



Eidgenössische Technische Hochschule Zürich  
Swiss Federal Institute of Technology Zurich

# Lecture with Computer Exercises: Modelling and Simulating Social Systems with MATLAB

Project Report

## Shoe Resale Market Model from Fashion Trends

Arturas Malinauskas & David Martinez de la Cruz

Zurich  
December 2018

## **Agreement for free-download**

We hereby agree to make our source code for this project freely available for download from the web pages of the SOMS chair. Furthermore, we assure that all source code is written by ourselves and is not violating any copyright restrictions.

Arturas Malinauskas

David Martinez de la Cruz

**Declaration of originality**

The signed declaration of originality is a component of every semester paper, Bachelor's thesis, Master's thesis and any other degree paper undertaken during the course of studies, including the respective electronic versions.

Lecturers may also require a declaration of originality for other written papers compiled for their courses.

I hereby confirm that I am the sole author of the written work here enclosed and that I have compiled it in my own words. Parts excepted are corrections of form and content by the supervisor.

**Title of work** (in block letters):

SHOE RESALE MARKET FROM FASHION TRENDS

**Authored by** (in block letters):

*For papers written by groups the names of all authors are required.*

**Name(s):**

~~ARTURAS~~ MALINAUSKAS  
HARTÍNEZ DE LA CRUZ

**First name(s):**

ARTURAS  
DAVID

With my signature I confirm that

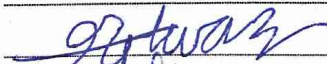
- I have committed none of the forms of plagiarism described in the 'Citation etiquette' information sheet.
- I have documented all methods, data and processes truthfully.
- I have not manipulated any data.
- I have mentioned all persons who were significant facilitators of the work.

I am aware that the work may be screened electronically for plagiarism.

**Place, date**

Zurich, 8<sup>th</sup> December 2018

**Signature(s)**

  
David McC

*For papers written by groups the names of all authors are required. Their signatures collectively guarantee the entire content of the written paper.*

# Contents

<b>1</b>	<b>Abstract</b>	<b>6</b>
<b>2</b>	<b>Individual contributions</b>	<b>6</b>
<b>3</b>	<b>Introduction and Motivations</b>	<b>7</b>
3.1	Motivation . . . . .	7
3.2	Fundamental Questions . . . . .	8
3.3	Expected Results . . . . .	9
<b>4</b>	<b>Description of the Model</b>	<b>11</b>
4.1	Description of Agents . . . . .	11
4.2	Trading Environment . . . . .	13
<b>5</b>	<b>Implementation</b>	<b>14</b>
5.1	Inputs . . . . .	14
5.2	Outputs . . . . .	14
5.3	Fixed Simulation Parameters . . . . .	15
5.4	Code Structure . . . . .	15
<b>6</b>	<b>Simulation Results and Discussion</b>	<b>18</b>
6.1	Nominal Test . . . . .	18
6.2	Effect of Ratio of Sneakers to Agents . . . . .	22
6.3	Effect of Number of Brands on the Price . . . . .	24
6.4	Most Influential Parameters . . . . .	26
6.5	Difference between Stock Market and Retail Shoe Market	27
<b>7</b>	<b>Summary and Outlook</b>	<b>28</b>
7.1	Limitations and Simplifications . . . . .	28
7.2	Conclusion . . . . .	29

<b>8</b>	<b>References</b>	<b>31</b>
<b>A</b>	<b>Appendix A</b>	<b>32</b>

# **1 Abstract**

A unique secondary market has boomed in the past five years: sneakers and other fashionable apparel are being sold outside retail stores for 150-1000 % the retail market price. Demand is high for these items of limited quantity which offer social status and a feeling of uniqueness to their owners. This project simulates this market to understand how its dynamics differ from a traditional stock market. A financial model was created in MATLAB to simulate buyers and sellers of shoes with variable prices and social desirability.

# **2 Individual contributions**

Both team members equally developed the research questions, goals of the project, the final report, and presentation. They also worked together to resolve issues in their individual tasks.

### 3 Introduction and Motivations

Shoes have acquired a cultural significance in parts of the modern world. Many shoes manufacturers partner with trend setters to create stylish limited quantity shoe models. In recent years, these shoes have been selling out quickly in the retail market and then resold in a secondary market with markups reaching over 1000 % [1]. The sum of these transactions is estimated to be over 1 billion US dollars this year [2]. There are many different players in this secondary market. This project seeks to model transactions in the secondary market and identify the best strategy for each type of player.

#### 3.1 Motivation

There is a great pool of research on simulating traditional stock markets [3, 4]. We want to see how applicable these techniques are to a market which is relatively new and has not been studied academically. The resale market for sneakers is also features more diverse players than the stock market. Maximizing financial returns is not the only motivation for some people in the sneaker resale market. The sneakers themselves offer a social value from their rarity and style that many people want to own [1]. We believe it is this desire which creates very large fluctuations in market price above initial retail price. The physical condition of a shoe is also important to its value; pristine shoes sell for more than ones that have been worn more.

This market offers some unique challenges for simulation. The social value of a sneaker is dependant on many things, who is promoting them, the brand, the color, the condition, and its rarity. Like old cars, some sneaker models increase in value simply because they are vintage and viewed as "classics" that defined a brand. These factors are not equally valued in the eyes of the different traders in the market. The

traders themselves have different incentives: some want to maximize the stylishness of their sneakers, some want to collect the most interesting sneakers (sometimes not even wearing them), and some are simply seeking to profit as middlemen serving the other groups. Some consumer exhibit behavior that is a combination of the previous factors. The various types of traders create a more complicated and perhaps more interesting trading dynamic than the one seen in the stock market.

### 3.2 Fundamental Questions

- How does the proportion of sneakers to agents affect price?
- How is price affected by the number of competing sneaker brands?
- Which market parameters are the most impactful on price?
- What behaviors of the sneaker market differ from a standard stock market model?

The first question is important to sneaker manufacturers. They decide the number of sneakers they will make and the initial selling price. The manufacturers want to maximize profit. But they receive an intangible benefit to their brand's reputation and desirability due to excitement and promotion in the resale market [1]. Thus some firms may not sell a shoe for the highest price they could in the present, because they want to create excitement and demand for their brand in the future. Knowing how many sneakers are needed to satisfy a given number of agents would help manufacturers optimize their business.

The second question is important to manufacturers and profiteers. The market has many competitors with limited product differentiation. It is important to understand how competitors may induce price competition.



The third question is important to evaluating price sensitivity. By understanding the most important parameters, the people that are represented by our agents may be able to take information about the real values of those parameters and better inform their own strategies for trading in the market.

The fourth question is important to the academic scope of this work. If there are few differences, it indicates that existing modeling techniques can be applied to a broader array of problem types. If there are significant differences, this opens up new avenues of research to more deeply understand the behavior of non-traditional markets. Appropriately modeling and understanding those different behaviors may offer greater insight into the subtle dynamics of economic systems.

### **3.3 Expected Results**

We expect to find that reducing the ratio of sneakers to agents will increase resale price and create more volatility in the market. Lower supply for given demand should create higher prices in accordance to basic economic theory. If there are too few shoes in the market, the agents may not be able to afford them, which would reduce transaction frequency. This would correspond to a loss of excitement over a specific shoe type.

If the sneaker to agent ratio is constant, but there are more competing brands, the prices should also go down. The model gives preference to owning a greater variety of sneaker types for the collectors and socialites. This should result in prices going down as agents are able to bid on a wider variety of products.

We expect the sneaker to agent ratio to have a larger impact on price than the number of competing brands. This parameter affects the available supply. From an economic perspective the available supply should affect price more than the presence of competition.

There should be some noticeable differences between stock market models and our sneaker market model because our trader agents have behaviors not seen in the stock market. We expect that the different agents see different rates of return based on their preferences for social status or economic value.

## 4 Description of the Model

This is a complex market with many dynamics, players, and price factors - many of which are not perfectly rational. So we identified the core elements of the model that lent themselves to computational simulation. We built on previous research by Raberto *et al.* [3] which uses an agent based model to simulate a stock market.

In Raberto *et al.*'s model [3], the agents are traders who buy and sell stocks. The sneaker market behaves in a similar way with buyers and sellers. The difference is that non-price value of sneakers is modelled as an additional parameter. Thus, the shoes that are bought and sold are represented by two numbers: a price and a "social status". The social status parameter represents the non-price based appeal of the shoe. The social status quantifies how people in the real world would view the stylishness, quality, and condition of a shoe. The agents respond to the social status in different ways and have different end objectives. The four agents we model are the trendsetters, socialites, collectors, and profiteers.

### 4.1 Description of Agents

The trendsetters are agents that bring shoes into the marketplace. They represent different shoe brands and create the initial social status. As trendsetters they do not need to buy shoes.

The socialites are agents who buy and sell sneakers to optimize social status. These correspond to people in the real world that buy trending sneakers, wear them for a short time, and sell or exchange them for different sneakers.

The collectors are agents who buy but do not sell any sneakers. They correspond to people in the real world that want to buy the best shoes which will retain value. They take shoes out of the marketplace

and often display them in personal collections or shoe racks. In the real world, these collectors may also sell some of their shoes, or buy multiple pairs so they can wear some while keeping another pair in pristine condition. Collectors in the real world often have one to two hundred different pairs of shoes [1]

Finally the profiteers are agents who buy and sell sneakers to maximize monetary profit. These agents ignore the social status. These correspond to people in the real world who have little interest in sneakers themselves, but want to capitalize on high mark ups over retail price.

