



# Rent the Runway

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Marketing Plan Assignment

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# MARKETING ENVIRONMENT, SWOT, AND STP

## Customers & Consumers

Rent the Runway's core customer is fashion-forward women who enjoy having luxury experiences without the associated hefty price tag (Galbraith, 2013; Rent the Runway, n.d.). Founded in 2009, Rent the Runway was the perfect venue to offer older Millennials who were starting their careers at the time. By offering high-end apparel and trendy designer pieces to rent at a fraction of the designer's retail price, women can have the variety in their wardrobe and wear high-end labels that they may not be able to otherwise. The ability to experience high-end fashion was also uniquely attractive to the Millennial generation: this particular generation had a greater interest than any other generation to experience products and its delivery rather than owning products themselves and highly valued the accessible variety of products (Vasan, 2015). Additionally, the renting of event wear was previously targeted only for men to help offset the costs of buying a one-time outfit, but with Rent the Runway, women can also look fashionable while without spending a lot. By renting out event wear such as party dresses and gowns, women are able to access semi-formal and formal wear without buying a dress on their own. With this specific demographic in mind, the ideal consumer of Rent the Runway is the educated woman with a budding career with disposable income, and an active social life— someone who enjoys reinventing herself (Vasan, 2015; O'Connor, 2016).

In recent years, Rent the Runway has been working to expand their consumer base to women outside the corporate environment. They have released a line of more casual clothing and accessories from designers for women who still want to be well-dressed outside of work, post-secondary students, and even teenagers (Vasan, 2015; Bloomberg). Post-secondary students and teenagers are a particularly attractive demographic as they tend to have limited budgets while still wanting high-quality clothing rather than other budget-friendly retailers who offer fast fashion but at a lower quality (Vasan, 2015). Brick-and-mortar retail spaces have also been opened in four major cities in the United States to introduce the brand to new customers who do not like to shop online. Furthermore, these physical retail spaces allow existing customers to have last-minute outfits and alterations that were not otherwise feasible through the online store. Physical stores also allowed Rent the Runway to better introduce new designer brands (Vasan, 2015).

## Company & Corporate Partners

Rent the Runway was started by Jennifer Hyman and Jennifer Fleiss in 2009. Hyman had her first "eureka moment" about Rent the Runway when Hyman's sister bought a very expensive dress for a friend's wedding. Although she owned many dresses, she decided to purchase a new one because she already wore it once. Hyman realized that this was a problem among many women, and saw this as a business opportunity and discussed it with her friend Fleiss (Roberts, 2013). Rent the Runway first opened up on Harvard campus as a pop-up shop to test their target

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market by renting out dresses for events and was a successful first attempt (Kanowitz, 2017). As a result, Hyman and Fleiss decided to expand on their entrepreneurial concept of creating a method for women to share clothes. To start their venture, Hyman and Fleiss received \$1.75 million dollars from Bain Capital Ventures, and a \$60 million investment from Fidelity (Roberts, 2013).

Rent the Runway's mission and vision is to create a "Cinderella" experience at an inexpensive cost (Galbraith, 2013). This "Netflix for dresses" idea allowed women to rent designer gowns for a fraction of the retail price so that anyone can have a new dress and look beautiful for any special occasion (Larssen, 2012). Within a few years of the launch of Rent the Runway, the company has built a strong internet presence, with a big clientele. The key factors that contributed to the success of Rent the Runway is their innovative data analytics strategy and efficient dry-cleaning processes. Data is an essential part of the business: the analytics team looks at rental statistics, trends, fabrics, designers, and customers' preferences, which ultimately influences their inventory purchasing decisions (Galbraith, 2013). The dry-cleaning process is also efficient because the company's revenue relies on how quickly and how many times a dress can be rented. Experienced spotters are hired to quickly clean stains, and own advanced automated steam cleaning machines to sterilize and smooth gowns within a minute (Bertoni, 2014). To strengthen their brand, Rent the Runway partners with many fashion companies. They recently partnered with Neiman Marcus, an upscale luxury department store. Neiman Marcus believes that this partnership will attract more Millennials to shop at their store (Wahba, 2016). Rent the Runway is also partnering with hairstylists, Wella Professionals. Wella Professionals would assist customers in completing their looks by offering hair styling, beauty advice through videos, and product sampling (P&G). This is beneficial to Rent the Runway, as it provides more products and services for the customers. Additionally, an unlikely partnership between Rent the Runway and Ford in 2015 celebrated female entrepreneurs. Ford believed that the 2015 Ford Fusion car model "offers chic commuters with the sophisticated tastes the perfect blend of style and affordability" (Ford, 2014), reflecting the core values and feministic views at Rent the Runway.

