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USING DIGITAL TO DEVELOP THE MARKET FOR REFURBISHED PRODUCTS

Camille Richard
Head of CSR at Back Market

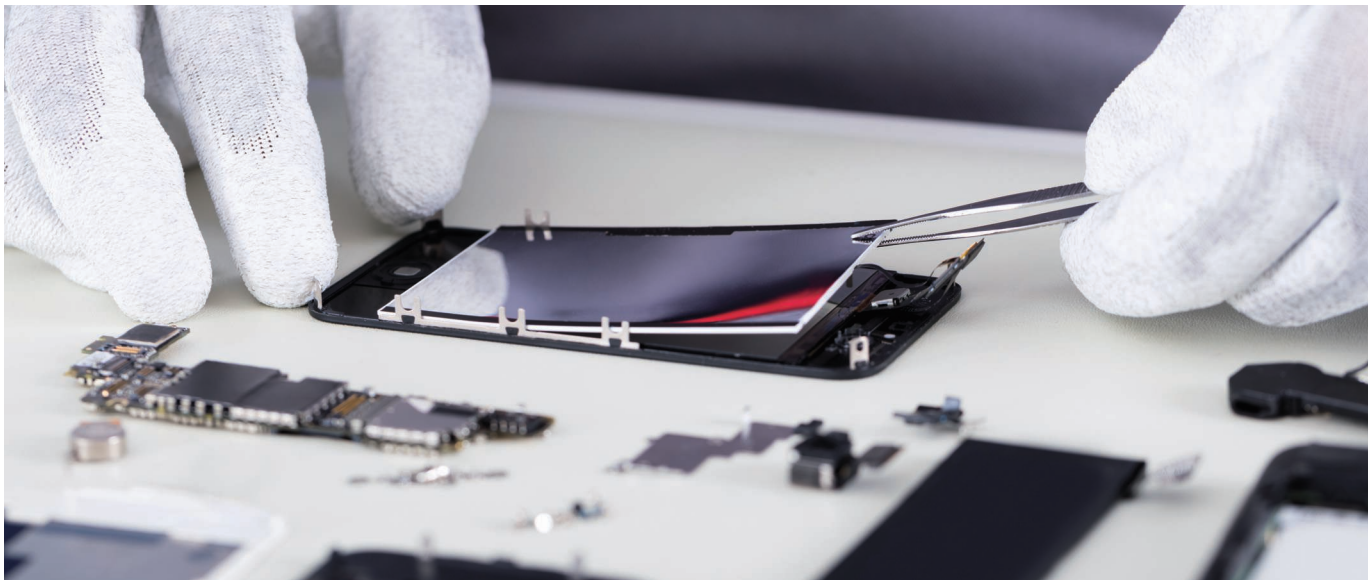


Back Market's advertising campaign in Paris underground

Camille Richard has been Head of CSR at Back Market since 2020. After several years spent with the sustainable development department at Suez, she joined Back Market to pilot the rollout of its sustainability strategy. She is a graduate of Sciences Po Bordeaux.

Back Market is a pioneering online marketplace for refurbished electronic devices and household appliances. Operating in the USA and several European countries, Back Market has designed a digital platform that helps put buyers, refurbishers and sellers of refurbished devices in touch with each other. The Back Market platform fosters the creation of new sectors of the circular economy, which in turn help promote the emergence of more responsible consumer habits.

Aside from its commercial activities, Back Market is also committed to being a socially and environmentally responsible actor, evaluating the social and environmental impact of selling refurbished products, whether in terms of job creation or the reduction of greenhouse gas emissions.



Can you give us a quick overview of Back Market and its main activities?

Camille Richard: Back Market is an online marketplace that puts consumers in touch with refurbishers of electronic products and household appliances. We have no bricks and mortar infrastructure; instead, we provide our clients and partners with a digital platform for organizing the sale and refurbishment of second-life products. Consumers can buy or sell warranted secondhand products (smartphones, computers, washing machines, etc.) via our online site.

The company was founded in 2014 and has a 500-strong workforce, based mostly in Paris, Bordeaux, Berlin and New York. We have a commercial presence in 15 countries, including France, Germany, Italy, Spain, Belgium and the USA.

Who are your main suppliers and partners?

CR: They are a very varied bunch. We work with specialists that can handle high volumes of products for repair, refurbishment and sale, as well as intermediaries such as high street pawnbrokers with access to large numbers of second-life products. These are stores that let individuals sell their used products (household appliances, clothes, books, and so on) and purchase secondhand products too, if that's what they want.

Our business model is based on a 10% commission on sales made via our platform, home to 1,500 suppliers in 184 product categories, mostly phones and computers as well as games consoles and televisions.

To ensure that our customers enjoy the best possible service, we have set up a carefully calibrated procedure for selecting our suppliers. Before gaining full access to our platform, suppliers have to go through a screening process that allows us to assess them for the first month or so. During this probationary stage we limit them to no more than 10 sales a day and keep a close watch on a range of indicators, such as their product breakdown rates, delivery times and the levels of service they offer customers.

With uncertainty about product quality being one of the main factors holding back consumers from acquiring a second-life product, how do you set about reassuring your clients?

CR: In France, we offer customers a 12- or 24-month warranty. We have also created a quality charter that our suppliers have to follow if they want to use our platform. On top of that, we place lots of anonymous orders to test the quality of our refurbishers and check that the services they offer comply with our requirements and quality charter.

What is your strategy for persuading consumers to change their buying habits?

CR: Back Market was born of the realization that there was a supply of and demand for refurbished products, but that bringing the two together was tricky, particularly because of issues linked to warranties and after-sales service.