There are many other types of agents that could have been modelled, but the complexity of their addition did not justify their lesser importance to the market. For example, individuals in the real world may switch roles based on their own incomes and personal impulses. There are counterfeit shoes in the market, scammers who take people's money without sending anything in return, trading bots, and other miscellaneous occurrences that happen less frequently than the core behaviors we modelled.

When modeling the agents, each of them will have different properties which will differ from one type of agent to another. This fields include the social status of the agent, which varies over time; the desire to buy new shoes, defined depending on the agent; and some initial money to start trading.

These agents are classified into buyers and sellers, depending on their type and several factors. Socialites will become sellers if they do not have more money to buy and they have some items, or if they do not want to wear their sneakers anymore. Profiteers however, become sellers when the average value of their assets is higher than the average selling price of the market, trying to maximize their profit. Whenever these two agents sell all their items, they become buyers again.

## 4.2 Trading Environment

The environment for the agents is a closed market, where the items are released by the trendsetters and then interchanged between the different agents according to their needs and desires. The agents are fixed, meaning they don't change from one type to another and there is no exit or entry of agents into the market. The shoes being traded may depreciate in value to a point where they are no longer sold in the market. But new shoes will be periodically released into the market to ensure demand is met. It is also assumed the agents have supplemental sources of income which is paid out regularly in set periods (representing their real world salary from a job). This ensures that new items in the market are affordable by some people.

The market operates at every time step, which corresponds to a day of trading. Buyers and sellers will decide their individual prices for a day of trading. Buyers that are unable to buy shoes during a trading day will generally increase the price they are willing to pay on the next day. Sellers that are unable to sell a shoe at a price will generally decrease the price they are willing to pay. The time it would take to ship sneakers from buyers to sellers is ignored.

The transactions only occur when certain conditions are met. These conditions depend on the buying price of each buyer and the selling price of each item. The former has to be higher than the latter for the transaction to take place. Additionally, the social status of the item is tied to a random variable. Sneakers with less social status are less likely to be sold in the market.

## **5 Implementation**

### **5.1 Inputs**

The inputs required by the user to run this simulation are mainly associated with the size of the simulation. The number of agents to be simulated and the amount of sneakers introduced in the market have to be set. In order to simulate the behaviour of this market, the model should be run with a larger number of agents than items sold. If this is not true the economic system breaks down because the items are no longer limited, everyone could buy one. This is true for the real world: there are many more people interested in buying the limited edition shoes than the available supply of those shoes. The scarcity creates value in all economic systems.

Furthermore, an initial price for the buyers needs to be set. This sets an initial condition and only affects the buying prices in the beginning of the simulation. The buying and selling prices are modified later depending on offers and demand.

The last inputs required are the amount of brands for the sneakers and the duration of the simulation, which is given by the days the user wants to simulate. The former input has to be reasonable according to the amount of agents introduced in the system and the amount of items.

With these inputs set, the model is set to run and simulate the evolution of the model explained in the previous section.

### **5.2 Outputs**

The outputs produced by the program are a set of graphs showing the evolution of different parameters through time as well as some final characteristics that define the agents and their behaviour. These graphs and figures will be discussed in the following section 6.

### 5.3 Fixed Simulation Parameters

For the simulation to run more parameters than the ones provided in the input routine are needed. These values are set in the code, and they can either have a fixed value during the whole simulation or vary randomly as time goes on. The frequency with which brands release new sneakers to the market is set to be one of those random values calculated in the code, as well as the change in social status of the items through time. The fixed values include for example how much the buying and selling prices are increased or decreased depending on whether the agent performed a transaction or not. These values are weighted with the desire of the buyers to buy the items.

These parameters have been optimized in the code through many iterations so that the model represents the real behaviour of the market and doesn't produce results far from examples we found in our research. This optimization allowed us to better understand the important market dynamics and critically think about why values had to be in certain ranges.

### 5.4 Code Structure

In the code's first steps, the data structures are created and initialized. There are two main data structures, buyers and sellers, which are then selected to be one of the agents described previously. Initially only trendsetters are sellers, as they are the ones to introduce the sneakers into the market. Then the rest of the agents become potential buyers.

Each buyer is then assigned a set of attributes corresponding to their initial money, social status, and desire to buy items. Sellers on the other hand are assigned assets which are assigned randomly to one brand. A check is made to ensure each brand is represented by a trendsetter. Each brand is then assigned a random social status and initial price, which transfers to the trendsetters belonging to that

brand. This way the items get their initial selling prices and social value.

Before running the simulation, some parameters are initialized, such as the increase or decrease in prices depending on the transaction. The code starts the simulation, which performs the purchase of the item, the change in the agents' attributes according to their actions and the update of the items social status as time progresses.

The first lines of the loop for the simulation calculate all the desired information in each iteration, such as the average selling price or the average buying price of each different type of agent. Then the trading operation between the agents occurs. Transactions happen only when the conditions mentioned in subsection 4.2 are fulfilled. With the purpose of approximating reality, the constraint that one buyer can only buy one item per day has been applied into this model.

The next lines in the code (shown in A) vary the different parameters associated with each agent. For buyers, the buying prices are adjusted, the social status is calculated based on the items they own, and the desire changes depending on their agent type. Sellers lower their selling prices if they did not manage to sell one item.

Following these changes, the agents are moved from buyers to sellers and the other way around according to the factors explained before. Both sellers and buyers retain their values for desire, social status, buying price, etc, as they are the same people that move from one side to the other of the market.

Finally, the status of the items is changed in each iteration. Due to depreciation, items lose a random amount of their social status, making it less likely to be bought. This also accounts for the loss of value because of wear. Each brand is also assigned a factor equating to 'vintageness', so some shoe brands increase in social status. However, depreciation tends to be bigger in our time scales and the social status of the shoe decays in time.



Once all of this actions are performed, the new day begins with the transactions between the new buyers and sellers according to their new parameters.

## 6 Simulation Results and Discussion

To answer the fundamental questions proposed in subsection 3.2, several simulations have been carried out. The different simulations varied the input parameters to test the most influential parameters.

### 6.1 Nominal Test

We perform a baseline simulation which is used as a comparison for our results. The parameters of the baseline are conservative values that ensure the model is stable. The results from this simulation are our reference for further runs and changes to the input parameters.

The number of agents chosen for this simulation is  $N = 1000$  with  $n_{items} = 800$  which will be divided into 4 different brands, which will be initialized randomly. The starting price for the buyers in this market is  $p = 700$  currency units. This market will be modelled for one year, so the time steps for the iteration will be  $t = 350$  days.

The following graphs illustrate the results obtained with this simulation. In *Figure 1* the average of the buying prices from all the different agents and the global average of the selling price. It can be seen the different strategies followed by each type of agent. The buying prices from the socialites and profiteers do not present much difference from one another. They interchange the roles of sellers and buyers once all the items have been released to the market by the trendsetters. As it can be seen, the socialites are the more active in the market, with a buying price closer to the average selling price.

Meanwhile, the collectors follow a very different trend. These agents buy during the first day of the new items, as this items are the ones worth to collect. This makes them run out of money, and therefore their buying prices decay and start rising, as they earn money through time. When new items are introduced, they use this money in order

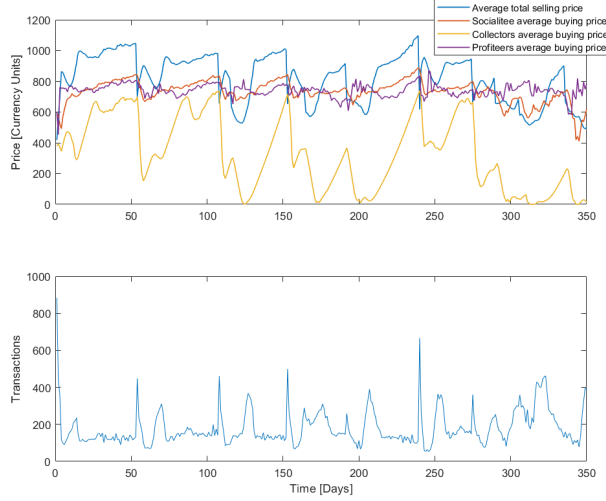


Figure 1: **Top** - Average buying prices from the different buyers and global average price. **Bottom** - Number of transactions each day. Simulation ran with  $N=1000$ ,  $n_{items} = 800$ ,  $n_{brands} = 4$  and  $t=350$  days

to acquire the brand new released sneakers

Furthermore, the average selling price is higher than the average buying price. This corresponds to the real world, where no seller wants to sell for less of what they paid to buy the item. The only points in which the selling price is lower than the buying price is at very selected days, which correspond with the moments when new items are released. This new items have much lower prices than the value of the sneakers already in the market. It is interesting to note how profiteers increase their buying prices during these periods in order to buy more and therefore sell it for a higher price.

*Figure 1* also shows the number of transactions in each day. The peaks shown in this graph correspond to the moments when new items are released and when they are starting to get sold in the market as socialites get tired of them and go looking for different sneakers. As time progresses, more items are in the market and the number of

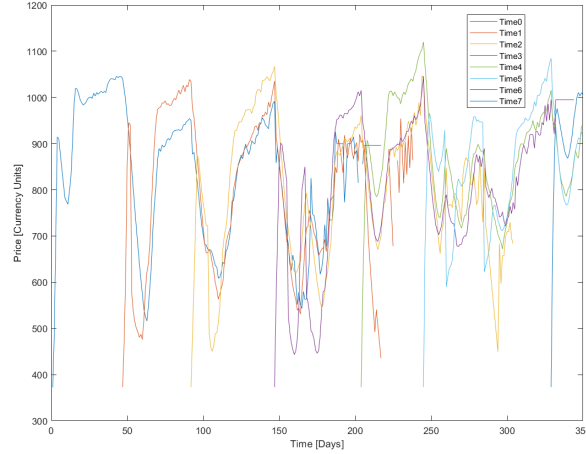


Figure 2: Average selling price of the items introduced in each time period. Time0 being the oldest items in the market and Time7 the newest. Simulation ran with  $N=1000$ ,  $n_{items} = 800$ ,  $n_{brands} = 4$ ,  $p=700$  and  $t=350$  days

transactions starts oscillating at the end of the simulation run. This because there are more items to be interchanged and the agents are more active, trading more goods.