On the other hand, Rent the Runway's culture has been heavily scrutinized. Previous employees described the work environment as a "culture of fear," and that Hyman has a reputation for being "cold" (Kosoff, 2015). The stressful and uninviting atmosphere resulted in high employee turnover. Back in 2015, Rent the Runway lost seven executives within ten months, mainly due to the hostile corporate culture (Roberts, 2015). A previous employee wrote a book called "The Knock-off" about Rent the Runway, describing the culture as unpredictable and erratic (Roberts, 2015).

## Competitors

Since its launch in November 2009, Rent the Runway has fashioned a reputation as a leading company in the rental e-commerce industry. According to Pike (2016), there has been a significant growth in the competitive "sharing economy" and is a category that continues to flourish. This can be credited to the rise in social media and technological adaptations, which has allowed easier collaborative consumption online between individuals (Matzler, Veider, & Kathan,

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2015). Research conducted by Yaraghi and Ravi (2016) further illustrated this market trend by estimating growth in the sharing economy to increase from \$14 billion to \$335 billion by the year 2025. Correspondingly, competition in this market has also increased alongside these projected growth estimates.

Based in the United States, Rent the Runway is an example of a company that has adopted a transformative business model. Following the shared economy trend, it has built a sustainable competitive advantage by combining traditional shopping with a convenient online rental experience for consumers. With over 6 million members to date, Rent the Runway is dominating the online rental designer wear market by reducing potential cognitive dissonance and offering consumers access to luxury items without the commitment of ownership (McKinney & Shin, 2016). Nonetheless, numerous small fashion businesses have still attempted to enter the rental e-commerce and disposable-fashion market since the upsurge in popularity. However, it is important to note that only several large companies have maintained dominance in the industry (Pike, 2016). To illustrate, Rent the Runway is the most recognized rental model in the United States that delivers unique products from top designers to millions of women for an affordable price. Many of the company's existing competitors target different customer segments and invest effort in differentiating their value proposition from Rent the Runway's revolutionary business model.

Armariium is one of Rent the Runway's direct competitors. As a company that is also based in the United States, it has adopted an identical online designer wear rental model and aims to make latest fashion trends accessible to their female consumers. In a 2016 reflective report, Hartmans explained that it offers similar luxury clothing and accessories as Rent the Runway; however, Armariium's competitive advantage comes from their offering of an experienced stylist. An added benefit that Armariium offers is the Style Brigade, a team of on-call renowned stylists who are available for hire online or in showrooms. On the other hand, Gilt Groupe has not been able to maintain a profitable outcome. Unlike Rent the Runway, this indirect competitor was unsuccessful in maintaining a complex luxury e-commerce operation and was sold to Hudson's Bay Company for \$250 million, a fraction of its original value of \$1 billion (Lynley, 2016). This, along with the lack of recognition in smaller competitors, shows that the industry competition is intense due to dominant market players in countries such as the United States and the United Kingdom. In addition, other major traditional retailers are beginning to form partnerships with high-end designers. Sherman (2015) emphasized the significance of these collaborative campaigns, which act as indirect competitors to Rent the Runway. For example, Balmain x H&M was created to deliver runway-type clothing to ordinary people. Olivier Rousteing, the creative director of Balmain, supported this idea of making fashion and luxury brands inclusive to everyone. This meant an end goal of ensuring a typical H&M customer and Balmain customer would be getting the same experience and satisfaction (Sherman, 2015). Similarly, competition with fast fashion retailers is inevitable. To illustrate, H&M is an indirect competitor in the eyes of Jennifer Hyman, the CEO of Rent the Runway (Hyman, 2017). Thus, fast fashion businesses will continue to see the effects from rising online clothing rental services which offers consumers convenience, less commitment, and access to high quality designer trends.

