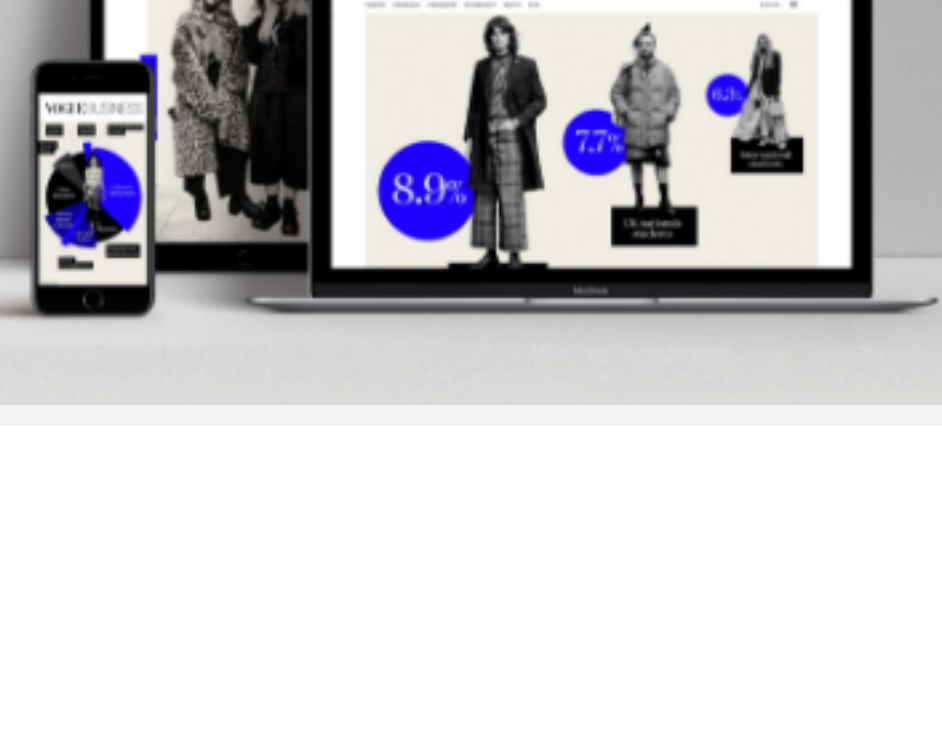


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TECHNOLOGY

Don't call it rental: Inside the rebrand for fashion

Rental and resale are both considered key components for circular fashion. But compared to resale, rental's luxury endorsements have been slow-going.

BY MAGHAN MCDOWELL
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Rental and resale are both considered to be critical to a circular business model and arbiters of next-generation fashion consumption. While resale has seen a flood of luxury investment and partnerships, including Kering [investing in Vestiaire Collective](#), Balenciaga and Simone Rocha partnering with The RealReal and Farfetch partnering with Thredup, rental has yet to be embraced as widely by luxury.

Rental is limited by its lower participation rate than resale, lower frequency and lower spend. While brands can control the process, it's trickier and costlier with cleaning, damages, wear and constant returns. In its description of a [hypothetical sustainable luxury brand](#), consultancy Bain & Co. estimated that by 2030, resale would account for 20 per cent of revenue, while rental would account for only 10 per cent. And in a June report commissioned by [resale company Thredup](#) — which became public in March — Globaldata found that rental, resale and subscription will be the fastest-growing retail sectors in the next 10 years. However, the average person is predicted to spend 18 per cent of their apparel spend on resale by 2030, while rental is expected to make up just less than 1 per cent.

"I think luxury brands are still sceptical; it's too new, too soon," says Diana Verde Nieto, who is the co-founder of consultancy Positive Luxury, who co-authored the Bain report. "The adoption curve is quite big. Resale is easy — you sell and buy something you like — but when you are renting, you have not had a relationship with the items and it's too disconnected from the main business".

For younger generations, however, adoption will be quicker, and renting will become more important in the luxury mix, Nieto says. To get luxury to sign on, rental technology companies are roadshowing fashion executives to educate them on the benefits, taking their cue from the resale playbook. They might even abandon the word "rental" entirely for monikers like "on loan", "access" or specialised "club" iterations for VIP clients. Despite a more complex customer journey, the industry is hoping a Gen Z buy-in will lure brands too. Kering has already taken a small stake in [London-based handbag rental platform Cocoon](#). "That is a way to try the waters without fully committing," Nieto says.

Still an unfamiliar business

Thredup and Rent the Runway were both founded in 2009, but while resale websites applied new technology to existing business models, institutionalised dress-sharing was a new concept altogether. Rental subscriptions, in which people pay a set amount at regular intervals to borrow a rotating selection, is even newer, says Anya Cheng, who worked in social commerce at Facebook before founding men's clothing rental company Taelor this year.

This is especially true outside the US, where a fashion rental company on the scale of Rent the Runway, [which is now valued at \\$750 million](#), is yet to emerge. "Senior business leaders don't know what to expect; they are coming in with no expectation or knowledge, and there is a seven-year education gap that we need to fill rapidly," says Isabella West, founder and CEO of UK fashion rental company Hirestreet, which launched in 2018. She hopes that resale's about-face bodes well for rental. "In the beginning, brands said they wouldn't work with resale, but the initial worries that the brands had didn't come to fruition, and now they are embracing it and putting their stamp on it".

Luxury brands originally feared that resale players would compete with their full-priced sales, but it turns out that largely, traditional luxury shoppers [aren't the same group buying secondhand products](#). Instead, research shows that resale marketplaces attract new customers who lack access to the brand and often go on to buy full price as well. Luxury is particularly well-suited to resale because it plays into the narrative of heritage quality that lasts generations — which pairs well with the new consumer attention on sustainability. Rental, for its part, has the potential to be a customer acquisition tool, especially with younger generations. It can also be used to test products and styles and drive returns on low-performing inventory.

