

Reselling 101 on StockX

Abstract

In today's modern era, there are many opportunities to make money. From kids to adults, with the right mindset and proper research, anyone can profit simply from their homes. Especially with the coronavirus, people are seeking any chance to make a few extra bucks. While in the past, trading in the stock market seemed to be the only viable option to make money that is worth your time. However, now, with the evolving technology, there are various ways to bring in revenue such as YouTube, filling out surveys, or reselling. We are going to be diving further into reselling and a subset of that we will be inspecting the sneaker aspect of reselling. Moreover, for the simplicity of this study, most of the time we will generally only be inspecting men sized shoes. This is something that is not as expected as sneakers to many are just another clothing piece. However, in this study, we will be analyzing how top brands utilize their sponsorships and culture to stir a "hype" around their sneakers causing the demand for these sneakers to skyrocket like never before. Furthermore, we will be talking about the program that I have implemented to help determine users whether they should purchase/sell the sneaker.

Keywords: Reselling, sneakers, profit

Introduction

First, it is essential to understand the concepts of reselling. Many platforms allow for quick, easy uploads of your product. Aftermarket places such as Mercari, or Grailed are centered around exclusive sneakers and sometimes offer tempting prices. However, the downsides of this is that many of these products can be counterfeits. Not surprisingly, as a demand for a certain product goes up, there will be people creating counterfeits for people that cannot afford the aftermarket prices. Unfortunately, some people will pounce on counterfeits for their benefit as they plan to use it to sell as authentic. To add salt to the wound, unless people are making payments with PayPal, Mercari and Grailed are all notoriously known in the past to not fulfill a refund if a customer received unauthentic sneakers. As per Mercari's return policy, it states, "If it isn't then you have 3 days from the delivery date to request a return and if you didn't request return all sales are final" (Javed, 2020). Furthermore, from personal experience, the return policy is woeful on Grailed. To elaborate, when I was starting to resell, I purchased a product from Grailed with PayPal that turned out to be fake, I had to pay for shipping to return the product which ended up being over a hundred US dollars, prompting me to take the loss. So, it can be a major setback without the proper precautions.

So, without the properly trained eye to identify a sneaker's authenticity, one can easily fall for the replica. Moreover, over the years, counterfeit products have been getting extremely close to the actual product. However, since these companies, mostly in Asia, want to avoid getting sued, they always leave a certain flaw so that it can be distinguishable. Furthermore, as there are a lot of people that refuse to pay upwards of 30% plus markup prices from the retail price point, purchasing fakes are more and more prominent. Gallagher writes that there is even a

Reddit page called “‘Repsneakers’ with over 176,000 members” (Gallagher, 2019). This subreddit specializes in offering people to purchase exclusive sneakers at a severely cut-price and unbelievably high quality. Now, if this does not grab your attention on the storm exclusive sneakers are making into the economic market, I do not know what will.

Furthermore, for the few that are still not convinced of the financial opportunities that can be attained, look at some successful entrepreneurs such as Benjamin Kapelushnik. According to Levin, Kapelushnik has successfully earned over six-figures from selling Adidas Yeezys and Air Jordans and has well over 5,000 sneakers in his inventory (Levin, 2016). He did this at just sixteen. Most of us at sixteen were worrying about homework, but in reality, anyone can make money. This is just one of the countless other people that benefited from the rise of sneakers. It is to the point that sneakers can be paralleled to the stock market. Buy when the price is low, like when shoes are selling for retail, hold so that the demand of the sneakers rises, and finally sell when the price of the product is selling at an amount sellers are satisfied.

However, there is still hope for those trying to purchase authentic items without getting scammed. There are aftermarket places such as StockX, GOAT, and Stadium Goods that offer a middleman service to make sure that the product you are receiving is authentic. Now, this process helps reassure users as they know for a definite fact that the product they are receiving is authentic. But, there is a catch for this as you would have to pay a little more for the company’s authentication process from the buyer’s point of view and a commission rate from the seller’s point of view. However, I strongly believe that paying these prices is worth eliminating the fear of getting scammed from either end of the party.

Seller's Point of View

First, we will discuss when the best time is to sell from a seller's point of view. To begin, let's focus on what it is like selling on StockX. As per Model 1, it can be seen that there are multiple tiers of seller fees. A motivation factor that grants sellers a lower commission rate if

Level	Sales Required	Sales (\$)	Transaction Fee*
1	n/a	n/a	9.5%
2	3	n/a	9.0%
3	30	\$10,000	8.5%
4	100	\$25,000	8.0%

Note:
*All sellers in all Levels have a 3% payment processing rate in addition to the StockX selling rate.
Handbags: 14.5% regardless of number of sales
Watches: 9.9% regardless of number of sales
Funko Pop!: \$10 flat fee regardless of number of sales

"What are stockx selling fees?", 2020

Figure 1

they sell more. Moreover, StockX takes a three percent payment processing fee from the sold listing. Thus, using this formula:

$$Profit = Sold (1 - payment\ processing\ fee - transaction\ fee)$$

Understanding the formula is an essential part of reselling as many times when a novice reseller buys a sneaker for \$150 and sells it for \$300, they think they made \$150 which is not the case as they made \$112.50 in reality. While in this example the seller made \$37.50 less than expected, a harsher example would be if a reseller bought a pair of "bricks" or a pair of sneakers that did not have the promising seller rate as expected. This can result in the seller taking a loss, which will hurt their bank account and time.