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Although there have been many new promising start-ups in this industry, it is rather difficult for new entrants to maintain a well-defined competitive advantage targeted towards a niche audience (Orley, 2012). As discussed above, there are already reputable companies that have established a loyal customer base and thus, it is a challenging market to disrupt. More importantly, there are logistical barriers that require dedicated planning and organizing by a new company. In comparison to other sharing economy sectors, a fashion rental service such as Rent the Runway must build relationships with world-class designers, purchase inventory, find options to maintain material quality in warehouses, ensure products are dry cleaned and delivered to the consumer on time (Pike, 2016). Therefore, the level of involvement required by company owners in terms of logistics makes it hard for start-ups to bypass barriers to entry and succeed in this kind of industry. With that said, the online clothing rental market continues to grow steadily and is predicted to reach \$1.8 million by the year 2023 as shown in an industry forecast (Iqbal, 2017).

## CDSTEP

### CULTURAL

Rent the Runway is based in the United States where a strong “access economy” culture has been established. North Americans are more focused on the experience rather than owning a product, evident through the popularity of carshares, movie rentals, and music subscriptions. This concept can be applied to any piece of clothing that can be worn more than one time. Rent the Runway offers consumers the experience of luxury rather than ownership.

The United States also has a very consumeristic culture of representing status through monetary goods. There is a high level of attention dedicated to fashion and specifically designer clothing. For example, award shows feature a “Red Carpet” segment where participants’ clothing choices are critiqued, and cities host dedicated fashion events such as New York Fashion Week. Combined with a culture of individualism, there is a strong desire for consumers to stand out with what they wear. This has influenced the clothing industry to provide a large variety of current fashion trends to allow consumers to properly represent themselves. As Morgana Bailey stated in her TED Talk, “there’s no better way to show people who I am than how I dress.” (Lacey, 2015)

### DEMOGRAPHIC

The company is based in New York, which is often referred to as the fashion capital, and have opened store locations in other large cities such as San Francisco, Los Angeles, and Washington, DC. Each of these cities features high profile individuals such as tech moguls, movie stars, or politicians, and typically host large galas and events, providing the opportunity for special occasion designer dresses.

These cities also have an overwhelmingly polarized income distribution, as with most of the United States. The middle-class makes up a majority of the population and their purchasing power is continuously decreasing. This has influenced a shift in the fashion industry towards affordable luxury (Amed, et al. 2016), allowing for a larger segment of consumers. Rent the Runway, however, is more focused on making the experience of luxury affordable rather than creating cheaper lines of

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high fashion. Additionally, there is a nearly equal gender distribution in the United States (World Bank, n.d.). Because of this, there is a strong motivation in the clothing industry, particularly those focused only on females, to develop more menswear. For example, Lululemon has had immense success of branching into a men's line (Schlossberg, 2016). Rent the Runway is currently only dedicated to catering to female consumers, and thus should consider renting to a male audience as well.

## SOCIAL

A major social trend of this century is the idea of sustainability. Within the clothing industry, consumers are influenced to promote sustainability by recycling clothing. Young fashion designers have been inclined to design collections that are upcycled, repurposed, or made with vintage fabrics (Yotka, 2017). Sustainability can also be achieved through donations and purchases at thrift stores or rentals in the case of Rent the Runway. Rent the Runway is especially helpful in this cause as their main inventory is special occasion designer dresses that are likely to be worn only once. Through rentals, these dresses can be reused by multiple consumers and reduce waste. The company aims for 30 turns per dress, sometimes reaching up to 150 turns (Fecht, 2017). Rent the Runway also uses reusable shipping bags to promote sustainability.

Other notable social issues in the fashion industry focus on racial discrimination or body shaming. There has been an attempt to incorporate more models of colour on runways and in advertisements. However, these models still often receive unfair treatments backstage (Garcia, 2017). The same applies to plus-size models who are also underrepresented in the industry. Rent the Runway has mainly avoided this issue by showing silhouette dresses in their online catalog of clothing instead of using models and by catering to women of all sizes with their large size selection that includes petite sizes, extra-long length sizes, and a plus-sized line up to size 16. The company also shows a comment section on their webpage with pictures submitted by customers to showcase the dresses in real life.

## TECHNOLOGICAL

Current technology, such as mobile apps, provides a convenient shopping experience to the consumer. Rent the Runway has developed its own mobile app with personalized recommendations as well as real-time order information (iTunes). The app also provides the company with useful user data (Miller, 2016) to create the most effective shopping experience for customers. Similarly, the dependence on technology has forced a dependence on social networking. Consumers consider opinions from other consumers above simple advertisements from the company. Rent the Runway has been exceptional with reaching out to its customers on social media with unique responses in a well-timed manner (Austin, 2015).

