

**Louvain School of Management**

# **What are the benefits and barriers of the rental business model in the clothing, furniture and toy industries?**

A comparative case study analysis of Nuuly, Inlease and Tiny Earth Toys.

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# Table of Contents

**INTRODUCTION.....1**

**PART 1: LITERATURE REVIEW .....4**

**I. CHAPTER 1 : RENTAL.....4**

1. *Circular consumption models* .....4

2. *Product-service-system* .....5

2.1. Definition and objectives .....5

3. *Business models* .....6

4. *Rental business model*.....7

5. *Benefits and barriers of the product-service system*.....9

5.1. Benefits .....9

5.1.1. Increase of competitiveness of companies .....9

5.1.1.1. Differentiation.....9

5.1.1.2. Production efficiency .....10

5.1.2. Creation of added value for customers .....10

5.1.3. Increase of consumer loyalty .....11

5.1.4. Improvement of environmental impact .....11

5.2. Barriers.....12

5.2.1. Customer’s perspective on the product-service system .....12

5.2.1.1. Acceptance of non-ownership by customers .....12

5.2.1.2. Unfamiliarity with the use-oriented business model .....13

5.2.1.3. Flexibility.....13

5.2.1.4. Social risk .....13

5.2.2. Significant change in the system .....14

5.2.2.1. Cultural shift for rental service suppliers and stakeholders .....14

5.2.2.2. Lack of experience.....14

5.2.2.3. Significant associated costs .....15

5.2.2.4. Higher level of responsibility .....15

5.2.3. Rebound effects of sustainability.....15

5.3. Summary of the benefits and barriers of the use-oriented product service system identified .....16

6. *Implementation of the product-service system*.....17

6.2. Contracts .....18

6.3. Marketing.....19

6.4. Network.....20

6.5. The product and service design.....20

6.6. Sustainability.....21

**II. CHAPTER 2: FURNITURE, TOY, AND CLOTHING RENTAL INDUSTRIES .....23**

1. *Introduction to the industries* .....23

2. *Clothing rental*.....24

2.1. Overview of the clothing industry .....24

2.2. Overview of the clothing rental industry .....25

2.2.1. New actors entering the industry .....27

2.3. Customer’s perspective of clothing rental .....27

2.4. Key factors in the clothing rental industry.....28

2.4.1. Clothing rental barriers.....28

2.4.2. Clothing rental opportunities .....29

3. *Furniture rental*.....30

3.1. Overview of the furniture industry .....30

3.2. Overview of the rental furniture industry .....31

3.3. Customer’s perspective of furniture rental.....32

3.4. Key factors in the furniture rental industry .....33

3.4.1. Furniture rental barriers .....33

3.5. Furniture rental opportunities .....34

4. *Toy rental*.....35

4.1. Overview of the toy industry .....35

4.2. Overview of the toy rental industry .....35

4.3. Customer’s perspective of toy rental .....36

4.4. Key factors in the toy rental industry.....37

4.4.1. Toy rental barriers.....37

4.4.2. Toy rental opportunities.....37

5. *Conclusions*.....38

**CONCLUSION OF THE LITERATURE REVIEW .....39**

**PART 2 : PRACTICAL RESEARCH .....40**

I. PROBLEMATIC AND RESEARCH QUESTION .....40

II. RESEARCH METHODOLOGY .....41

    1. *Justification of the chosen methodology* .....41

        1.1. Selection of companies for case studies.....42

        1.2. Information collection.....42

    2. *Analysis structure*.....43

III. ANALYSIS AND RESULTS .....45

    1. *Nuuly case study* .....45

        1.1. The company.....45

        1.2. The offer.....46

        1.3. Operational processes (manufacture, shipment, wear phase, return, reconditioning, cleaning, and disposal) 47

        1.4. Customers .....48

        1.5. The benefits of the rental business model.....49

        1.6. The barriers of the rental business model .....51

    2. *Inlease case study* .....52

        2.1. The company.....52

        2.2. The offer.....53

        2.3. Operational processes (manufacture, shipment, wear phase, return, reconditioning, cleaning, and disposal) 54

        2.4. The customers .....55

        2.5. The benefits of the rental business model.....56

        2.6. The barriers of the rental business model .....58

    3. *Tiny Earth Toys case study*.....60

        3.1. The company.....60

        3.2. The offer.....60

        3.3. Operational processes (manufacture, shipment, wear phase, return, reconditioning, cleaning, and disposal) 61

        3.4. The customers .....62

        3.5. The benefits of the rental business model.....62

        3.6. The barriers of the rental business model .....64

    4. *Contracts, marketing, networks, product/service design, and sustainability tactics for Nuuly, Inlease, and Tiny Earth Toys*.....66