The introduction of new items to the market can be observed in *Figure 2*. This graph also shows how newer items have a higher selling price, as they are more demanded. The last two graphs show also how the selling price of the items introduced in one period increases during that period until new sneakers are introduced. This is because items start coming out of the market as they have a social status below a certain threshold, or they are property of the collectors, being also out of the market.

Another interesting result to look at how the different brands evolve through time. This brands are affected by the depreciation and by a random 'vintageness' factor, which is equal for each brand but it is created randomly every iteration. The result of this behavior can be seen in *Figure 3*. This graph shows how competitive this market is,

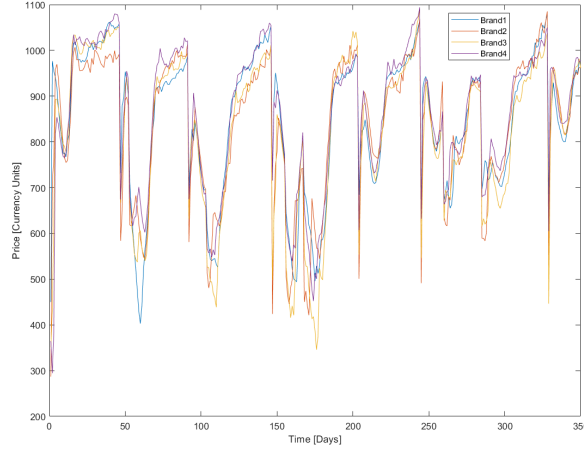


Figure 3: Average selling price per brand. Simulation ran with  $N=1000$ ,  $n_{items} = 800$ ,  $n_{brands} = 4$ ,  $p=700$  and  $t=350$  days

where the four different brands have a similar buying price. However, the best-selling brand changes from time period to time period. This reflects the reality, as different designs and models from the same brand have a bigger or smaller impact on society. When looking through a sort period of time, it can be seen how 'vintageness' affects randomly to the brands, as their selling prices oscillates within days.

The results of these transactions in the market can be seen in *Figure 4*, where the net profit of the profiteers can be seen. This profit is calculated as the difference of what they paid for the items and what they sold it for. When the market closes, the value of each profiteer's inventory is added, as this is money they have invested. However, this leads to some error, as for profiteers who are still buyers, they are selling it for a lower price and therefore losing money, which would not be the behavior of the modelled profiteer.

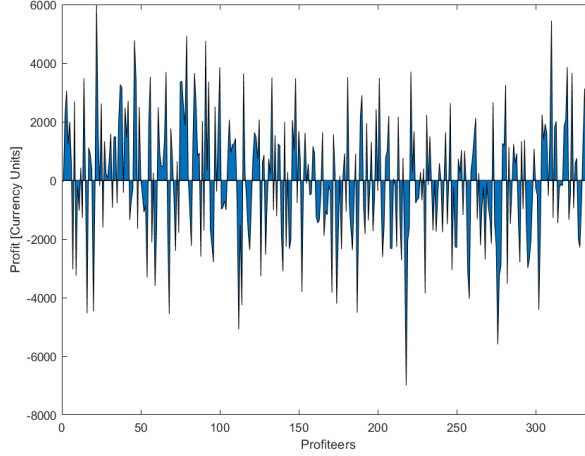
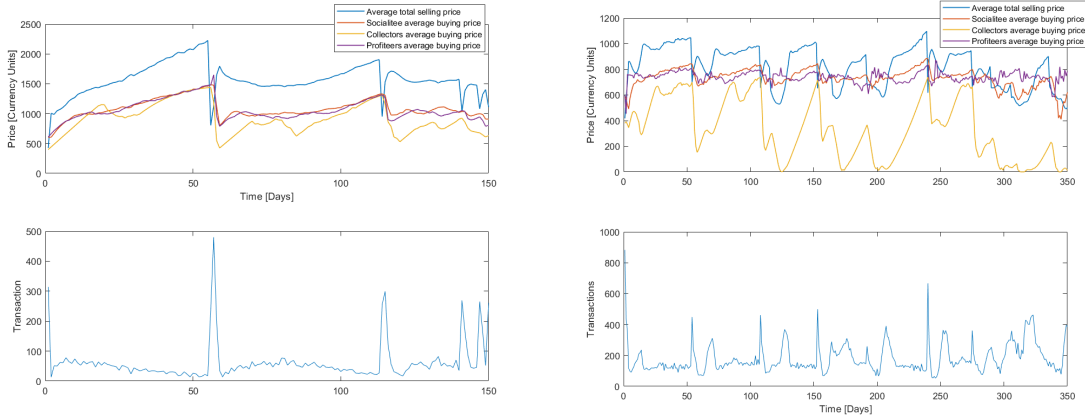


Figure 4: Profit made by each profiteer at the end of the simulation. Current inventory is added. Simulation ran with  $N=1000$ ,  $n_{items} = 800$ ,  $n_{brands} = 4$ ,  $p=700$  and  $t=350$  days

These results from the nominal inputs can be now used to analyze how the outputs of the market vary when changing the inputs and therefore answer the fundamental questions.

## 6.2 Effect of Ratio of Sneakers to Agents

To answer the first question, the following simulation was done. The number of agents was kept constant,  $N=1000$ , the number of brands  $n_{brands} = 4$  and the initial price  $p=700$  were the same and the brands were initialized randomly, but the number of items was reduced from 800 to  $n_{items} = 200$ . This way, there are not enough items to satisfy all the agents and the competition between them increases. Additionally, the simulation lasted only  $t=150$  days, as the difference can already be seen in this short period of time and the evolution of the market in time would follow the same trends as in the beginning of it. Similar simulations were performed where the 10:2 ratio of agents to items was retained, but their magnitude varied, using  $N=8000$  and  $n_{items} = 1600$



(a) **Top** - Average buying prices from the different buyers and global average price. **Bottom** - Number of transactions each day. Simulation ran with  $N=1000$ ,  $n_{items} = 200$ ,  $n_{brands} = 4$ ,  $p=700$  and  $t=150$  days

(b) **Top** - Average buying prices from the different buyers and global average price. **Bottom** - Number of transactions each day. Simulation ran with  $N=1000$ ,  $n_{items} = 800$ ,  $n_{brands} = 4$  and  $t=350$  days

Figure 5: Comparison between the different values of prices and number of transactions for the nominal case and the low amount of items case

for a larger number of agents and using  $N=100$  and  $n_{items} = 20$  to simulate fewer agents. The overall behavior was the same in these cases, differing only as expected due to the random parameters.

The first results of this simulation can be seen in *Figure 5*. These graph shows the comparison between the nominal and this case of the evolution of the average of the buying and selling prices. Comparing these graph with *Figure 1*, it can clearly be observed that the prices are much higher when the number of items decreases. As said in the expected results, this is what should happen in an environment where supply is strictly limited and the demand is high. The number of transactions is also displayed. This value is significantly lower, as the number of items available is lower and their prices are much higher, meaning not everyone can afford it.

This difference is more clearly seen in *Figure 6*. The average trans-

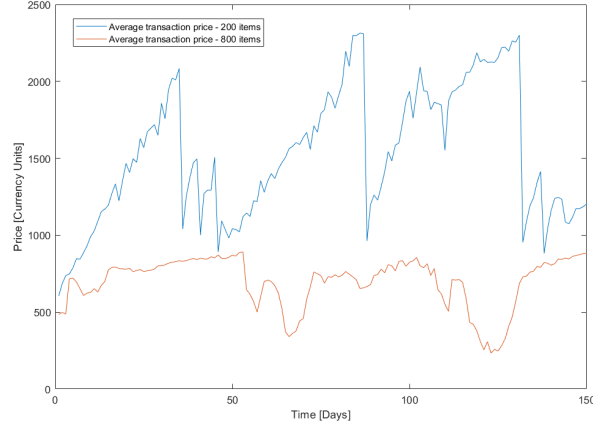


Figure 6: Comparison of average transaction prices per day for both cases:  $n_{items} = 800$  and  $n_{items} = 200$ . Simulation ran with  $N=1000$ ,  $n_{items} = 200$ ,  $n_{brands} = 4$ ,  $p=700$  and  $t=150$  days

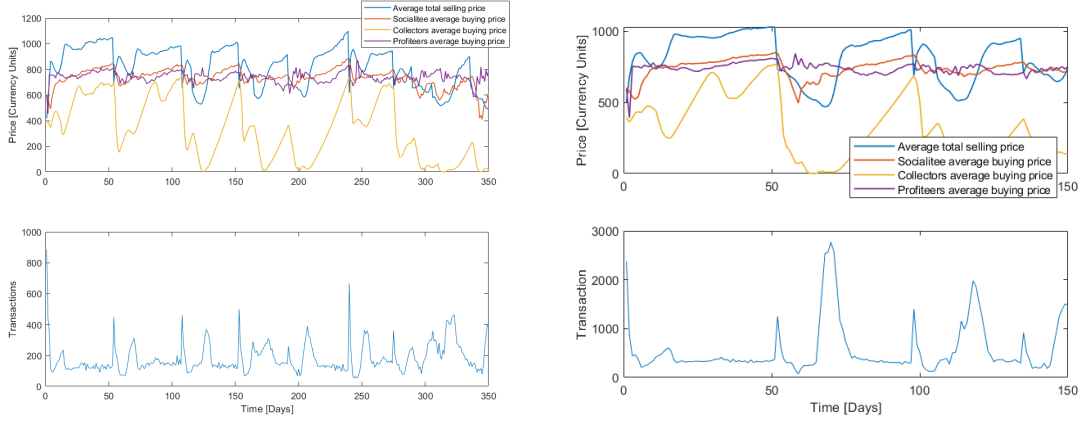
action prices of each day are represented in this graph for both cases, nominal and low amount of items.