One type of new technology that could benefit the clothing industry is augmented reality, the ability to digitally combine virtual objects into a view of the real world. Online stores can utilize this technique to allow customers to virtually try on various pieces of clothing in various settings. For Rent the Runway, an entire experience can be simulated to ensure a perfect dress is selected for the occasion. Rent the Runway also depends heavily on its strong software algorithms to track

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more than 65,000 dresses to ensure they are shipped properly to the customer and back to be cleaned (Bertoni, 2014).

## ECONOMIC

Retail clothing sales are continuing to fall from previous years, especially in designer clothing. This drop in sales offers a unique opportunity to rental services such as Rent the Runway to capitalize on consumers who are no longer purchasing designer clothing. Neiman Marcus has also recently partnered with Rent the Runway to incorporate the option of renting into their stores (Loeb, 2016). One cause of the drop in retail sales is the shift to online shopping, a trend that is very beneficial to Rent the Runway (Murdock, 2017).

## POLITICAL/LEGAL

Many class action lawsuits have been filed recently against major fashion brands such as Kate Spade and Michael Kors for “imaginary” retail prices. Products on sale or in outlet shops are marked with a retail price despite never being sold in high-end boutiques. Similarly, lawsuits could be filed for Rent the Runway’s in-house brand, Slate & Willow. Their line features “Compare At” prices even though they are never meant to be sold. Other brands also have inaccurate retail prices that could potentially mislead consumers (Northrup, 2015).

## SWOT

*Refer to Appendix 1 for SWOT Analysis*

The product market is women typically in their 20-40s who live a semi-corporate lifestyle in which they would like to keep up with current lavish fashion trends but do not want to invest in buying that type of clothing themselves. The high-quality clothing rented out are usually worn to dates, evening events, weddings, work events or vacations. Jennifer Hyman and Jennifer Fleiss were inspired to create ‘Rent the Runway’ from observing that, they themselves, were spending thousands of dollars on gowns they would only wear once.

Competition is rising in various fashion avenues. There have been collaborations of big retail stores with high-end fashion brands such as H&M x BALMAIN where customers are able to purchase designer type clothing with lower quality materials for low costs that they can actually afford. In addition, the establishment of a luxury handbag and accessory company called Bag Borrow or Steal may be competing for the customers of Rent the Runway. Although there have been many new promising start-ups in this industry, it is difficult for new entrants to maintain a well-defined competitive advantage. A fashion rental service such as Rent the Runway must build relationships with world-class designers, purchase inventory, find options to maintain material quality in warehouses, and ensure products are dry cleaned and delivered to the consumer on time. Therefore, the level of involvement required by company owners in terms of logistics makes it hard for start-ups to bypass barriers to enter and succeed in this kind of industry. There are many macro-environmental factors that influence Rent the Runway. For example, it is situated within the United States, which has a strong “access economy” where people enjoy the concept of



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experiencing rather than owning products. Along with this, people are generally very consumeristic, meaning they believe status is represented by the monetary value of tangible items. As a result, expensive designer clothing is highly coveted by all women. To take advantage of this opportunity, Rent the Runway has locations in large city demographics featuring high-profile individuals who have disposable incomes.

## EXISTING CONSUMER SEGMENTS

### Identified Consumer Segments

*Refer to Appendix 2 for Segment Identification and Evaluation*

- Budget-Conscious Post-Secondary Students
- Young Professionals in Major Cities
- Career Women and Creatives

### Segmentation Methods

The most prominent segmentation methods used to target budget-conscious post-secondary students are demographic, behavioural and psychographic segmentation. The demographic segmentation groups these consumers based on their age and income. Post-secondary students are between the ages of 18 to 24, and their salaries are low due to their lack of education and experience in the work-field. Behavioural segmentation divides the customers based on the price-sensitive attitudes towards spending. Because students generally have little disposable income, they have stricter budgets. Clothing rentals allow students to reduce their spending, thus making Rent the Runway more appealing to these consumers. Psychographic segmentation breaks up group based on how they see themselves. Post-secondary students do not want to let their financial restrictions dictate their ability to wear designer clothing. Therefore, during special events, such as sorority semi-formals, formals, presentations or other grand events, these young women want to have the self-concept of prestige and look similar to how Rent the Runway's luxurious clothing is advertised.