So we decided to tackle the problem by putting in place detailed monitoring of a range of indicators. We pay special attention to the breakdown rate of products sold on Back Market and do our utmost to ensure that they are as close as possible to equivalent new products.

But consumer behaviors are changing too. Price remains the most important consideration when making a purchase, but we reckon that around a quarter of our buyers use the platform for environmental reasons, tribute to the growing importance consumers place on these issues.

The work we have put in to boost trust in refurbished products has also helped win over consumers. We have spent heavily on advertising, with posters in the metro and advertisements on TV to give refurbished products a more attractive image. Then there is the high price of new goods, which increasingly leads buyers to turn to the secondhand market.

What we need now is for manufacturers to supply spares at affordable prices, bearing in mind we don't accept spares that fall below our quality threshold. This is one reason why we paid such close attention to the details of France's law on the circular economy and combatting waste (AGEC), which proposes to use a repairability index to make access to spare parts easier.

We are seeing demand outstripping the supply of refurbished products in certain categories, such as smartphones and laptops, providing that the purchase price is not too steep. An ADEME study has shown that if the cost of a repair exceeds 35% of the new product price, consumers prefer to buy the new product.[1] But at the moment it is not necessarily in most manufacturers' best interests to make accessing spare parts and repairs any easier.

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What role does digital play in your strategy?

CR: We are a fast-growing company, but all we do is provide refurbished products to as many people as we can, something made possible by digital technologies. Since it was founded, five million consumers have purchased at least one product via the Back Market platform.

Our warranty system is made possible thanks to digital, which offers us an accurate overview of the quality of service provided by repairers and refurbishers.

Digital also helped us design an algorithm to improve the way sellers and buyers are put in touch with each other, with the aim of making sure that buyers obtain the best possible product that meets their needs and offers the best value for money.

1 ADEME (2016), Marie Hervier. Etude relative à la perception des réparateurs sur leur activité et les possibles évolutions de cette activité (*Study of repairers' perceptions of their activity and possible changes to it)*



In addition, the platform has been designed to make it possible and easy for private sellers to sell their secondhand products. It lets them provide a small amount of information about the product (purchase date, brand, etc.) that any interested refurbishers then use to make an offer to buy it.

Our platform plays an important role because we feel that refurbished products contribute to reducing the ecological impact of our consumer habits. it is important to bear in mind that half the impact of digital occurs when devices are manufactured.[2]

In a more general sense, what role do you think digital can play in the circular economy?

CR: Digital can help cut the environmental impacts of consumer goods by promoting the emergence of new buying habits that focus on second-life products. This is an important issue because not all ecological problems are solvable by developing eco-designed products.

We are hearing more and more about digital's energy impact due to the massive increase in data usage, but the ecological impact of manufacturing devices is a problem that is not taken seriously enough. And there is often a discrepancy between the data on repairability and use of recycled materials claimed by certain manufacturers and their actual practices.

To gain a better understanding of the issues, we rely heavily on research into extending device lifetimes published by ADEME. For example, one of its reports examines the environmental impact reduction obtained depending on when repairs occur during the product's lifetime.[3]

What are the biggest difficulties holding back the development of Back Market?

CR: The main difficulty we face is in the supply of second-life products. We have trouble sourcing sufficient quantities. To solve this problem, we are trying to improve the collection of electronic devices, offering solutions via our website as well as exploring the possibility of working with eco-bodies.

We also try to incite people to sell their old devices and appliances rather than leave them lying in the back of a drawer. A report from the French senate estimated that only 15% of smartphones sold are actually collected once they're no longer in use and that around "100 million telephones are 'sleeping' in our fellow citizens' drawers" (Senate report 850, 2015-2016). It is vital that people are encouraged to alter their behavior and change their habits when it comes to these issues. We also think that the tax system could be a good way to encourage consumers to choose refurbished products.

And then there is the fact that businesses are not incentivized to look into second-life products when renewing their computers.

Access to spare parts remains difficult. This issue is addressed by the AGEC law and is an area where our interests coincide with those of refurbishers.

As the Head of CSR, can you talk to us about the sustainable development challenges facing Back Market?

CR: Back Market is keen to formalize its sustainability strategy and assess the environmental impacts of refurbished products versus new products.

For example, we have set up a carbon footprint assessment to track our greenhouse gas emissions, and we are taking part in an ADEME study on the lifecycle analysis of refurbished products, the first of its kind to be carried out nationally. The study will be released in the fall of 2021.

We have also run a study of our socio-economic footprint to assess Back Market's impact in terms of job creation, whether directly within the company or indirectly, at our partner companies in the countries where we operate. We used a methodology developed by the Utopies consultancy to run the study, which is aimed at policymakers and consumers. Initial results show that refurbishers on the Back Market platform represent around 5,000 jobs.

What is your strategy for growing your international activities?

CR: We are trying to reflect the differences between each country, because buying habits and behaviors do vary slightly. For example, we offer longer warranties in Germany because German consumers are more used to them than in other countries.

In the USA, Goldman Sachs' acquisition of a minority stake in our company has given us access to a powerful network that is consolidating our strong growth in a country where more and more customers are looking for ways to buy electronic goods that are cheaper, more respectful of the environment, and offer a better warranty, particularly for secondhand products.

2 ADEME (2021). La Face cachée du numérique. Réduire les impacts du numérique sur l'environnement (*The hidden face of digital. Reducing the impact of digital on the environment*) https://www.ademe.fr/sites/default/files/assets/documents/guide-pratique-face-cachee-numerique.pdf

3 ADEME (2018). Quantification de l'impact environnemental d'une action de réparation, réemploi, réutilisation (*Quantification of the environmental impact of repairs or reuse*) https://www.ademe.fr/quantification-limpact-environnemental-dune-action-reparation-reemploi-reutilisation