

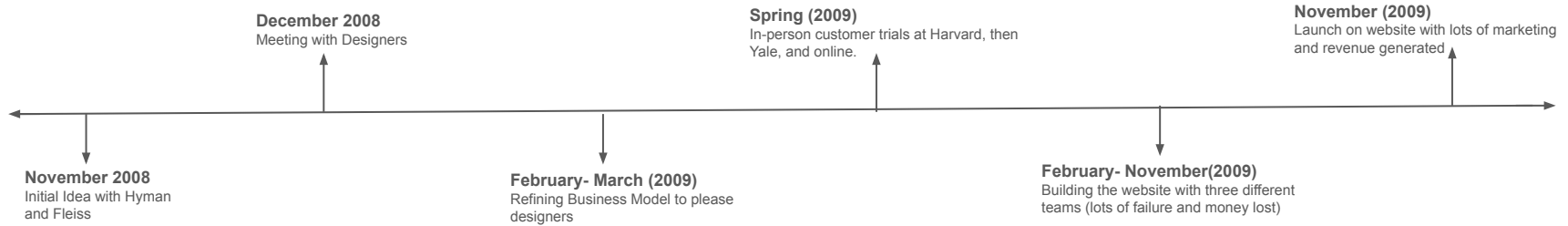


Rent the Runway

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By submitting this deck of case slides, the members of our team affirm that we all participated in the analysis of the case and the creation of this document.

Qualitative Analysis:



We think that RTR was very successful with certain aspects of their business model.

1. The decision to meet with designers even if they were not interested in joining the firm. The feedback they gained was invaluable to their knowledge of the fashion world.
2. RTR's customer trials were very successful in seeing how women responded to the dresses.
3. We noticed that their business model was flexible enough that they could be a viable business with only a 5% customer conversion rate.

Team Cohesion:

1. The relationship between Fleiss and Hyman's personalities strongly complimented each other. Hyman was a natural leader and Fleiss was detailed oriented and always getting the job done.
2. The small number of people on the team worked well as everyone could oversee different aspects of the company which was beneficial to the team dynamics and overall success of the initial launch.

Competition:

1. Since you could reserve a dress for a variety of special occasions far in advance, RTR realized the distinctiveness of their business.
2. Additionally, they centered their brand around the idea of making women feel beautiful and like they were in a new gown.
3. On their website, they also featured professional stylists who could advise women on how the dress fits and what could look nice on them, making the business more personable and having the illusion of asking for a trusted friend's opinion while shopping.

Quantitative Analysis:

	For 1 rental	For 2 rentals	For 3 rentals	For 4 rentals
Manufacturer's Price	226	226	226	226
Variable cost	31	62	93	124
Revenue	90	180	270	360
Margin	-167	-108	-49	10

Main Formulas Used:

$$\text{Break-even volume in units} = \frac{\text{Fixed Costs in Dollars}}{\text{Dollar Margin/Unit}}$$

Comments:

- We performed break-even analysis on the mid-tier dress during the estimated pre-launch in July 2009. We found that the dress needs to be rented $3.83 \approx 4$ times for the business to break even.
- We think this is a suitable model as Rent the Runway wants to make their product a gateway drug to designer fashion and keeping their rental price low is their priority. Four rentals per dress is also achievable given the popularity of their service.
- We do not think the dress will get fully worn out in the span of those 4 rentals, which makes this model even more suitable.
- With a large enough customer base, and the continued raise of capital and inventory, this business is definitely profitable based off the numbers above. However, we would need to increase the amount of dresses in house by a large margin if we want more customers off the waitlist.
- Also, we have to keep in mind that 45,000 dollars was wasted on a website that was never used. Ultimately, RTR had to shift to two different technology firms to create a decent website that fit their business model.
- 1.75 million dollars was raised by angel investors to operate the seed rounds, so that would be used in our financial analysis and calculation of the enterprise value if we were given more numbers in our case file.

Recommendations:

Sustainability:

- For the company's long-term success, adopting a sustainable strategy might be a wise business decision. RTR might reach a wider audience and draw in customers who are concerned about raising environmental consciousness if it starts to employ reusable and eco-friendly packaging, as well as eco-friendly dry cleaning techniques.

General:

- Using a broader range of colleges to run the customer trials. The company focused on two wealthy schools, which may have skewed their data for the general public. RTR could possibly have conducted some trials in community colleges.
- The next wise move would be to keep raising money so that RTR can expand its product offerings and inventory, as evidenced by the high demand, particularly over the holidays. By doing this, the business would be able to expand on its early successes and service a wider clientele.
- We think they should have done more trials using a website that should have been created first. The base of their model is the ability to buy dresses through a well-functioning website which should have been the first thing addressed.
- Another idea we had was similar to that of large retail stores like Bloomingdales. When customers are a part of a loyalty program, they have earlier access to new styles or to sale items which could increase the customer return rate.

Financial:

- Decreasing the amount to recover the price of the dress
- Build multiple warehouses stationed across the country to decrease shipping costs
- Making services such as cleaning in house rather than out of house
- Reusable packaging to increase sustainability and lower cost of materials