For young professionals in major cities, geo-demographic segmentation is used to target this market. This segmentation uses a combination of geographic, demographic, and lifestyle characteristics for classification. It is common for people located in the same geographic area to fall into similar spending habits. In addition, more jobs are available in densely populated major cities, therefore, young professionals will likely be located there. These cities generally have higher costs of living, so young professionals who are transitioning to full-time careers still have a budget-conscious mentality. Rent The Runway is attractive for this segment because it reduces their



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spending on clothing, but in comparison with post-secondary students, young professionals are shopping for more business-oriented wardrobes. They want to build a wardrobe that suits the corporate lifestyle they are aspiring to live. Thus, they will likely choose Rent the Runway to dress presentably and make a good impression on professionals in their industry without fully investing their money in owning these pieces.

Lastly, to target career women and creatives, behavioural and psychographic segmentation is used. These women have stable careers consisting of higher income and status, therefore they have an increased willingness to pay. With the relaxed mentality of spending, and increased level of maturity and professionalism, the consumers are looking for high-end, quality outfits to match their status and appearance. These women likely want to update their wardrobe regularly to stay in fashion since they probably only wear their clothing items once. Therefore, Rent the Runway provides a good opportunity to invest in their wardrobe without completely paying for new designer pieces each time. Rent the Runway remains relevant in the industry as it adapts to consumers' changes in behaviour that occurs between post-secondary students and professional women in advanced careers.

## MARKETING MIX ANALYSIS (4PS)

### **Budget-Conscious Post-Secondary Students**

The first segment that Rent the Runway targets is post-secondary students who are budget-conscious. The number of students with common social events to attend during their studies make them a substantial demographic, and their frequent access to technology allow them to be reached by Rent the Runway's marketing efforts. Rent the Runway's online catalogue and phone app are easily accessible through smartphones and desktop so using an online base for customers allow for effective communication and a place where promotions would be noticed. Post-secondary students are usually in a financial situation and have a particular lifestyle unique to them, making them identifiable and responsive but not profitable. There is often a lack of disposable income available for students to buy new outfits for an event, although students often have multiple events to attend — parties, networking events, club functions, and the like. As a result, students would likely take advantage of the lower financial investment of renting designer clothing from Rent the Runway rather than buying a new outfit they may not wear again. Students' lack of disposable income would still make them less profitable than other target segments as they may not rent clothing as frequently or as many pieces at a time, but there is the opportunity to turn students into lifelong customers who will use Rent The Runways as they enter new life stages and transition into Rent The Runway's other target segments. The marketing mix that targets budget-conscious students must be able to allow students to remain in their limited budgets without sacrificing their want to be fashionable and maintain a certain image for events. The collection of

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semi-formal dresses, gowns, party dresses, and business casual attire would be appropriate to the type of events that students tend to attend. If students are unsure of how many events or functions they would be attending or would like to rent out clothing outside of event wear, Rent the Runway has three options to best fit their needs: RTR Update and RTR Unlimited, monthly subscriptions for either 4 pieces or unlimited clothing rentals, and RTR Reserve for students to rent as they go.

### Young Professionals in Major Cities

The second segment is young professionals in major cities. Young women in this target segment are transitioning into their careers and are beginning to have higher and more consistent income than post-secondary students. However, they tend to not have as much disposable income yet at this stage as they are transitioning into entry-level positions or climbing the company ladder. As such, young professionals may not want to spend a lot of their disposable income on an entire wardrobe that fits their occupation when there is still uncertainty over how long they will be at the job or other career fluctuations that can cause instability to their career or income. Renting pieces from Rent the Runway gives them access to designer clothing without investing much money and increases their options for their work wardrobe. Young professionals would likely be attending more work functions and networking events than other demographics, requiring access to a wider variety of business attire, cocktail dresses, and accessories for these events. Rent the Runway's availability of trendy dresses fit for daytime or casual events appeal to individuals who still want to be well-dressed outside of work hours. Moreover, the company's online website and iOS app which provides personalized recommendations ensure that renting designer clothing is a simple task, especially for Millennials who are dependent on technology and the Internet. The expansion to physical brick-and-mortar stores in six major cities in the United States gives young professionals the ability to visit physical stores for last-minute events and parties near their homes and offices. Physical stores also allow alterations, pick up, drop off, and exchanges by customers who do not have time to ship clothing. In terms of promotion, Rent the Runway stimulates demand and increases awareness of their brand by using social media and public relation tactics. For example, the company is in partnership with Swiss financial services company UBS to host an educational program and venture competition called "Project Entrepreneur" with the aim to inspire a generation of young professionals. Project Entrepreneur helps to increase recognition of Rent the Runway Foundation, and therefore, the products and services they provide gain attention through media coverage. They are then able to inform and communicate their company value — the ability to rent and wear in-trend fashion pieces for a fraction of the cost — to these young professionals who appreciate the value they receive as consumers.