### 6.3 Effect of Number of Brands on the Price

This simulations investigates how the agents behave when there are many brands to choose from with different attributes. In this case  $n_{brands} = 10$  and all other parameters are the same as the nominal case. This implies that the simulation cannot be with 100 agents any longer, as this would lead to too few trendsetters and some brands would end up with no representation in the market and would not release their items. Therefore, the number of agents is set to be  $N=2500$ . As the number of agents increases, so has to do the number of items, or the model would have the same behavior as in the last study. Thus, the number of items in this study is  $n_{items} = 2000$ . The rest of parameters are the same as the study in subsection 6.2.

The following figures show the behavior of the market under these





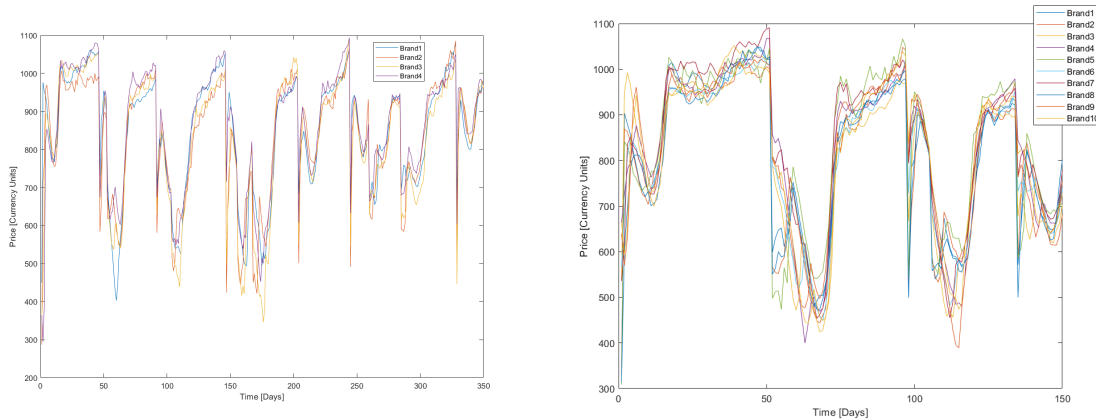
(a) **Top** - Average buying prices from the different buyers and global average price. **Bottom** - Number of transactions each day. Simulation ran with  $N=1000$ ,  $n_{items} = 200$ ,  $n_{brands} = 4$ ,  $p=700$  and  $t=150$  days

(b) **Top** - Average buying prices from the different buyers and global average price. **Bottom** - Number of transactions each day. Simulation ran with  $N=2500$ ,  $n_{items} = 2000$ ,  $n_{brands} = 10$  and  $t=150$  days

Figure 7: Comparison between the different values of prices and number of transactions for the nominal case and the high number of brands case

conditions. *Figure 7* illustrates the comparison between the nominal case and the case discussed in this section. The prices seen in *Figure 8b* are very similar to the ones obtained for the nominal case. This implies that the amount of brands does not have a big impact on the price, a result that was expected as the ratio of items and agents has been kept constant. Competition between brands is not a big factor to take into account for the agents.

However, and as shown in *Figure 8*, there is a bigger variance between the prices for each brand. This is also expected, as more brands would lead to more options when buying and the depreciation factor and 'vintageness' feature affects differently each brand and shoe. More difference would be seen if there was a bigger difference between brands, but this would involve modelling several parameters of the brands, which is not the objective of this work and it would increase



(a) Average selling price per brand. Simulation ran with  $N=1000$ ,  $n_{items} = 800$ ,  $n_{brands} = 4$ ,  $p=700$  and  $t=350$  days  
(b) Average selling price per brand. Simulation ran with  $N=2500$ ,  $n_{items} = 2000$ ,  $n_{brands} = 10$ ,  $p=700$  and  $t=150$  days

Figure 8: Comparison between the selling prices for each brand for the nominal case and the high number of brands case

greatly the complexity of the model.

## 6.4 Most Influential Parameters

Once these factors have been analyzed, it is clear to see that the amount of items released in the market is a great way to modify the behavior of it. This is of great value to the sneakers brands, which can adapt the amount of items released in order to increase the selling price but without selling any item. Having a surplus of items in the market would also lead to a different behavior than the one presented in this approach, but it would not have a negative impact on the consumers, as the market would be saturated with items and there would be no competition between the agents in order to achieve their desires.

The initial price of the buyers would have a minor effect in the beginning of the simulation, as it would change the initial amount of assets bought if it was below the selling price, which would not

represent the reality, since socialites, profiteers and collectors want to buy first hand items for their own goals. Nevertheless, the influence would decrease as time goes by, reaching the same results explained in this report.

Another important parameters that have an effect in the market are more intrinsic parameters such as the price variation of the items depending if they are being sold or bought, depreciation and 'vintage-ness', inflation if the simulation time was over years, etc. However, modifying these parameters would change the behavior of the model, making it less approximate to reality. Therefore, even though these values affect largely the model, they are not values that should be changed from one simulation to another.

## **6.5 Difference between Stock Market and Retail Shoe Market**

The big difference between these two markets is the effect of personal value of the items and their intangible value. This value is what is accounted for in the social status term in this model presented, where the value of the shoe not only depends on the time it has been in the market, but who owns it and who released and made that sneaker. Therefore, the shoe retail market has much more factors that could influence a potential buyer or seller.

This is what makes it much more difficult to model and simulate, as it needs to take into account parameters that cannot be expressed by any number or analytic expression. The approximation made in this model is quite simple but reflects the core of this human aspect of the market, giving a vague idea of how this influences the prices and transactions.

## 7 Summary and Outlook

The initial results of our simulation show interesting behavior worthy of further study. There are many potential refinements to the code that could increase its accuracy and computational efficiency. Further research should also be done to incorporate real world data into the simulation. There is a wealth of useful data about consumers in the market on various social media platforms.

### 7.1 Limitations and Simplifications

Many simplifications had to be made to create this model of the sneaker resale market. The attributes of a variety of different products and people had to be simplified. Fashion is a very subjective topic, which makes objective modeling difficult. Several arbitrary parameters must be made to attempt to model human preferences.

Due to processing power, we only simulated up to 8000 agents. There are vastly more people active in this market, on the order of millions. And these people do not trade in the market everyday. Only a few are active daily, others seasonally, and others only on special occasions when they have a surplus of disposable income.

As previously mentioned, counterfeit goods and scammers are active in this market but were not simulated. They drain peoples' available funds. The need to be cautious in the marketplace creates barriers to rapid transactions.

The code itself could be significantly optimized. It was written in small iterations, so many parameters were added as their behavior was understood. This caused our data structures to be fragmented in computer memory which increase computation time.

Further development of this simulation should experiment to find data structuring that is optimal for holding many parameters than can

be exchanged between agents that have different attributes. API tools could also be used to access social media and shoe trading websites to qualify actual market activity. This could improve the ability to identify relevant market parameters and tune existing ones to behave like the real market.

## 7.2 Conclusion

This project showed how a shoe retail market, or in essence, any retail market could be modelled through an agent-based model. Financial and analytic attributes, were paired with the human dimension of the market. This human factor is what makes limited edition shoes a valuable thing.

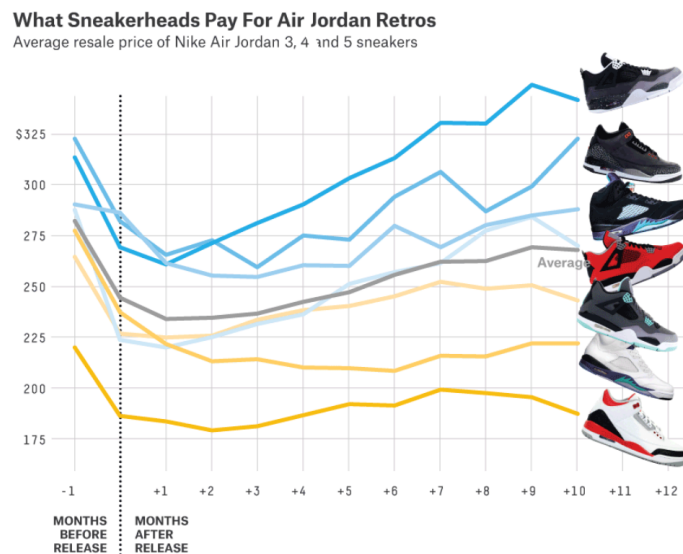


Figure 9: Price fluctuations of a specific sneaker over a one year period [1]

The various simulations gave insight to the real market. Research into price fluctuations for sneakers revealed many graphs like *Figure 9* which shows the price graph for "Air Jordan Retro" sneakers [1].

It is also shown how this market behaves under nominal conditions that try to approximate the real world, and what would happen if some of the parameters of the model would change, and how can the different agents profit and use these changes for their own benefit.

