its business model adaptable and using its wide range of services, GOAT can handle uncertain economic times, keeping its business stable and growing. For instance, moving into new markets or changing fees based on the current economic situation could keep GOAT competitive and bring in more customers.

## **Problem 2:**

GOAT was founded on the principle of building trust within the online shoe reseller market, a sector plagued by issues of authenticity and counterfeit products. The inspiration for GOAT came from a personal experience of one of its co-founders, who was deceived into buying a counterfeit pair of Air Jordans on eBay. This incident highlighted the widespread problem of fake products in the online marketplace and motivated the founders to create a platform dedicated to authenticating every product to ensure its genuineness and quality and avoid a lemon market failure.

GOAT combats the prevalence of fake sneakers through a sophisticated in-house authentication process, setting itself apart from other resale platforms. Unlike its competitors, GOAT ensures that each pair of shoes on sale is presented through professionally shot photos, emphasizing the platform's dedication to quality and authenticity. This rigorous approach to authentication involves a combination of artificial intelligence and a team of experts who investigate potential fakes, delving into aspects that cannot be discerned through images alone, such as the feel and smell of the shoes. This blend of technology and human expertise is crucial in maintaining the integrity of the marketplace. Despite the challenge posed by an increasing number of counterfeit attempts—as highlighted by the platform's detection of \$72 million in counterfeit shoes in 2019, a significant increase from the previous year.

GOAT's Buyer Protection Policy is a cornerstone of its commitment to ensuring a safe and trustworthy shopping experience for all its users. This policy is designed to instill confidence among buyers, knowing that their interests are protected in several scenarios, including receiving inauthentic items, incorrect items, products that don't match their description or images, or items missing key features. GOAT's approach to customer service under this policy is proactive, offering assistance both before and after a purchase to address any issues swiftly. By enabling buyers to contact the platform through the GOAT Assist feature within the app or by submitting a request, GOAT ensures a responsive and helpful customer service experience. This responsiveness is crucial, especially in a market where authenticity and accurate product description play a significant role in customer satisfaction.

Once a buyer submits a request under the Buyer Protection Policy, the process is straightforward and user-centric. GOAT provides a shipping label for the item to be sent back for verification, ensuring the item remains in the same condition as when initially shipped.

Following verification, if the return is approved, the buyer is refunded in GOAT Credit for the total purchase amount, with an option for a refund to the original payment method upon request. Additionally, the policy extends to ensuring safe direct shipping from sellers by leveraging community feedback and digital authentication processes.

Despite GOAT's efforts and advancements in product authentication, the problem of counterfeits in the online shoe reseller market persists. The challenge of distinguishing authentic products from fakes remains a significant concern, especially as GOAT enters the luxury clothing market. Counterfeiters are constantly finding new ways to mimic genuine items. This ongoing issue underscores the importance of platforms like GOAT, which are committed to rigorous authentication processes and consumer protection, yet it also highlights the need for continuous innovation and vigilance in combating counterfeit goods in the digital age. Continuing investment in technology and processes to detect counterfeit products is essential. Maintaining a rigorous authentication process is crucial for preserving customer trust and loyalty.

Inauthentic products are sold by bad actors, so while buyer protection and product authentication are helpful in combating inauthentic products, they do not get at the core of the problem. The cost incurred by GOAT for inauthentic products is immense when factoring into account the maintenance of authentication software and staff. While the seller onboarding process shouldn't be impossible, it should be rigorous enough so that it stops the majority of bad actors in a timely fashion, even if they're initially able to join the platform; in this way, the amount of inauthentic products will substantially decrease, increasing buyer confidence and lowering costs of GOAT's authentication and buyer protection programs.

When sellers join GOAT, it is akin to joining a social media platform in terms of the data and time needed to access the platform. While revamped security at this point of the onboarding

process is effective in reducing bad actors, GOAT should not delay initial onboarding and put new users at risk of not signing up; the producer-to-consumer ratio is a key KPI given the growth phase of GOAT, which should be kept in balance. Instead, they can implement a check later in the onboarding process. With this check, a seller will need to provide a copy of a valid ID in order to be approved. While this takes time, at this point in the onboarding process the seller has already invested a significant amount of time joining the platform, so the probability of churn is low as they recognize the value of selling on GOAT. Comparing the cost of validating a photo ID versus having to incur an inauthentic product end-to-end, it is far lower; additionally, there exist a number of automated services for this purpose, which can be integrated with the platform at low cost.

In this way, bad actors will need to provide significantly more time and effort in order to sell; in other words, the cost of selling inauthentic products becomes high enough so that it is economically infeasible. Consequently, GOAT saves on authentication and buyer protection costs, increasing buyer confidence and enabling their platform growth.