### Career Women and Creatives

The third segment is career women and creatives. Currently, the company possesses a growing customer and membership base of six million women. A majority of this number, specifically 90 percent, go to work five out of seven days every week. This shows that this segment is substantial, reachable, responsive, profitable, and identifiable as these working women look for variety in their closets and Rent the Runway provides that. In terms of the product, the company

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caters to career women who dress in professional business attire. This segment primarily works in an office environment where business attire is part of the company culture. Individuals can choose from a selection of high-end blazers, blouses, and professional dresses shown on “The Work Edit” product line on their website. On the other hand, for the creative entrepreneurial women, Rent the Runway provides access to designer labels and the latest statement pieces from brands such as Rebecca Minkoff and Elizabeth Cole. Contrary to buying from traditional retail where designer clothing is difficult to find and costly, Rent the Runway offers quality business attire for a fraction of the original retail price. In addition, the adoption of its Unlimited subscription plan on its online website allows career women and creatives to rent the latest styles for a monthly fee of \$159. With a high willingness to pay and a bigger budget, this segment is composed of customers who like the idea of a rotating wardrobe for a sensible price. As a result, they become more reliable customers as they understand the benefits that come out of renting more business attire and high-end clothing with disposable income and without a significant financial investment. Career women work typical 8-hour jobs, while entrepreneurs have various schedules throughout the week and thus, it is this third segment that finds time significantly valuable. Rent the Runway delivers their value proposition through their easily accessible online website and iOS app. For busy customers who do not have time to visit traditional retail stores, this online rental model offers convenience and an efficient supply chain management system that offers free shipping, dry cleaning, and clothing repairs. In addition, the company began opening up pop-up stores in established department stores located in cities such as Los Angeles. They also now operate brick-and-mortar stores in major cities like New York and San Francisco for customers to browse physical inventory during their free time, satisfying customer service levels. In order to differentiate their company from the competition, they communicate the value of wearing high fashion clothing for an affordable cost through short-term sales promotions on holidays like Black Friday. Moreover, to inform customers of the company, Jennifer Hyman, the CEO of Rent the Runway participates in interviews for online media outlets that are well-read by career women and creatives.

## CURRENT MARKETING STRATEGY

Rent the Runway’s current marketing strategy is highly focused on digital engagement and social media promotion. They emphasize brand endorsements from friends, social media influencers, and bloggers. This creates a sense of a natural recognition, especially since consumers today have become more wary of advertising influence and sales placements. Rent the Runway also fosters organic interactions with consumers through “Style Chats” and user experience sections on the website, allowing the brand to engage with customers and encourages customers’ feelings of being acknowledged of their importance to the brand. In addition, Rent the Runway recently launched a new national campaign — a subscription catered to everyday dressing, not just for special events. This campaign is an appendage to the company’s efforts in rebranding their rental service (Pasquarelli, 2017).

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Given that Rent the Runway targets Millennials and creatives whose careers are rooted in social media and digital platforms, utilizing digital marketing strategies is the ideal method for brand promotion. By connecting with their consumers in the digital sphere through easy-to-navigate click paths, user-friendly platforms and discussion boards, reasonable prices, and carefully selected sponsored partners, Rent the Runway reinforces their positioning for accessibility, affordability, and wholesome engagement.

Rent the Runway recognizes and addresses the importance of engagement—both online and in person. By providing a space for customers to post images and contribute reviews and feedback on the gowns they rented from the site, potential consumers receive authentic insight about the products they're viewing. At the same time, when the company receives good feedback, Rent the Runway engages in community discussion and reaches out to their customers to let them know that they value their support. Due to their growing success, Rent the Runway has also started its own mini line, Slate & Willow (Maheshwari, 2015). Pieces from the line are exclusively available on the website and their brick-and-mortar stores.