In the same way that The RealReal and other luxury resale platforms have gradually converted luxury to resale, the proliferation of multibrand rental platforms might compel luxury brands to invest in their visibility in the field. Rent the Runway already boasts more than 750 brand relationships. While it has yet to sign heritage luxury houses, the prestige of the brands it carries has gradually increased, and now includes Maison Margiela, Marni and Pyer Moss and will add Altuzarra this autumn. (It is also reportedly eyeing an IPO, although the company declined to comment.)

The company's success comes after a decade of education. "In our early days, before clothing rental was widely accepted or understood, we spent a lot of time building trusted relationships with designers and establishing the transformational benefits of rental for reaching a new customer base and creating an additive sales channel," says Sarah Tam, chief merchant officer at Rent the Runway. She adds that in addition to being a channel for brand discovery and acquisition — customers can even buy items they want to keep — the company shares customer feedback to brands about fit, use-case and longevity. On average, its subscribers try 55 new brands in their first year, and in many cases, Rent the Runway is a brand's biggest customer, in terms of the scale of its buys.

"This harkens back to the way e-commerce started," says Christine Hunsicker, CEO of rental technology provider Caastle. "Luxury was very slow into e-commerce, and it took players like Net-a-Porter coming in and starting to own that customer relationship for luxury to say, 'Maybe we should probably own that relationship as well?' Every time luxury is moved to act, it's when they realise that not acting may compromise that relationship with their consumers, which is the thing that is probably most important to them."

Department stores have already tested the waters — both Neiman Marcus and Nordstrom have previously partnered with Rent the Runway, Bloomingdales offers rental through Caastle, and Selfridges offers rental through a [partnership with Hurr](#). Last week, Harrods [launched a fashion rental service](#) that lends out the "unseen dresses of lockdown" from brands including Huishan Zang and Rotat.

Complexities persist

Rental fashion is arguably a more complex business model than resale, says Neil Saunders, a retail analyst at research firm Globaldata, as it requires different pricing structures, reverse logistics and cleaning. At four years old, Armorium, which lent runway looks from Christopher Kane and Maison Margiela, closed in March last year, [citing the incredible costs and complexities of independently running a luxury rental business](#).

This challenge has led to a number of startups that enable brands to "white label" clothing rental technology. Caastle, which stands for "clothing as a service," adapted technology originally created for clothing rental company Gwynnie Bee; it [recently signed Ralph Lauren](#) and just [introduced a new "borrow" tool for its client Vince](#) for product pages. Harrods, meanwhile, is working with My Wardrobe HQ, and Isabella West similarly spun off Hirestreet's technology into a software provider called Zoa.

There's also the ambiguity around sustainability. Rental and resale are often touted as inherently less wasteful than linear purchasing because they allow consumers to share items, but specifics are elusive. Most recently, a paper published in [Environmental Research Letters](#) concluded that a hypothetical pair of rented jeans was ultimately more wasteful because of the transportation required to deliver them to and from customers. However, McKinsey and Global Fashion Agenda [found that](#) rental extends a product's life by 1.8x, based on the average number of rentals during a product's lifetime, and could ultimately contribute to lowering fashion's greenhouse gas emissions.

A reframing of "rental"

Resale's momentum has been driven by consumer adoption, says Thredup senior vice president Pooja Sethi, who manages its "resale as a service" offering, adding that brand perception of resale has flipped in as little as three years. "The space is evolving very quickly, and the huge opportunity for brands and retailers to meet where their customer is, is the driving force behind the momentum. In the end, it's happening whether or not the brands like it, and we know that customers believe in brands that offer resale and circularity."

This could be good news for rental. While Saunders predicts that the ultimate audience for rental is smaller than it is for resale, the appetite is there: 19 per cent of people plan to spend more money on rental in the next five years, according to Globaldata's research, and Gen Z is 83 per cent more likely than baby boomers to strongly agree that apparel ownership is temporary. As people return to events like weddings, rental platforms are [already struggling to keep up](#) with demand.

In March, Ralph Lauren president and CEO Patrice Louvet said that its in-house rental programme, "The Lauren Look", provides an opportunity to generate "direct feedback and a deeper understanding of the consumer".

Rather than cannibalisation, luxury brands are more concerned about exclusivity and brand protection, says West, of Hirestreet and Zoa. To better appeal to luxury, Hirestreet and Zoa are considering positioning rental as a club with a limited number of members, she says.

The final unlock for luxury will be decoupling the word "rental" from the business model entirely, Hunsicker says. Brands would be able to shift the narrative from "expanding" access to more customers to limiting access to a select group of clients. Brands will reframe the concept as an exclusive perk, using concepts such as "on loan" or "access" to lend out popular items from previous seasons, akin to how celebrity stylists borrow items for the red carpet, to maintain loyalty for their most important clients, Hunsicker predicts.

As luxury brands have decided how to approach resale, the dynamic of conversations they're having about rental has shifted. "They are looking at the next frontier. A number of more innovative brands are trying to get ahead of it on the rental side," Hunsicker says. "The main reason will be to deepen their relationship with the client. They want to offer a new service to make sure that they're forming 10-, 20-, 30-year relationships with the luxury consumer. It's not going to be about accessibility. It's not going to be about democratising luxury fashion — and that's okay. It's a different reason for existence, but I still think it's an important one."

For now though, luxury apparel rental is still mainly just an important conversation.

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