



## Product Lifetime Extension Case Study: OLX Brazil

**Company name:** OLX Brazil ([website](#))

**Sector of activity:** Online marketplace; consumer goods

**Implementation area:** OLX has global operations in more than 40 countries.

OLX Brazil is headquartered in Rio de Janeiro.

**Business strategy for product lifetime extension:** Second-hand market

### The Second-Hand Market

According to a study from the *University of Paris*, "second-hand buying goes beyond the simple acquisition of a product discounted by the extent of its wear and tear and encompasses a particular form of shopping that competes with the use of conventional channels".

## Context

OLX's second-hand online market place was born from the digitalization of an existing idea: the printed newspaper classifieds, with the advantage of facilitating communication between buyer and seller. This increases sales reach and makes the research process easier for those who want to buy something, allowing price comparisons and a deeper look at product specificities.

When the platform was launched in Brazil, in 2010, one of the greatest advantages of the market for second-hand items explored by OLX was the fact that this business model guarantees a good performance in different economic scenarios, without great changeability. In periods of economic crisis, the platform is used by sellers willing to obtain extra income and buyers seeking lower costs; when the economy is good, consumption increases and, at the same time, people start searching for other ways to give a destination to their used items.

Brazil was experiencing a very positive economic situation in 2010, which contributed to OLX's quick expansion. With the increase of household incomes, many families were able to replace products, some still in good conditions, with more modern versions. The awareness that the product that would be replaced could still have use for another person and that the investment made in it could be recovered at least in parts boosted operations on the platform.

On the other hand, the current period of economic crisis in Brazil seems also favorable to the use of the platform, which currently has 6.2 million visitors per day.

With strong consumer awareness about the second-hand marketing – solidified in the beginning of OLX's operations in Brazil – selling some products meets the need to earn extra money to buy something. Buying a second-hand item also represents savings to those who need to purchase more affordable products.

## Business Model

Within OLX, there are two types of sellers: individuals willing to let go of some products they already have at home, and professional sellers that advertise a large amount of products – car rental companies, for example, sell entire fleets through the platform.

OLX does not impose any charges on transactions between individuals, which also contributes to lower product prices and, consequently, encourages both sellers and buyers to join: more than 50 items and around 5 cars are sold per minute through the platform.

Professional sellers are one of OLX's source of income, sellers are put in this category if they fit certain specifications.



## Barriers

The online buying and selling model was already well established in other countries when OLX was founded in Brazil, and one of the company's main barriers was the "attachment" of Brazilian consumers to their goods, which are often stored at home, unused. The mainstream second-hand market in Brazil was restricted to a few, often more expensive items, such as cars.

As a solution to access this potential market, OLX invested in strong marketing campaigns, targeting potential sellers. The first and perhaps best-known OLX campaign under the slogan 'Let it Go!' (in Portuguese "Desapega!") had national reach through television, Internet and radio ads, and the expression has become popular in Brazil ever since.

Over the years, the campaigns also started to focus on buyers, arguing that purchasing a second-hand item is a good deal economically, and that it also allows the consumer to find rare products, which are no longer being manufactured.

The success of OLX's marketing campaigns contributed a lot to the company becoming the largest online marketplace for buying and selling used products in Brazil.

## Results

The reasoning that buying and selling second-hand products provides economic benefits to consumers is fairly easy to understand. In addition, OLX sought to quantify the argument that such trade is capable of reducing the negative impact of consumption on the environment. Schibsted, one of the shareholders of OLX Brazil, decided to carry out a study to assess how significant the reduction of environmental impacts of the buying and selling market of used goods really is. This study was developed in nine other marketplaces around the globe and *OLX Brazil has joined this report in 2018*. The report is called '*Second Hand Effect*' and is based on the assumption that each sale of a used product replaces the production of a new, equivalent one. This method then calculates the CO2 emissions potentially avoided by buying through this type of trade.

The report showed that, in the ten marketplaces that it researched, more than 21.5 million tons of greenhouse gases were saved in 2017, and that only in Brazil 5.7 million tons of GHG were avoided in 2017, which are equivalent to those emitted by the production of 22 million sofas. In addition, the trade through the platform summed up to over 70 billion BRL (18.51 billion USD) in 2017, more than 1% of the national Gross Domestic Product.

## Next Steps

OLX understands its role as a connector between buyers and sellers, helping them build a more collaborative society. Currently its business is the sales platform that operates in several categories. And the challenge here is to identify the markets with highest sales, and expand their business opportunities through a more specialized business model for each category.

In addition to this, OLX's latest marketing approach seeks to show the consumer that the purchase and sale of used products also represents an environmental benefit, focusing on the premise that when consumers acquire a used item they help to "avoid" the production of a new one and its associated impacts.

The OLX marketing team found that it is very complex to communicate how impacts can be reduced by the purchase of a second-hand product in comparison to a new one, especially when looking to sensitize and mobilize people on the importance of extending the useful life of products through an environmental perspective.

To address this challenge, their strategy is to include this reasoning in lectures, social networks and the press (see [here](#) and [here](#)) through lighthearted campaigns and *with simple language* for the general public to easily understand.

With a wide portfolio that includes as many products as possible, such as toys, musical instruments, wedding dresses and even agricultural tractors and machines, OLX has the challenge of interacting with a variety of target audiences, always with the same purpose of favoring and stimulating the exchange of products between people.

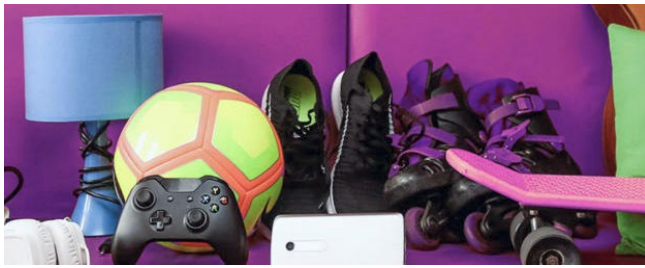


Figure 1. Examples of products sold in OLX

In addition, transactions without the exchange of money are also possible, for instance through donations or product exchanges.

## How to get involved

Consumers can participate in the second-hand market and reap its benefits: from the increase of household income to the practice of letting go of unused products. And last but not least, there is the positive side of reducing the negative impacts of consumption.

Ultimately, the expectation is that expanding the collaborative second-hand trade drives manufacturers to design products that are meant to have longer lifetimes, foreseeing multiple uses. Also, it's imperative that consumers are educated towards understanding that even though there is an impact reduction on buying second-hand, there's still impact, so every purchase should be given the importance that it's due.

## The Long View Report

This case study is related to *The Long View Report* in two main aspects:

- Consumer education and information through strong marketing campaigns that encourage the second-hand market and letting go of unused items
- Alternative business models, through the stimulation of "using" instead of "owning", that is, to "let go" of items that are no longer useful for one person but can still be useful for another.



### Open Source perspective: enable and support consumers to extend the lifetime of their products

#### Consumer education and information

The promotion of the development of (for instance) product buying/use guides, or consumer awareness/marketplace campaigns, can increase the understanding of product durability, induce a positive consumer attitude towards product maintenance and repair, and encourage consumers to hold companies to account.



### Closed Loop perspective: enable manufacturers to retain full responsibility over their products in order to extend product lifetime

#### Alternative business models

Stimulating the acceptance of alternative business models (the shift from 'owning' to 'using' products) in the Business-to-Consumer market, includes addressing privacy and other liability issues pro-actively