## 8 References

- [1] L. Chow. You See Sneakers, These Guys See Hundreds Of Millions In Resale Profit, October 2014. URL <https://fivethirtyeight.com/features/you-see-sneakers-these-guys-see-hundreds-of-millions-in-resale-prof>
- [2] L. Steinberg. The Profitable Hidden Sneaker Market, September 2018. URL <https://www.forbes.com/sites/leighsteinberg/2018/09/17/the-profitable-hidden-sneaker-market/#319df41c5925>.
- [3] M. Raberto, S. Cincotti, S. M. Focardi, and M. Marchesi. Agent-based simulation of a financial market. *Physica A Statistical Mechanics and its Applications*, October 2001.
- [4] P. Bak, M. Paczuski, and M. Shubik. Price Variations in a Stock Market with Many Agents . *Physica A Statistical Mechanics and its Applications*, December 1997.

## A Appendix A

```
1 function [] = Financial_Model(n_agents, n_items,
    price, nbrands, rndbrand, timesteps)
2 %% This Function uses its inputs to run a
    simulation of a secondary market for sneakers.
3 %The inputs are:
4 % n_agents : the total number of agents in the
    model
5 % n_items : the total number of shoes in the model
6 % price : the starting price of a shoe (maybe
    shouldnt be fixed here?)
7 % nbrands : the number of competing shoe brands
8 % rndbrand : a parameter (0 or 1, to randomize the
    appeal of the shoes)
9 % timesteps : the length of time simulated, one
    time step is one day
10
11 %
    %%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%
12 %    CAUTION: THE NUMBER OF BRANDS MUST BE LOWER
    THAN NUMBER OF
13 %    TRENDSETTERS. THERE MUST BE MORE AGENTS THAT
    ITEMS TO MAKE A
14 %    SENSIBLE ECONOMICA MODEL. OTHERWISE THERE IS
    NO SCARCITY
15 %
    %%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%
16
```



```

17 %The outputs are a series of graphs depicting
    price , profit , and social
18 %status of the agents under various conditions
19
20
21 %% Data Structure CREATION
22
23 close all
24 agent = struct ( 'money' , 0 , 'soc_stat' , 0 , 'items'
    , 0 , 'desire' , 0 , 'mode' , 0 , 'buysell' , 0 , '
    sprice' , 0 , 'bprice' , 0 , 'bought' , 0 , 'sold' , 0 ,
    'keep' , 0 );
25 seller = struct ( 'money' , 0 , 'nitems' , 0 , 'socstat'
    , 0 , 'bprice' , 0 , 'sold' , 0 , 'mode' , 0 , '
    initmoney' , 0 , 'brand' , 0 , 'gain' , 0 );
26 buyer = struct ( 'money' , 0 , 'nitems' , 0 , 'socstat'
    , 0 , 'desire' , 0 , 'bprice' , 0 , 'bought' , 0 , '
    mode' , 0 , 'initmoney' , 0 , 'keep' , 0 , 'bdes' , 0 ,
    'gain' , 0 , 'avgiprice' , 0 );
27 brnd = struct ( 'price' , 0 , 'socstat' , 0 );
28
29 % The brand variable takes into account from which
    brand is the setter
30 % selling the shoes. 0 – would be for independent
    sellers (The socialitees
31 % and profiteers that are selling something)
32
33 % The 'keep' variable is only used by the
    collector to know if they will sell
34 % their stuff in order to get the new released
    items

```

```

35
36 %The field initmoney is just only by the
    profiteers to know when they have
37 %achieved their goal of maximizing their money
38
39 %Mode indicates if the agent is a setter ,
    socialitee , collector or
40 %profiteer. 1 – set , 2 – soc , 3 – col , 4 – prof
41
42 %Buysell indicates if the agent is a seller or a
    buyer. 0 – Seller 1 –
43 %Buyer
44
45 % The desire parameters measures how much the
    agent wants to buy the item.
46 % For socialitees this value will be higher , and
    for profiteers &
47 % collectors it will be smaller , but the
    collectors ' value will rise as
48 % time goes on because items will be more
    appreciated. For trendsetters
49 % this value will be 0, since they do not want to
    buy their own stuff
50
51 %% Assigning Roles to each agent
52 people = repmat(agent , n_agents , 1);
53 brand = repmat(brnd , nbrands , 1);
54
55 n_soc = 0; n_prof = 0; n_coll = 0; n_set = 0; %
    variable initializations
56

```

```

57 while (n_soc <= 0 || n_prof <= 0 || n_coll <= 0 || n_set
    <= nbrands * 3)
58     n_coll = randi([round(n_agents * 0.075), round(
        n_agents * 0.1)]);
59     n_soc = randi([round(n_agents * 0.4), round(n_agents
        * 0.6)]);
60     n_prof = randi([round(n_agents * 0.3), round(
        n_agents * 0.6)]);
61     n_set = n_agents - n_prof - n_soc - n_coll;
62 end
63
64
65
66 % Assign the sellers to each brand
67 if rndbrand == 0 %The prices and social status of
    the brand are not randomly set, they are hard
    coded
68     nbrands = 4;
69 end
70
71 sperbrand = zeros(1, nbrands);
72 while (sperbrand) < 3 % There should be more than
    3 trendsetters for each brand
73     for i = 1:nbrands
74         sperbrand(i) = round(n_set / nbrands);
75         exsel = mod(n_set, nbrands);
76     end
77     for i = 1:exsel
78         index = mod(i, nbrands);
79         sperbrand(index) = sperbrand(index) + 1;
80     end

```

```

81     for i=1:nbrands-1
82         el = round((rand*2-1)*round(n_set/(3*
            nbrands)));
83         sperbrand(i) = sperbrand(i) - el;
84         sperbrand(i+1) = sperbrand(i+1) + el;
85     end
86     tset = sum(sperbrand);
87     if tset > n_set
88         for i=1:tset-n_set
89             index = mod(i, nbrands)+1;
90             sperbrand(index) = sperbrand(index) - 1;
91         end
92     end
93     if tset < n_set
94         for i=1:n_set-tset
95             index = mod(i, nbrands)+1;
96             sperbrand(index) = sperbrand(index) + 1;
97         end
98     end
99 end
100 % keyboard;
101
102 sellers = repmat(seller, n_set, 1);
103 buyers = repmat(buyer, (n_agents-n_set), 1);
104
105 %% Initialize the number of items each agent has
    and the money they have
106 el_items = 0;
107 nitems = n_items;
108
109 for i=1:n_set % Assign values to the trendsetters

```

```

110     people(i).money = (randi([2, 10])/10)*10e6;
111     people(i).nitems = round(n_items/n_set) - 1;
112     el_items = el_items + people(i).items;
113     people(i).soc_stat = randi([80, 100]);
114     people(i).desire = 0; % Trendsetters have no
        desire to buy their own goods
115     people(i).mode = 1;
116     people(i).buysell = 0;
117 end
118
119 n_items = n_items - el_items;
120 while n_items > 0
121     p = randi([1 n_set]);
122     people(p).nitems = people(p).nitems + 1;
123     n_items = n_items - 1;
124 end
125
126 for i=n_set+1:n_set+n_soc % Assign values to the
        socialitees
127     people(i).money = (randi([15, 25]))*1e2;
128     people(i).nitems = 0;
129     people(i).soc_stat = randi([5, 20]);
130     people(i).desire = rand()*30+70;
131     people(i).mode = 2;
132     people(i).buysell = 1;
133 end
134
135 for i=n_set+n_soc+1:n_set+n_soc+n_coll % Assign
        the values to the collectors
136     people(i).money = (randi([15, 25]))*1e2;
137     people(i).nitems = 0;

```

```

138     people(i).soc_stat = randi([5, 20]);
139     people(i).desire = rand()*10+50;
140     people(i).mode = 3;
141     people(i).buysell = 1;
142     people(i).keep = rand();
143 end
144
145 for i=n_set+n_soc+n_coll+1:n_agents % Assign the
    values to the profiteers
146     people(i).money = (randi([15, 25]))*1e2;
147     people(i).nitems = 0;
148     people(i).soc_stat = randi([5, 20]);
149     people(i).desire = rand()*30+70;
150     people(i).mode = 4;
151     people(i).buysell = 1;
152 end
153
154 % Assign social status to each item
155
156 item_index = 1;
157
158 for i=1:n_agents
159     for j=1:people(i).nitems
160         items_soc(item_index) = randi([8, 10])*
            people(i).soc_stat/10;
161         item_index = item_index + 1;
162     end
163 end
164
165 %% Put items for sale and make the socialites,
    profiteers and collectors buy and sell.