While the current marketing efforts of Rent the Runway are successful and effective, the company does not have a presiding Chief Marketing Officer (Pasquarelli, 2017). At the moment, the CEO directs the marketing sector with the help of an in-house social media manager and public relation agencies. This lack of an experienced marketing director risks overlooking potential target segments. While the word of mouth is always a reliable source, a large chunk of society that doesn't engage in social media—or still heavily depend on print media and television as sources of information—may also be neglected. These are only two of many possible scenarios that may be at risk due to the absence of a CMO. However, with the rapid growth of the company, it seems that Rent the Runway would be contracting one soon.

Moving forward, digital marketing seems to be the most effective and most sustainable method for promotion as more and more people are progressing towards digital platforms. It provides the perfect space for both the company and their consumers to interact one-on-one, and avoid conflicts caused by third-party misconstrues. In a way, it seems like Rent the Runway is ahead of the game.

However, as the digital domain continues to expand, the challenges that come along with it increase as well. With the growing number of social media influencers, there is the threat of repurposed content—everyone's posts looking similar to each other's. Because these platforms are limited that specific sphere, there is the possibility of repetitiveness in campaigns. Other retailers use the same strategies, making it difficult to differentiate their product from the rest. At the same time, Rent the Runway will need to find a way to create content that stands out from the overwhelming amount of content published. Another issue is tracking the effectiveness of these campaigns. Currently, there is no way to follow the conversion abilities of influencers. To measure the effectiveness of influencers, the company will need to develop a process to track which influencers have brought their followers to the company that resulted in actual sales.

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Influencer marketing is also a threat in itself. As this line of work grows, it runs the risk of becoming ineffective as followers begin to realize that many campaigns and partnered posts are paid. Questions of authenticity and credibility arise and change the productivity of this marketing method. Additionally, governments are slowly realizing the growth of digital marketing and the lack of regulations relating to it. Their apprehensions on how to track and tax transactions (gifted and paid) could result in more stringent and firm policing in the future.

## RECOMMENDED MARKETING STRATEGY

### New Target Segment

Rent the Runway should develop a new market of customers by targeting other major cities similar to the locations of current brick and mortar stores, such as Seattle or Miami. Both cities are likely to host upscale events that require designer styles. However, they currently do not have rental services equipped to fulfill this demand, providing a unique opportunity for Rent the Runway to create a first-movers' advantage for designer clothing rental services.

While the company incorporates new cities into shipping policies, Rent the Runway should also consider introducing a brand extension of "City Collections" that features clothing integrating each city's core lifestyle into a line of clothing. City Collections should be made available at each city featuring a Rent the Runway location. For example, New York may feature a neutral colour palette while LA may be more focused on warmer colours and floral aesthetics. These collections should also be accessible from the company's website, allowing all consumers to not only experience designer apparel but also the lifestyle of a chosen city.

Similar brick and mortar stores should also be considered for smaller cities or towns. Market testing can easily determine whether dress rental services could be of value to individuals who may not lead a "high-profile" social life. The advantage of smaller towns could be the lack of competition if market testing is successful. People who live in small towns would likely prefer a more casual line to rent and less event focused items.

In addition, Rent the Runway can diversify into the vacation industry. Wardrobes tailored to individual vacationing needs can be assembled and shipped to resorts to await the customer's arrival. These customized packages can be created from suggestions for each location, ranging from beach attire to ski gear. This option reduces the amount of luggage travellers must carry on their trips, ensures any special clothing remains clean and wrinkle-free. This is beneficial for women who did not have time to shop prior to their trip. By partnering with specific resorts and storing extra styles on the premise, Rent the Runway can also provide last-minute changes or additions to the wardrobe as customers' vacation needs shift.

