

# Renīhe Runway

*fashion collection*



# Our Team

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*What have been some of the key reasons that Rent the Runway has been able to establish itself so quickly? What are some of the key lessons they learned through the process of rapid experimentation? What key choices have they made that have allowed them to attract customers so quickly?*



# Early steps



Great Market/Competitor analysis. Improvement of the pitch to the Designer and also the Business Model.

Not to disrupt the market, collaborate with the designers

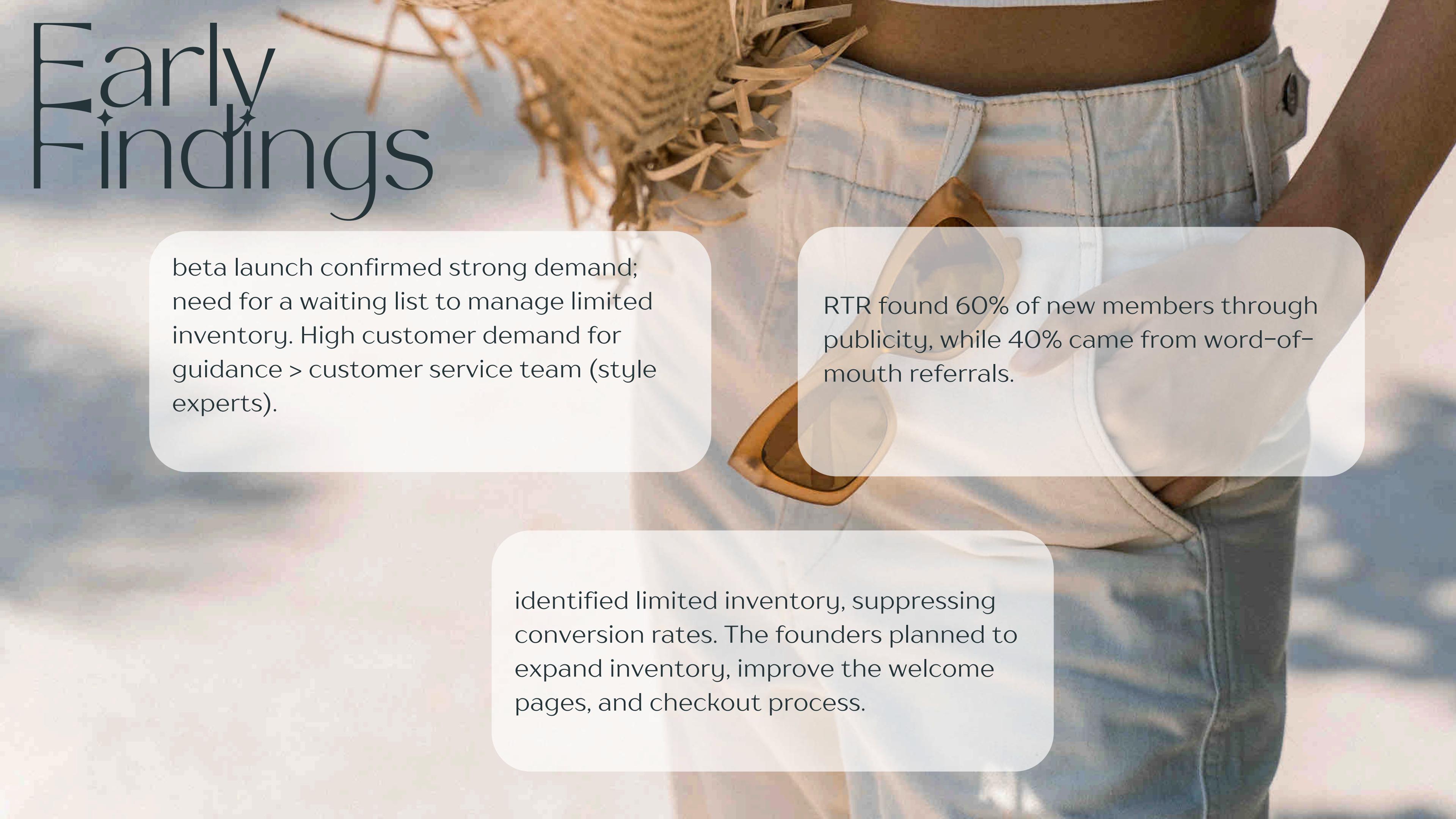
clear plan in mind and good execution of service and product quality.

Data-driven improvements incorporated feedback from experts and customers.

3 trial-and-learn approach, substantial demand; Impressed angel investors.

More control over their inventory; finding warehouses near to professional dry cleaners.

# Early Findings



beta launch confirmed strong demand; need for a waiting list to manage limited inventory. High customer demand for guidance > customer service team (style experts).

RTR found 60% of new members through publicity, while 40% came from word-of-mouth referrals.

identified limited inventory, suppressing conversion rates. The founders planned to expand inventory, improve the welcome pages, and checkout process.



Do you think that their approach is likely to be different from a direct competitive response from established players? Which players might they worry about the most, and over what time frame?