```

```

166 % Check the number of sellers & buyers and assign
    the selles & buyers (sellers = setters & buyers
    = everyone else in
167 % the beginning)
168 nsell = 0;
169 nbuy = 0;
170 for i=1:n_agents
171     if people(i).buysell == 0
172         nsell = nsell + 1;
173         sellers(nsell).money = people(i).money;
174         sellers(nsell).nitems = people(i).nitems;
175         sellers(nsell).socstat = people(i).soc_stat;
176         sellers(nsell).mode = people(i).mode;
177         sellers(nsell).initmoney = people(i).money;
178     else
179         nbuy = nbuy + 1;
180         buyers(nbuy).money = people(i).money;
181         buyers(nbuy).nitems = people(i).nitems;
182         buyers(nbuy).socstat = people(i).soc_stat;
183         buyers(nbuy).mode = people(i).mode;
184         buyers(nbuy).desire = people(i).desire;
185         buyers(nbuy).keep = people(i).keep;
186         buyers(nbuy).bsoc = people(i).soc_stat;
187         buyers(nbuy).bdes = people(i).desire;
188         buyers(nbuy).initmoney = people(i).money;
189     end
190 end
191 % Set a price and social status for each brand
192 for i=1:nbrands
193     brand(i).price = randi([300 600]);
194     brand(i).socstat = randi([70 100]);

```

```

195         end
196
197
198 % Put the brand to each seller (setter)
199 h = 0;
200 w = 0;
201 for i=1:nbrands
202     h = h + sperbrand(i);
203     for j=1+w:h
204         sellers(j).brand = i;
205     end
206     w = h;
207 end
208
209 sigmaprice = 0.05;
210 ks = 2.5; %constant for the standard deviation for
           the selling and buying limit prices
211 sigma = ks*sigmaprice;
212 for i=1:n_set
213     for j=1:nbrands
214         if sellers(i).brand == j
215             for k=1:sellers(i).nitems
216                 sellers(i).items(k).price = brand(j)
217                     .price*brand(j).socstat/80;
218                 sellers(i).items(k).socstat =
219                     normrnd(sellers(i).socstat, 0.5);
220                 sellers(i).items(k).sold = 0;
221                 sellers(i).items(k).time = 0; %This
222                     controls when was de object
223                     introduced.
224                 sellers(i).items(k).brand = sellers(

```



```

                                i).brand;
221         end
222     end
223 end
224 end
225
226 % The probability of a socialitees buying an item
    depends on the social
227 % status of the trendsetter that owns the item.
    Therefore, we need to make
228 % that the trendsetters with lower social status
    put their items for sale
229 % with a lower price so that they get bought
230
231 %% Parameters to change something, such as the
    increase or decrease of the buying prices and
    selling prices, etc
232 Pc = 0.7; %probability an item is bought or sold (
    If a random number is higher than this value,
    then the item will be bought. If it is lower, it
    won't be bought
233 i = 0; % Checks the amount of iterations
234 lowp = 35; %How much we lower the selling and
    buying prices of the agents who bought or sold
    something
235 highp = 40; %How much we increase the prices in
    case the agent didn't do anything
236 newitem = randi([45 60]); %How frequent we insert
    new items into the model
237 avgt = zeros(timesteps, round(timesteps/newitem)
    +1); %Preallocate the matrix containing the

```

```

    averages of all the items from one time period
238 ipt = zeros(timesteps, round(timesteps/newitem)+1)
    ; %Preallocate the matrix for the amount of
    items from one time period
239 vin = rand(nbrands, 1)*2 + 2; %Get the vintageness
    of the items once for the first iterations
240 moneypagent = zeros(3, 1); %Save the amount of
    money interchanged by each agent. The order is
241         % 1 – trendsetters, 2 –
            socialites, 3 –
242         % profiteers
243
244     for j=1:nbuy %Go through all the buyers and
        assign them their buy prices
245         buyers(j).bprice = price*normrnd(1.01,
            sigma)*buyers(j).desire/100; %This
            buying price gets affected by the desire
            of each agent to buy the good
246     end
247
248 %% Iterate
249
250 while ~isempty(sellers) && ~isempty(buyers) && i <
    timesteps
251     i = i + 1;
252     % Introduce new items each 20 timesteps
253     if mod(i, newitem) == 0
254         for j=1:length(sellers)
255             if sellers(j).mode == 1
256                 sellers(j).nitems = sellers(j).
                    nitems + round(normrnd(nitems/

```

```

n_set , 0.1));
257 for f=1:nbrands
258     if sellers(j).brand == f
259         for h=1:sellers(j).nitems
260             sellers(j).items(h).
                price = brand(f).
                price*brand(f).
                socstat/80;
261             sellers(j).items(h).
                socstat = normrnd(
                sellers(j).socstat ,
                0.1);
262             sellers(j).items(h).
                sold = 0;
263             sellers(j).items(h).
                brand = sellers(j).
                brand;
264             sellers(j).items(h).
                time = i/newitem;
265             end
266         end
267     end
268 end
269 end
270 newitem = randi([45 60]);
271 end
272
273 for j=1:length(buyers)
274     buyers(j).bprice = max(buyers(j).bprice , 0)
                ;
275 end

```

```

276
277     for j=1:nbuy
278         buyers(j).bprice = min(buyers(j).money,
279                                buyers(j).bprice);
280     end
281
282         spriceavg = 0;
283     bpriceavgsoc = 0;
284     bpriceavgcoll = 0;
285     bpriceavgprof = 0;
286
287     % Get the average buying and selling prices
288     a = 0;
289     c = 0;
290     b = 0;
291
292     avgb(i, :) = zeros(1, nbrands);
293     ipb(i, :) = zeros(1, nbrands);
294     u = 0;
295     for j=1:length(sellers)
296         for k=1:sellers(j).nitems
297             spriceavg = spriceavg + sellers(j).
298                 items(k).price;
299             u = u + 1;
300             avgt(i, sellers(j).items(k).time+1) =
301                 avgt(i, sellers(j).items(k).time+1) +
302                 sellers(j).items(k).price;
303             ipt(i, sellers(j).items(k).time+1) =
304                 ipt(i, sellers(j).items(k).time+1) +
305                 1; %Items per time
306             avgb(i, sellers(j).items(k).brand) =

```

```

301         avgb(i, sellers(j).items(k).brand) +
            sellers(j).items(k).price;
            ipb(i, sellers(j).items(k).brand) = ipb
                (i, sellers(j).items(k).brand) + 1; %
                Items per brand
302     end
303 end
304 spriceavg = spriceavg/u;
305 for j=1:length(buyers)
306     if buyers(j).mode == 2
307         c = c + 1;
308         bpriceavgsoc = bpriceavgsoc + buyers(j)
            ).bprice;
309     end
310     if buyers(j).mode == 3
311         a = a + 1;
312         bpriceavgcoll = bpriceavgcoll + buyers(
            j).bprice;
313     end
314     if buyers(j).mode == 4
315         b = b + 1;
316         bpriceavgprof = bpriceavgprof + buyers(
            j).bprice;
317     end
318
319 end
320
321 for j=1:size(avgt, 2)
322     avgt(i, j) = avgt(i, j)./ipt(i, j);
323 end
324 for j=1:size(avgb, 2)

```

```

325     avgb(i, j) = avgb(i, j)./ipb(i, j);
326 end
327 bpriceavgsoc = bpriceavgsoc/c;
328 bpriceavgprof = bpriceavgprof/b;
329 bpriceavgcoll = bpriceavgcoll/a;
330
331 avg(i, 1) = spriceavg;
332 avg(i, 2) = bpriceavgsoc;
333 avg(i, 3) = bpriceavgcoll;
334 avg(i, 4) = bpriceavgprof;
335 iter(i) = i;
336
337 % Compare buying & selling prices and
    determine whether a purchase is
338 % made or not based on a probability
    avgsoldprice(i) = 0;
339 ntrans(i) = 0;
340
341 for k=1:nsell % loop over all the sellers and
    see if any buying price is below the
    associated selling price
342     for j=1:nbuy % Loop over the buyers & as
        soon as someone buys from the seller ,
        stop the iteration
343         for h=1:sellers(k).nitems
344             if (buyers(j).bprice>=sellers(k).
                items(h).price && rand()>Pc &&
                buyers(j).bought == 0)
345                 if rand()<(sellers(k).items(h).
                    socstat/100)
346                     ntrans(i) = ntrans(i) + 1;
347                     if buyers(j).mode ~= 3 % If

```

```

the buyer is not a
collector , everything
works fine
348 % If there is a
      purchase , remove the
      item from the seller
      &
349 % put it in the buyer.
      Subtract the money
      used for buying
350 % from the buyer
      account & put it in
      the seller account
351 sellers(k).nitems =
      sellers(k).nitems -
      1;
352 buyers(j).nitems =
      buyers(j).nitems + 1;
353 soldprice = (buyers(j).
      bprice+sellers(k).
      items(h).price)/2;
354 buyers(j).money =
      buyers(j).money -
      soldprice;
355 sellers(k).money =
      sellers(k).money +
      soldprice;
356 buyers(j).items(buyers(
      j).nitems).socstat =
      normrnd(sellers(k).
      items(h).socstat , 1);

```

```

357     buyers(j).items(buyers(
        j).nitems).brand =
        sellers(k).items(h).
        brand;
358     buyers(j).items(buyers(
        j).nitems).time =
        sellers(k).items(h).
        time;
359     if buyers(j).mode ~= 4
360         buyers(j).items(
            buyers(j).nitems).
            price = sellers(k).
            items(h).price + (
                rand()+1)*buyers(j)
            .items(buyers(j).
            nitems).socstat*4;
361     end
362     if buyers(j).mode == 4
363         buyers(j).items(
            buyers(j).nitems)
            .price =
            soldprice + (rand
            ()+1)*buyers(j).
            items(buyers(j).
            nitems).socstat
            *2;
364     end
365     buyers(j).bought = 1; %
        Set a flag so that
        that buyer doesn't
        buy anymore this

```



```

iteration
366     sellers(k).sold = 1; %
        Set a flag to know
        that the seller has
        sold
367     sellers(k).items(h) =
        [];

368
369     avgsoldprice(i) =
        avgsoldprice(i) +
        soldprice;
370     if sellers(k).mode == 1
371         moneyagent(1) =
            moneyagent(1) +
            soldprice;
372     end
373     if sellers(k).mode == 2
374         moneyagent(2) =
            moneyagent(2) +
            soldprice;
375     end
376     if sellers(k).mode == 4
377         moneyagent(3) =
            moneyagent(3) +
            soldprice;
378         sellers(k).gain =
            sellers(k).gain +
            soldprice;
379     end
380     if buyers(j).mode == 4
381         buyers(j).gain = buyers