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## Technological Advancement

Another recommended strategy for Rent the Runway is that they should advance their technology. Currently, Rent the Runway's app is only supported on the Apple iOS platform. Therefore, they should have the mobile app available on all platforms so that they can increase their customer interactions and have a more direct marketing channel. Additional features should also be developed in their app to provide a more personalized, customer-oriented experience. One feature is to add a product simulation feature that allows customers to virtually "try on" clothing, and to easily test out multiple outfits before renting. This can simulate the effects of the apparel on customers' bodies, and therefore better match products to consumers. Virtual simulation will reduce the chances of renting out wrong sizes and unsatisfying clothing which will hinder the efficiency of the rental process. Another feature that can be included on their website and app is a recommendation system for pairing accessories with outfits. Currently, their website provides recommendations for other pieces of apparel, but not accessories such as jewelry or handbags. This updated feature will influence customers to rent out more pieces to compliment and complete an outfit. Customers will also feel confident and excited with the fashionable advice, and therefore adding more value to the overall experience. Lastly, Rent the Runway can create an instant Style Advisor messenger on their online platforms. Through this feature, consumers can ask questions about products and receive responses right away from the stylists at Rent the Runway. Some simple questions, like when certain products are back in stock, will be resolved quickly with the messenger system. This will increase communication and provide a more positive, convenient, and customer-oriented experience.

## Expand Marketing

While the company has an effective strategy in place, Rent the Runway would benefit from augmenting their marketing campaigns. By increasing advertising, extending towards a new consumer segment and developing partnerships, Rent the Runway could increase sales and help the company move forward.

Because Rent the Runway is a vendor of various brands than an independent label, the company does not receive as much exposure on print and digital media publications. Instead of identifying Rent the Runway, publications will directly specify the label as the source. If Rent the Runway partnered with magazines and blogs to create spreads featuring products available on their sites, it would increase awareness of the company and encourage consumers to try their services. Additionally, Rent the Runway should partner with social media influencers and fashion bloggers that engage with their current target consumer segments to create an "Influencer Selects" feature on the website. Through this partnership, the influencers would identify the items on the site they have and would like to rent, and would be expected to share the link on their social media channels. This encourages their followers — especially those who idolize their styles — to rent these items from Rent the Runway.

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Another way the company could enhance their marketing strategy is to reestablish their RTR Campus Girl campaign. RTR Campus Girl is a program that promotes the brand through campus representatives on select universities and colleges. With the rebranding of Rent the Runway as an option for everyday wear, marketing towards college students—especially on-campus trendsetters interested in sustainability and affordability—would benefit the company.

While Rent the Runway is straying away from the idea that the company is solely for the purpose of occasion wear, focusing on this aspect could also be useful. If women want to coordinate outfits with their partners for their events, Rent the Runway could offer tie and bow-tie pairings for the dresses being rented.

### **International Expansion**

Lastly, Rent the Runway should conduct a country portfolio analysis and consider expanding retail operations to countries with similar standards of living with the United States. Countries such as Australia, Canada and developed nations in Europe would be ideal because the customer demographic is quite similar in terms of lifestyle. It would be most beneficial to open head offices in each of the countries and ship only within those borders because it minimizes the likelihood for lost merchandise and also reducing shipping costs compared to shipping only from the United States.



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# APPENDIX

## Appendix 1: SWOT Analysis

	Strengths	Weaknesses
Internal	Up-to-date with fashion	Weak organizational culture
	Offers new trends with very little investments from customers	Non-uniform management
	Closes the gap between luxury fashion and affordable fashion	High staff turnover
	Strong brand identity	Sensitive to changing fashion markets
	Creating new product categories	Cannot open stores everywhere because of the small niche of customers
	Fast turnaround time for each garment returned to be rented out again	Do not target everyday wear; only targets specific event clothing
	Sustainable approach to fashion	
	Opportunities	Threats
External	Insurance on garments	Brand name retailers partnering with high-end designers to sell affordable high-fashion at low prices
	Global retail expansion	Increase competition in fashion-renting industry
	Delivery to other countries	Designers choose to stop partnering with Rent the Runway
	Garments for other genders	Designers choose to rent out their own clothing
	Garments for children and elderly	Increase popularity of thrift and consignment stores
	Partner with plus-size designers	Inflation can increase operation costs thus increasing cost to customers

## Appendix 2: Evaluation of Attractiveness of Potential Target Segments

	Substantial	Reachable	Responsive	Profitable	Identifiable
Budget-Conscious Post-Secondary Students	X	X	X		X
Young Professionals in Major Cities	X	X	X	X	X
Career Women and Creatives	X	X	X	X	X
High School Students in their Senior Year		X			X
Up-and-Coming Celebrities/ Personalities for Events		X	X		X
Environmentally-Conscious Individuals		X			X

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