But, there have been countless pairs of shoes that had disappointing resell predictions only to skyrocket in the future. To elaborate, Woolf has examined the Nike Dunk High “Undeclared” colorway’s price point. He reported that “In 2018, it saw an average resale price of \$328. In 2019? It jumped to \$644” (Woolf, 2019). Moreover, in 2020, this shoe’s average price is going for \$847 in 2020. Thus, sellers need to find the sweet spot of finding when the best time to sell their equity; similar to stocks. So, when is it a good time to sell? According to “Profit margin - guide, examples, how to calculate profit margins”, if a product can fetch over a 15-20 percent profit margin, it is considered a good profit point (“Profit margin - guide, examples, how to calculate profit margins”, 2019). Moreover, calculating these profits is quite easy. The formulas are:

$$\text{Gross Margin} = \text{Gross Profit} / \text{Revenue}$$

$$\text{Net Margin} = \text{Net Income} / \text{Revenue}$$

Now, to get these values, there are five factors to be examined: revenue, cost of goods, gross profit, other expenses, and net income according to (“Profit margin - guide, examples, how to calculate profit margins”, 2019). It is easiest to visualize with an example. So, assume that you sold a pair of shoes for \$220, this is your revenue. Next, you bought the shoe for \$100, which is your cost of goods. Now, your gross profit is the revenue subtracted by the cost of goods which is \$120. Next, other expenses may be shipping fees, taxes, commission fees, etc. For calculation purposes let's make that \$10. Finally, the net income would be gross profit minus other expenses which is \$110. Now, when we plug it into the gross margin and net margin formula respectively, it is seen that the percentages are 54.5% and 50%, which would indicate that this sale was very profitable.

Now, generally speaking, any exclusive shoe will rise over time as there will never be another restock. So, now it depends on whether or not you are a short-term or long-term reseller. If you are a short term reseller, once you hit the 15-20% profitable margin, selling it would be a good idea. However, if you are content with holding the sneaker, it is smart to educate yourself on the trend of the price of the sneaker. To elaborate, on average Justin Gage reported that sneakers resell around 1.48 times their retail price. So, when the average is hovering around that value, it is a good indication that that price point is more or less the maximum price point.

Finally, it is also important to evaluate how many sales your product has. For example, if your sneaker is currently reselling for \$250 but has 50 past sales, it is most likely an inaccurate representation of the market as in the product is actually worth less than \$250 or there are only a certain group of people that would want the product. Both of these options are not that ideal for a reseller as this may indicate a slow sell.

Thus, it is important to understand the sneaker industry when being a reseller. Evaluating profit margins, commissions rates, and whether to hold or sell are all key components to be a successful reseller. Without these factors, there will be many downfalls and lessons learned.

Buyer's Point of View

Now, from a buyer's point of view, everything that was stated before can be interpreted oppositely. My program can help buyers determine whether or not it is a good time to purchase a sneaker or not using the same logic. There are also other parts to consider when purchasing a sneaker.

To begin, it is important to evaluate the demand for the product. Top sneaker companies such as Nike and Adidas utilize well-known figures such as Michael Jordan, Virgil Abloh, Travis

Scott, and Kanye West to name a few. These influencers have a huge impact on the aftermarket. As they are considered role models, for the most part, their shoes influence the culture of the market. So, if you take a regular pair of Nike Air Force 1 Low and compare it to the Nike Air Force 1 Low “Travis Scott Cactus Jack”, the regular pair retails for \$90 and has a resale value of \$90-100. However, due to Travis Scott’s name, his pair of Air Force 1 Low resells for \$580 on average on StockX. Moreover, since this shoe will never restock again, the price of these shoes will continue to rise in the future. This is different from Kanye West’s Yeezy line. West’s motive when switching from Nike to Adidas was to promise the public that his shoes will be easily accessible to the public. While his shoes still sell out every drop, the profit margins are not as large as Travis Scott because Kanye West saturates the market. So, understanding how the designers influence the culture is important.

Next, noting if your desired product is going to restock is very important. Most of the time, a restock will indicate a deflation in pricing as there is more supply in the market, the price will come down. So, if you are trying to purchase a sneaker, it is a good rule of thumb to purchase then.

Moving along, most of the time the best time to purchase a sneaker is a week after the drop has occurred. This is because most resellers are trying to make a quick profit, immediately putting on the market as soon as their shoes come. So, as more people want to sell their sneakers quickly, the price goes down and down. So, from a buyer’s point of view, this is the golden opportunity to buy.

Finally, if you are someone that is content with buying used sneakers, this is a great way to save money. To elaborate, even a shoe worn once severely slashes the price of a sneaker as the

sneaker is not considered new (deadstock) anymore. GOAT has a used sneaker platform for users to obtain their grails at a seriously discounted price.

Thus, these are just a few tips on when purchasing a sneaker makes the most sense. It is essential to stay educated yourself and understand when the right time to buy a sneaker.

Program

Languages: Java

Software: IntelliJ

Stylistic Choices:

- I. First, the program prompts the user to input a sneaker model that they are looking to sell or buy.
- II. The program now extracts the user's input and extracts it into a URL format.
 - A. If the URL is not valid, it will return an error message and prompt the user to reenter the sneaker they are looking for.
- III. Next, the program will release all of the information about current prices for every single size, number of sales, price premium, and average sale price.
 - A. So, this will allow users to understand how the aftermarket is in regards to the product.
 - B. One thing to note is that on StockX's website, they only display the statistics of the last twelve months. However, with my web scraping, the program can obtain the total data allowing a more accurate image of the potential sale of the shoe.
- IV. Next, the program analyzes the number of sales and price premiums of the given shoe and compares it with the average price premium on StockX (48%). Then, the program will let the users know whether or not it is a good time to sell.

- V. Finally, if the user wants to sell the shoe, the program asks them how much they are planning to sell and how much they bought the shoe for. With this information, the program can extract the necessary information to tell the users what their Gross and Net Margin are.

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