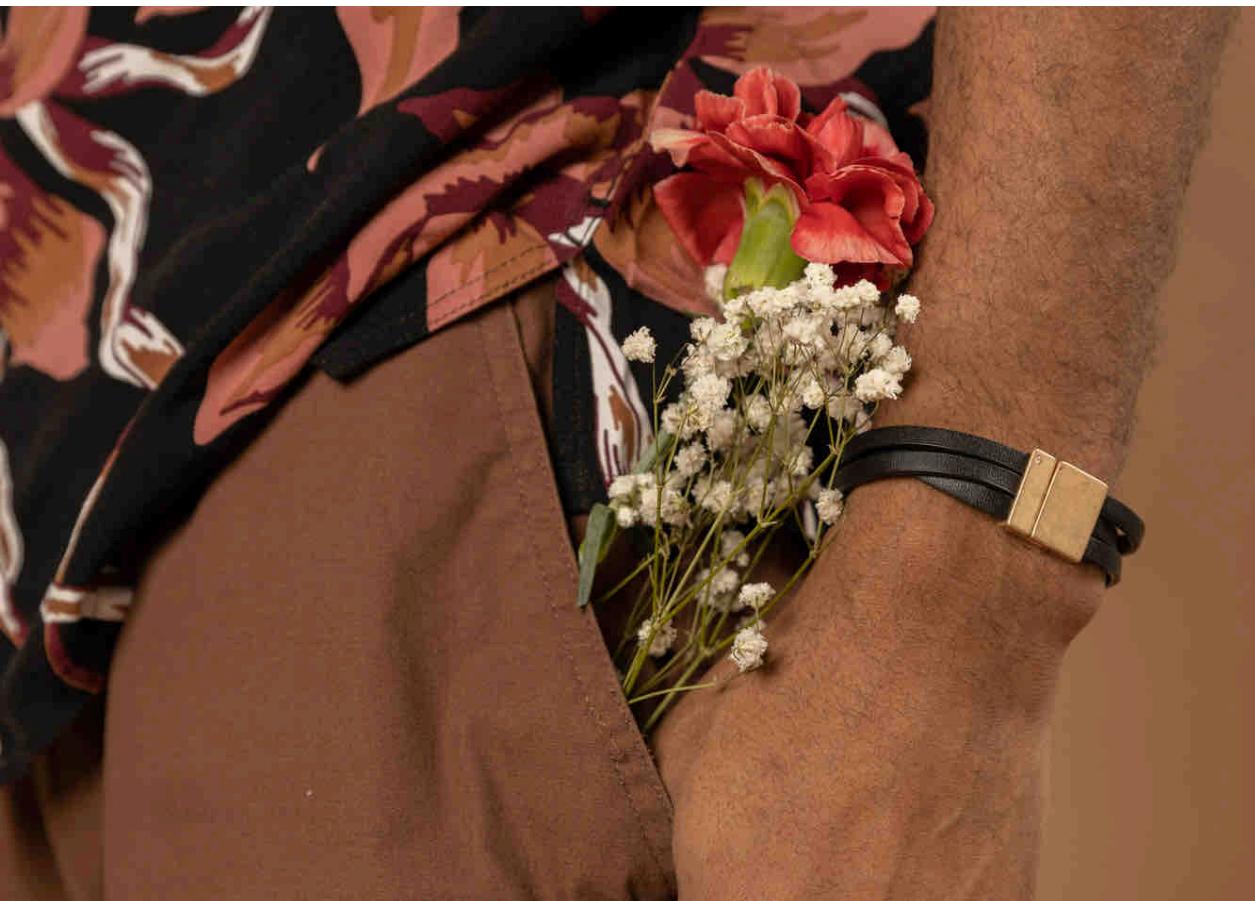
# Different Approach

- Access to designers' best new products at wholesale prices, without alienating designers.
- Negotiate designer exclusivity for some period.
- Differentiate our customer experience. Create a brand that women love; right dress, on time, with flawless, "feels-like-new" presentation; and with superb service
- No existing competitor catered to women's needs to rent a dress for a specific occasion by allowing for reservations.

# Compeiaion Timeline

- **Phase 1:** Currently, WTGT would pose a higher threat to RTR as they deal with the same type of articles/items. It is possible for them to copy or improve RTR's business model. WTGT's website or its inventory, but the site was new and could improve.
- **Phase 2:** Avelle, launched in 2004 as "Bag Borrow or Steal," focused on renting handbags, sunglasses, and jewelry. Avelle paid retail prices for their inventory and bought stale goods at the end of the fashion season.
- **Phase 3:** if Rent the Runway turns out to be a great business, we'll see serious copycats.

What are the benefits and costs of focusing on operational improvement prior to scaling, versus raising a new round of financing to take advantage of the current momentum? If they do choose to accelerate more quickly, what other changes will they need to make in order to scale?



# Pros and Cons of Operational Improvements

## Pros

- Strengthens internal organization and warehousing operations
- Hiring and training talent
- Improves conversion rates
- Better inventory management, especially during peak seasons
- Stronger unit economics
- Fewer operational errors

## Cons

- Risk of losing momentum
- Competitors may scale faster
- Limited ability to Acquire new customers
- Limited ability to Expand to a larger customer base

# Pros and Cons of Financing a new round

## Pros

- Enables faster scaling and service expansion
- Helps stay ahead of competitors
- Improving warehousing operations
- Increasing inventory
- Maintains market momentum
- Defensive move: raises barriers for new entrants

## Cons

- Lead to poor customer experience
- Cause negative word-of-mouth
- Early equity dilution, potentially reducing founder motivation
- Limited time to fix existing organizational issues
- Fragile systems increase the risk of Delivery delays

# Other changes needed to scale...

- Hire a strong CTO and other experienced managers
- Improve warehouse processes
- Manage demand/supply operations better
- Improve inventory allocation
- Avoid scaling until core competencies are fulfilled effectively

# In our opinion...

- Pursue a parallel approach rather than choosing between scaling and efficiency
- Allocate ~75% of resources to operational improvements (logistics, warehousing, systems)
- Allocate ~25% of resources to raising a new funding round
- Maintain growth momentum while fixing internal bottlenecks
- Use new funding to:
  - Hire a CTO and key technical/operations talent
  - Improve technology and infrastructure
  - Increase inventory to meet strong demand
- Existing funds are sufficient until spring 2011, allowing RTR to scale selectively without immediate financial pressure