```

```

                                (j).gain - soldprice;
382         end
383         break;
384     end
385     if buyers(j).mode == 3 &&
        sellers(k).items(h).
        socstat >= 40
386         % If there is a
            purchase, remove
            the item from the
            seller &
387         % put it in the buyer.
            Subtract the money
            used for buying
388         % from the buyer
            account & put it in
            the seller account
389         sellers(k).nitems =
            sellers(k).nitems -
            1;
390         buyers(j).nitems =
            buyers(j).nitems + 1;
391         soldprice = (buyers(j).
            bprice+sellers(k).
            items(h).price)/2;
392         buyers(j).money =
            buyers(j).money -
            soldprice;
393         sellers(k).money =
            sellers(k).money +
            soldprice;

```

```

394     buyers(j).items(buyers(
        j).nitems).socstat =
        normrnd(sellers(k).
            items(h).socstat, 1);
395 buyers(j).items(buyers(
        j).nitems).brand =
        sellers(k).items(h).
        brand;
396 buyers(j).items(buyers(
        j).nitems).time =
        sellers(k).items(h).
        time;
397 if buyers(j).mode ~= 4
398     buyers(j).items(
        buyers(j).nitems).
        price = sellers(k).
        items(h).price + (
        rand()+1)*buyers(j)
        .items(buyers(j).
        nitems).socstat*5;
        %this code is
        whack
399 end
400 if buyers(j).mode == 4
401     buyers(j).items(
        buyers(j).nitems)
        .price =
        soldprice + (rand
        ()+1)*buyers(j).
        items(buyers(j).
        nitems).socstat

```

```

                                *3;
402     end
403     buyers(j).bought = 1; %
        Set a flag so that
        that buyer doesn't
        buy anymore this
        iteration
404     sellers(k).sold = 1; %
        Set a flag to know
        that the seller has
        sold
405     sellers(k).items(h) =
        [];
406     avgsoldprice(i) =
        avgsoldprice(i) +
        soldprice;
407     if sellers(k).mode == 1
408         moneypagent(1) =
            moneypagent(1) +
            soldprice;
409     end
410     if sellers(k).mode == 2
411         moneypagent(2) =
            moneypagent(2) +
            soldprice;
412     end
413     if sellers(k).mode == 4
414         moneypagent(3) =
            moneypagent(3) +
            soldprice;
415     sellers(k).gain =

```

```

                                sellers(k).gain +
                                soldprice;
416         end
417         if buyers(j).mode == 4
418             buyers(j).gain = buyers
                (j).gain - soldprice;
419         end
420         break;
421     end
422 end
423 %buyers(j).bought = 1; % This
                says that the buyer didnt
                buy the thing because of its
                socials status and not
                because of the money
424         end
425     end
426 end
427 end
428     avgsoldprice(i) = avgsoldprice(i)/ntrans(i)
                ;
429
430 %% Adjust the price in each agent depending on
                whether they bought or sold or not
431     for j=1:length(sellers)
432         for k=1:sellers(j).nitems
433             if sellers(j).items(k).sold == 0
434                 sellers(j).items(k).price = sellers(
                    j).items(k).price - 70;
435             if sellers(j).mode == 4
436                 sellers(j).items(k).price = max(

```

```

437         sellers(j).bprice, sellers(j).
            items(k).price);
438     % Profiteers won't sell it lower
            than what they bought it
439     % for, they don't want to lose
            money
440     end
441 end
442 end
443
444 for j=1:length(buyers)
445     buyers(j).socstat = buyers(j).bsoc;
446
447     for k=1:buyers(j).nitems
448         buyers(j).socstat = buyers(j).socstat +
            0.2*buyers(j).items(k).socstat;
449     end
450 end
451 for j=1:length(sellers)
452     if sellers(j).mode ~= 1
453         sellers(j).socstat = sellers(j).bsoc;
454         for k=1:sellers(j).nitems
455             sellers(j).socstat = sellers(j).
                socstat + 0.2*sellers(j).items(k).
                socstat;
456         end
457     end
458 end
459
460 %% Updating Desire of agents

```

```

461 % The desire of the socialitees decreases as
    the have more socstat. But
462 % in increases when they have less social
    status. For the profiteers ,
463 % the desire goes with the difference between
    their initial money and
464 % their money now
465 for j=1:length(buyers)
466     if buyers(j).mode == 2 %Only if they are
        socialitees
467         buyers(j).desire = buyers(j).bdes + (
            buyers(j).bsoc - buyers(j).socstat)
            *0.9;
468     end
469     if buyers(j).mode == 4 %Only the
        profiteers
470         buyers(j).desire = buyers(j).bdes - (
            buyers(j).money - avgsoldprice(i))
            *0.01;
471     end
472     if buyers(j).mode == 3 %Collectors
473         buyers(j).desire = buyers(j).bdes + (
            buyers(j).bsoc - buyers(j).socstat)
            *0.1;
474     end
475     buyers(j).desire = max(buyers(j).desire ,
        0);
476     buyers(j).desire = min(buyers(j).desire ,
        100);
477 end
478 for j=1:length(sellers)

```

```

479         if sellers(j).mode == 2 %Only if they are
           socialitees
480             sellers(j).desire = sellers(j).bdes +
               (sellers(j).bsoc - sellers(j).
                 socstat)*0.9; %Their desire lowers
               when they have a high social status
               and viceversa, it increases when
               they have a lower social status
481             sellers(j).desire = max(sellers(j).
               desire, 0);
482             sellers(j).desire = min(sellers(j).
               desire, 100);
483         end
484         if sellers(j).mode == 4 %Only the
           profiteers
485             sellers(j).desire = sellers(j).bdes -
               (sellers(j).money - sellers(j).
                 initmoney)*0.01; %Same as
               socialitees but
486             sellers(j).desire = max(sellers(j).
               desire, 0);
487             sellers(j).desire = min(sellers(j).
               desire, 100);
488         end
489     end
490
491     for j=1:length(buyers)
492         buyers(j).avgiprice = 0;
493     end
494     for j=1:length(buyers)
495         if buyers(j).mode == 4

```



```

496         for k=1:length(buyers(j).items)
497             buyers(j).avgiprice = buyers(j).
                avgiprice + buyers(j).items(k).
                price;
498         end
499         buyers(j).avgiprice = buyers(j).
                avgiprice/length(buyers(j).items);
500     end
501 end
502
503 %% Conversion of buyers and sellers
504 % Change all the buyers that do not have
    enough money (based on the avg
505 % selling price) and make them sellers.
    Collectors do not become
506 % sellers , as they don't want to sell.
507 k = 0; %k indicates the amount of buyers that
    have to be deleted
508 svindex = []; %Saves the indices that have to
    be deleted
509 nsell = length(sellers);
510 nbuy = length(buyers);
511 for j=1:nbuy
512     if (buyers(j).nitems > 0 && buyers(j).mode
        == 4 && buyers(j).avgiprice > 1.1*
        avgsoldprice(i))
513         k = k + 1;
514         sellers(nsell+k).money = buyers(j).
            money;
515         sellers(nsell+k).socstat = buyers(j).
            socstat;

```

```

516     sellers(nsell+k).nitems = buyers(j).
        nitems;
517     sellers(nsell+k).gain = buyers(j).gain;
518     sellers(nsell+k).bprice = buyers(j).
        bprice; %This is so sellers remember
        the price they bought the item for
519     sellers(nsell+k).items = buyers(j).
        items;
520     for h=1:buyers(j).nitems
521         sellers(nsell+k).items(h).sold = 0;
522     end
523     sellers(nsell+k).mode = buyers(j).mode;
524     sellers(nsell+k).initmoney = buyers(j).
        initmoney;
525     sellers(nsell+k).bsoc = buyers(j).bsoc;
526     sellers(nsell+k).bdes = buyers(j).bdes;
527     sellers(nsell+k).sold = 0;
528     svindex(k) = j; %Store the index of the
        buyer that has to be deleted
529     end
530     if (buyers(j).money < avgsoldprice(i)*1.5
        && buyers(j).nitems > 0 && buyers(j).mode
        == 2) || (buyers(j).mode == 2 && rand()
        < 0.2 && ~isempty(buyers(j).items))
531         k = k + 1;
532         sellers(nsell+k).money = buyers(j).
            money;
533         sellers(nsell+k).socstat = buyers(j).
            socstat;
534         sellers(nsell+k).nitems = buyers(j).
            nitems;

```

```

535     sellers(nsell+k).gain = buyers(j).gain;
536     sellers(nsell+k).bprice = buyers(j).
        bprice; %This is so sellers remember
        the price they bought the item for
537     sellers(nsell+k).items = buyers(j).
        items;
538     for h=1:buyers(j).nitems
539         sellers(nsell+k).items(h).sold = 0;
540     end
541     sellers(nsell+k).mode = buyers(j).mode;
542     sellers(nsell+k).initmoney = buyers(j).
        initmoney;
543     sellers(nsell+k).bsoc = buyers(j).bsoc;
544     sellers(nsell+k).bdes = buyers(j).bdes;
545     sellers(nsell+k).sold = 0;
546     svindex(k) = j; %Store the index of the
        buyer that has to be deleted
547     end
548 end
549
550 for j=1:k
551     h = svindex(k-j+1);
552     buyers(h) = [];
553 end
554
555 % Now check if any of the sellers who are not
    a setter has no items and
556 % make them buyers. nsell is updated with the
    new amount of sellers ,
557 % but it should not change the buyers who just
    became sellers , as they