**References:**

1. Gesino, T. (2023, May). *Report: Goat business breakdown & founding story*. Contrary Research. <https://research.contrary.com/reports/goat>
2. “EBay Acquires Sneaker Con Authentication Business.” *eBay Inc.*, 29 Nov. 2021, [www.ebayinc.com/stories/news/ebay-acquires-sneaker-con-authentication-business/](http://www.ebayinc.com/stories/news/ebay-acquires-sneaker-con-authentication-business/).
3. “Goat to Become Paris Saint-Germain’s Sleeve Partner.” *EN.PSG.FR*, 14 Apr. 2022, [en.psg.fr/teams/club/content/goat-to-become-paris-saint-germain-sleeve-partner](http://en.psg.fr/teams/club/content/goat-to-become-paris-saint-germain-sleeve-partner).
4. H, L. (2020, March 21). *Goat – the “greatest of All Time” Marketplace for sneakerheads*. Digital Innovation and Transformation. <https://d3.harvard.edu/platform-digit/submission/goat-the-greatest-of-all-time-marketplace-for-sneakerheads/>
5. GOAT Group shares streetwear trends, releases first annual resale report. <https://www.luxurydaily.com/goat-group-shares-resale-trends-for-2023-releases-first-annual-alias-report/>
6. 2024's fashion resale market: Uncovering trends, advancements, and sustainability in retail <https://www.productsup.com/blog/2024-fashion-resale-market-trends-and-sustainability-in-fashion-resale/>
7. George Arnett, August 16, 2019: What happens to luxury during a recession? <https://www.voguebusiness.com/companies/luxury-recession-saks-bond-yield>
8. GOAT Fee Policy <https://www.goat.com/fees>
9. *Buyer protection policy*. GOAT. (n.d.). <https://www.goat.com/buyer-protection-guarantee>
10. White, R. D. (2021, July 19). *How fake air jordans turned these L.A. pals’ sneakerhead dream into a powerhouse platform*. Los Angeles Times. <https://www.latimes.com/business/story/2021-07-16/goat-group-sneaker-empire-funding-expansion-plans>

**Appendix A: GOAT and Its Competitors****GOAT:**

GOAT Search Fear of God Essentials :

SHOP ALL 5,878 Items

Popular Recently Released Sneakers	Feb 24 Air Jordan 1 Retro High OG 'Black White 2.0'	\$138 \$189	Feb 24 Air Jordan 1 Retro High OG GS 'Black White 2.0'	\$122 \$140	Feb 24 Air Jordan 1 Retro High OG TD 'Black White 2.0'	\$68 \$70
New In Apparel						
Price (Low - High)						
Price (High - Low)						
Reset						
Brand Category						
Gender						
Size						
Condition						
Color						
Price						
Instant						
Under Retail						
Available Now						
Year						

**RealReal:**

Hi, check your email for a \$25 offer code.

SELL WITH US MY TRR 🌐 ❤️ 🛒

TheRealReal

NEW ARRIVALS DESIGNERS WOMEN BAGS MEN JEWELRY WATCHES HOME KIDS SALE Search

**NEW ARRIVALS: SHOP MEN'S SNEAKERS**

Sort by Newest First ▾ < 1 2 ... >

All Categories	Shoe Sizes	Price	Designers	Condition	Color & Patterns	Find in Store
Men						
<input type="checkbox"/> Editors' Picks						
<input type="checkbox"/> Items With Tags						
<input type="checkbox"/> Vintage						
<input type="checkbox"/> On Sale Now						
<input type="checkbox"/> Hide Sold Items						

**StockX:**

**StockX**

Search for brand, color, etc.

News About Help Sell  Login Sign Up

New & Featured Deals Men Women Kids Sneakers Shoes Apparel Accessories More Categories

## Sneakers

Sneakers, which were once solely used as athletic footwear, have transcended their original purpose to become a global cultural phenomenon. They have evolved from sports gear, used explicitly with performance in mind, to one of the most [Read More](#)

**SNEAKERS** Home / Sneakers Sort By: Featured ▾

**SHOES**

**APPAREL**

**ELECTRONICS**

**TRADING CARDS**

**COLLECTIBLES**

**ACCESSORIES**

**TRENDING DEALS**

**BELOW RETAIL**

			
Jordan 4 Retro Bred Reimagined Lowest Ask <b>\$209</b> 	Jordan 1 Retro High OG Black White Lowest Ask <b>\$130</b> 	Jordan 4 Retro Bred Reimagined (GS) Lowest Ask <b>\$145</b> 	Nike SB Dunk Low City Of Love Light Bone Lowest Ask <b>\$135</b> 

**eBay:**

**eBay** Shop by category ▾ Search for anything All Categories Advanced

eBay > Cop luxury for your rotation

**Cop luxury for your rotation**

eBay Authenticity Guarantee is here.



**Category**

- All
- Clothing, Shoes & Accessories
- Women
- Men
- Kids
- Baby

**Size**

- < Heels US Shoe Size
- < Men's Shoes - Athletic Shoes US Shoe Size
- < Women's Shoes - Athletic Shoes US Shoe Size
- < Women's Shoes - Sandals US Shoe Size

Search Cop luxury for your rotation 19,002 Results Shipping to: 60611 ▾ Best Match ▾

		
Prada Men's US 10 1/2 America's Cup Leather Patchwork Sneakers Fiordaliso	GUCCI Rhyton red logo distressed sz 10 mens OG ALL	Balenciaga Mens Sneakers Brown 412350 Solid Leather Low Top Lac 