

## HW Week 10-Ind: Case: Rent the Runway

Name: Aarjav Dutt

### Case: RTR

#### Summary:

Rent the Runway case study tells us how a simplest of an idea can turnout to be the biggest achiever in the market. It was an idea, nobody was thinking about, and yet young women had the dream and hence the requirement to wear the elitist and trendiest fashion available. The cofounders empathized with their target customers and had a very calculated approach before they could open the app to everyone. They contacted the designers, surveyed the competitors and performed market trials before they even began developing the website. And once they built the website, they again very carefully selected their audience, measured their demands and acted accordingly to them. Thus, the case also tells us how the idea of renting high end fashion, was perceived and developed into this amazing website that the cofounders had not even anticipated to become such a hit.

#### Assignment questions:

1. As the case ends in January 2010, the cofounders are considering whether to: (A) stick with the original plan to pursue operational improvements in 2010 before raising more money in early 2011; or (B) accelerate fundraising in order to expand inventory and product range, enabling RTR to serve a broader set of customer segments and usage occasions. What would be your recommendation to them and why?

Ans. The cofounders' original plan to pursue operational improvements was based upon their assumption and unexpected demand from the market. They had not anticipated such a huge turnout of customers. Hence the plan A would not work for them in future because they needed to expand their inventory and upgrade their website which would in turn also increase their customer base. According to me they should go with plan B, even though it might put heavy demand on the small management team, which is still struggling to get the operations under control. The potential of increasing their revenue depended on the opportunity to accelerate their funding in 2010.

2. Let's assume the founders decided to expand aggressively. What is more challenging: expanding to older demographics or adding new product categories (in addition to dresses)? Why? Make sure to think about all aspects of business.

Ans. Both the ideas are challenging and equally difficult to handle because both require huge capital investments and need to expand inventory, but in the case of RTR, if the cofounders would have targeted older demographic, who already have money to spend on expensive products. The cofounders' learned from the designers that it might lead to retail cannibalization. Thus RTR focused on acquiring new customers and new products.

3. How many different MVPs did they do before the launch? Describe each trial and what did they learn from it.

Ans. After reading the case study, I can see there are 3 MVP's that they tried before the launch:

- “Styling sessions” at Harvard. Women were encouraged to try on the dresses before they could rent it. Only 34% dresses got rented. It made them realize the impact of rental experience is inherently social.
- “Styling session” at Yale. This version of MVP happened with a twist. Women were not allowed to try. But the assortment of dresses were changed to focus on trendy and classic styles which were more popular at Harvard. The rental went up to 75%. These trials gave them the experience of reliability of rentals, as all the dresses were returned in good condition.
- E-mail and rental through phone. Here a random 1000 women were mailed the pdf with pictures of dresses that they could rent on telephone. Only 5% of the women rented. Although it was a lower rate than the previous trials, but it was above the target rate required for a profitable service. The cofounders learnt whether women would rent dresses online.

4. Create a timeline of actions undertaken by RTR founders. Do you agree with the decision to pursue each action? Did they make any mistakes? Explain.

Ans. RTR founders followed the following timeline:

- In late 2008, the cofounders kindled the idea and shared it. Upon agreeing they had unique skills, decided to conceive RTR.
- Met Diane Von Furstenberg, started to rent out dresses through DVF website and provided customer service and warehouse management by December 2008.
- Decided to start their own firm and buy more designers’ dresses.
- Surveyed the competitors like, WTGT and bag, borrow or steal. Learnt they wanted the best products at wholesale prices.
- Met with designers, so that they can get them onboard with RTR and to get better prices. Instead, they listened to designers and create a service to meet their needs as well.
- Performed several market trials in the spring of 2009 in different colleges.
- Prepared for launch
- Got the funding and started merchandising and built in-house warehouse operation.
- Designed and built the RTR website. It’s initial design was wrong so they relied on newly hired CTO, who outsourced the development from India.
- Gave invitation only invites to its initial customers, to limit its users in the initial phase. I think the cofounders made a few mistakes when introducing the idea to the designers and selling the new concept to the customers. They trusted their classmates from HBS and hired untrusted people to build their websites. There were mistakes all along, But they learnt from the experience and made RTR a successful business.

5. Three most important things you learned from this case?

Ans. The 3 most important things that I learnt from this case are:

- a. Sometimes, It needs a fresh perspective to change an industry. You don’t always need to have the expertise knowledge of a field to start its business.
- b. It’s always a good move to play forward with an idea with a demonstrated proof of concept. Added preparation and analysis, never hurt anyone.
- c. Teamwork always gives efficiency and effectiveness, and it saves the company’s time and resources.