```

```

558 % would have items , if everything worked
      correctly
559 k = 0;
560 svindex = [];
561 nsell = length(sellers);
562 nbuy = length(buyers);
563 for j=1:nsell
564     if sellers(j).nitems == 0 && sellers(j).
        mode ~= 1
565         k = k + 1;
566         buyers(nbuy+k).money = sellers(j).money;
567         buyers(nbuy+k).nitems = sellers(j).
            nitems;
568         buyers(nbuy+k).socstat = sellers(j).
            socstat;
569         buyers(nbuy+k).mode = sellers(j).mode;
570         buyers(nbuy+k).gain = sellers(j).gain;
571         buyers(nbuy+k).items = sellers(j).items;
572         buyers(nbuy+k).initmoney = sellers(j).
            initmoney;
573         buyers(nbuy+k).bought = 0;
574         buyers(nbuy+k).bdes = sellers(j).bdes;
575         buyers(nbuy+k).bprice = price*normrnd
            (1.01, sigma);
576         if sellers(j).mode == 2 %The seller is a
            socialitee
577             buyers(nbuy+k).desire = rand()
                *30+70;
578
579         end
580         if sellers(j).mode == 4 %The seller is a

```

```

                    collector
581         buyers(nbuy+k).desire = rand()
                    *20+50;
582     end
583     buyers(nbuy+k).bsoc = sellers(j).bsoc;
584     svindex(k) = j;
585 end
586 end
587 for j=1:k
588     h = svindex(k-j+1);
589     sellers(h) = [];
590 end
591 nbuy = nbuy + k;
592 nsell = nsell - k;
593
594 for j=1:nbuy
595     if buyers(j).bought == 0
596         buyers(j).bprice = buyers(j).bprice +
                    normrnd(highp*buyers(j).desire , 90)/50;
597     else
598         buyers(j).bprice = buyers(j).bprice -
                    normrnd(lowp/buyers(j).desire , 0.1)*50;
599     end
600 end
601
602 for j=1:nbuy
603     buyers(j).bought = 0; %Restart the bought
                    flag for the next iteration
604 end
605 for j=1:nsell
606     sellers(j).sold = 0; % Restart the sold flag

```

```

        for the next iteration
607     end
608     % Check that at least one seller has items to
        sell & at least one buyer
609     % has money to buy
610
611     % Give some money to the people that don't
        have enough money, as if they
612     % earned money in their jobs
613
614     for j=1:length(buyers)
615         if buyers(j).money < price*2 && buyers(j).
            bought == 0
616             buyers(j).money = buyers(j).money + 120;
617         end
618     end
619
620     %Check if an seller is ready to leave the game
        with the same procedure
621     if ~isempty(sellers) && ~isempty(buyers)
622         buypos = 0;
623         sellpos = 0;
624         for j=1:length(sellers)
625             if sellers(j).nitems > 0
626                 sellpos = sellpos + 1;
627             end
628         end
629         for j=1:nbuy
630             if buyers(j).money > 0
631                 buypos = buypos + 1;
632             end

```

```

633         end
634     end
635
636     %% Updating Shoe Item Stats
637     %In every iteration the social status of the
        shoe is affected by
638     %depretiation and by the vintageness of the
        shoe (brand)
639     %
640     if mod(i , 4) == 0
641         vin = rand(nbrands , 1)*2 + 2;
642     end
643     for j=1:length(buyers)
644         for k=1:buyers(j).nitems
645             buyers(j).items(k).socstat = buyers(j).
                items(k).socstat - (rand()+1)*3.5; %
                The social status of the object is
                affected by depretiation
646             buyers(j).items(k).socstat = buyers(j).
                items(k).socstat + (rand()+1)*vin(
                buyers(j).items(k).brand); %The
                social status is affected by the
                vintageness of the brand
647         end
648     end
649
650     % Delete the items that have a really low
        social status as nobody is
651     % going to buy them
652     itdel = zeros(1, 2); %his array keeps the
        index of the person and the index of the

```

```

        item tobe removed. First person, then item
653 a = 0;
654 for j=1:length(buyers)
655     for k=1:length(buyers(j).items)
656         if buyers(j).items(k).socstat <= 7
657             a = a + 1;
658             itdel(a, 1) = j;
659             itdel(a, 2) = k;
660         end
661     end
662 end
663 for j=1:a
664     i1 = itdel(end-j+1, 1); %This variable
        keeps the buyers from which the item has
        to be deleted
665     i2 = itdel(end-j+1, 2); %This variable
        keeps the index of the item to be
        deleted
666     buyers(i1).items(i2) = [];
667 end
668 for j=1:length(buyers)
669     buyers(j).nitems = length(buyers(j).items);
670 end
671 for j=1:length(sellers)
672     if sellers(j).mode ~= 1
673         for k=1:sellers(j).nitems
674             sellers(j).items(k).socstat =
                sellers(j).items(k).socstat - (
                    rand()+1)*3.5; %The social status
                    of the object is affected by
                    depretiation

```



```

675         sellers(j).items(k).socstat =
            sellers(j).items(k).socstat + (
                rand()+1)*vin(sellers(j).items(k)
                    .brand); %The social status of
                    the item is affected by the
                    vintageness of the brand
676     end
677 end
678 end
679 % Delete the items that have a really low
        social status as nobody is
680 % going to buy them
681 itdel = zeros(1, 2); %his array keeps the
        index of the person and the index of the
        item to be removed. First person, then item
682 a = 0;
683 for j=1:length(sellers)
684     for k=1:length(sellers(j).items)
685         if sellers(j).items(k).socstat <= 7
686             a = a + 1;
687             itdel(a, 1) = j;
688             itdel(a, 2) = k;
689         end
690     end
691 end
692 for j=1:a
693     i1 = itdel(end-j+1, 1); %This variable
        keeps the seller from which the item has
        to be deleted
694     i2 = itdel(end-j+1, 2); %This variable
        keeps the index of the item to be

```

```

        deleted
695     sellers(i1).items(i2) = [];
696 end
697 for j=1:length(sellers)
698     sellers(j).nitems = length(sellers(j).items
        );
699 end
700
701 %Shift the buyers & the sellers so they
    randomize a little bit
702
703 rndb = randperm(length(buyers));
704 buyers = buyers(rndb);
705 rnds = randperm(length(sellers));
706 sellers = sellers(rnds);
707 %     buyers = circshift(buyers, 100);
708 %     sellers = circshift(sellers, 100);
709
710 nbuy = length(buyers);
711 nsell = length(sellers);
712
713 %% Plotting Useful Parameters
714 figure (1);
715 hold off;
716 plot(iter, avg(:, 1), 'DisplayName', 'Average
    total selling price', 'Linewidth', 1);
717 hold on;
718 drawnow;
719 plot(iter, avg(:, 2), 'DisplayName', '
    Socialitee average buying price', 'Linewidth
    ', 1);

```

```

720     hold on;
721     drawnow;
722     plot(iter , avg(:, 3), 'DisplayName', '
        Collectors average buying price', 'Linewidth
        ', 1);
723     hold on;
724     drawnow;
725     plot(iter , avg(:, 4), 'DisplayName', '
        Profiteers average buying price', 'Linewidth
        ', 1);
726     hold on;
727     drawnow;
728     legend ( 'Location', 'northwest' );
729     title ( 'Average Item Price at Each Time' )
730     xlabel ( 'Time' )
731     ylabel ( 'Price' )
732     figure(2);
733     hold off;
734     for j=1:floor(i/newitem)+1
735         plot(iter , avg(1:i, j), 'DisplayName',
            strcat( 'Time ', num2str(j-1)));
736         hold on;
737         drawnow;
738     end
739     legend ( 'Location', 'northwest' );
740     figure(3);
741     hold off;
742     for j=1:(size(avgb, 2))
743         plot(iter , avgb(:, j), 'DisplayName',
            strcat( 'Brand ', num2str(j)));
744         hold on;

```

```

745         drawnow;
746     end
747     legend ( 'Location' , 'northwest' );
748 end
749 figure(6);
750 hold off;
751 plot(iter , avgsoldprice , 'DisplayName' , 'Average
    transaction price');
752 hold on;
753 legend( 'Location' , 'northwest' );
754 gain = zeros(n_prof , 1);
755 c = 0;
756 for i=1:length(buyers)
757     if buyers(i).mode == 4
758         c = c + 1;
759         gain(c) = buyers(i).gain + buyers(i).
            nitems*avg(end , 1);
760     end
761 end
762 for i=1:length(sellers)
763     if sellers(i).mode == 4
764         c = c + 1;
765         gain(c) = sellers(i).gain + sellers(i).
            nitems*avg(end , 1);
766     end
767 end
768 figure(7);
769 area(gain);
770 xlim([0 n_prof]);
771 xlabel( 'Profiteers' )
772 ylabel( 'Net Profit' )

```

```

773 title('The End Profit of Each Profiteer');
774 figure(5);
775 area(gain);
776 xlim([0 n_prof]);
777 figure(6);
778 subplot(2, 1, 1);
779     hold off;
780     plot(iter, avg(:, 1), 'DisplayName', 'Average
        total selling price', 'Linewidth', 1);
781     hold on;
782     drawnow;
783     plot(iter, avg(:, 2), 'DisplayName', '
        Socialitee average buying price', 'Linewidth
        ', 1);
784     hold on;
785     drawnow;
786     plot(iter, avg(:, 3), 'DisplayName', '
        Collectors average buying price', 'Linewidth
        ', 1);
787     hold on;
788     drawnow;
789     plot(iter, avg(:, 4), 'DisplayName', '
        Profiteers average buying price', 'Linewidth
        ', 1);
790     hold on;
791     drawnow;
792     ylabel('Price [Currency Units]');
793     legend;
794 subplot(2, 1, 2);
795     plot(iter, ntrans, 'DisplayName', 'Number of
        transactions');

```

```
796     ylabel( 'Transaction ' );  
797     xlabel( 'Time [Days] ' );  
798 end
```