IV. DISCUSSION, LIMITS, RECOMMENDATIONS FOR FURTHER STUDIES .....68

    1. *Discussion*.....68

    2. *Limits*.....75

    3. *Recommendations for future studies and further thoughts* .....76

**CONCLUSION.....78**

**REFERENCES.....80**

**APPENDICES .....90**

    1. *Explanation of main concepts* .....90

        1.1. Sharing economy .....90

        1.2. Collaborative consumption .....91

        1.3. Circular economy.....91

    2. *Interviews*.....92

        2.1. Methodology .....92

        2.2. Summary of the respondents.....93

        2.3. Interview guide for Nuuly, Inlease, and Tiny Earth Toys .....93

        2.4. Interview with Nuuly .....95

        2.5. Interview with Inlease.....104

        2.6. Interview with Tiny Earth Toys .....118

    3. *Additional information on Nuuly’s offer* .....128

        3.1. The different categories of sizing proposed by Nuuly .....128

        3.2. The customers’ reviews on product’s sizing on Nuuly’s website .....129

        3.3. Packaging.....130

        3.4. Communication on the benefits of the rental model via the website.....131

        3.5. Communication on the benefits of the rental model via social media .....131

    4. *Additional information on Inlease’s offer* .....132

        4.1. Communication on the benefits of the rental model communicated via the website .....132

4.2.	Communication on the benefits of the rental model communicated via social media .....	133
5.	<i>Additional information on Tiny Earth Toys' offer</i> .....	134
5.1.	Communication on the benefits of the rental model communicated via the website .....	134

## List of Figures

Figure 1: Business models versus Tactics .....	18
Figure 2: Growth of clothing sales and decline in clothing utilization since 2000.....	25

## List of tables

Table 1: Summary table of the benefits and barriers of the use-oriented product-service system.....	16
Table 2: Five influential tactical sets presented by Reim et al. (2015) .....	22
Table 3: Comparison of Reim et al. (2015) tactical sets and measures taken by companies.....	66
Table 4: Comparison table of the barriers and benefits of the product-service system, rental service of Nuuly, rental service of Inlease, and rental service of Tiny Earth Toys .....	68
Table 5: Summarized and comparison table of the key factors influencing the clothing, furniture, and toy rental services identified in the academic literature .....	72

## INTRODUCTION

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For decades, the global economy has set global standards for consumption and ways of living (Mont, 2004). For consumers, possession of goods has been the traditional way of consuming. It symbolizes both wealth and status and has long been outlined as an extension of the individual and providing a sense of possessing and belonging to a community (Arekrans, Sopjani, Laurenti & Ritzén, 2022; Chen, 2009). However, these consumption levels have clearly led to over-consumption, characterized by shorter periods of use and more rapid purchase renewals, and are very wasteful of energy and resources (Mont, 2004). In response to this situation, a circular transition has been highlighted as the pursuit of an ideal system where companies can make profits while promoting the recycling, reduction and reuse of materials and goods, with consideration given to reducing their global environmental impact (Arekrans et al., 2022). Within these activities, reuse has been emphasized by authors as a solution of great interest as it is resource-effective, it lowers the energy needed to generate and carry new materials, it increases product's use and seeks to extend their lifespan (Arekrans et al., 2022; D'Agostin, de Medeiros, Vidor, Zulpo & Moretto, 2020; Pallardy, 2022).

Multiple consumption models have emerged which focus on the usability and accessibility rather than product ownership (D'Agostin et al., 2020). One of them, is the product service system (PSS), which focuses on considering the functionality and benefits offered by goods and services instead of relying solely on the creation and sale of products (Barquet, de Oliveira, Amigo, Cunha & Rozenfeld, 2013). This system strives to be competitive, to satisfy customer needs and to have an improved environmental impact in comparison to conventional business models (Mont, 2002). Among the models belonging to the product-service system, the use-oriented category has gained considerable attention and popularity in recent years, mainly through the rental model making the shift to accessing goods when needed instead of acquiring them. The supplier maintains ownership of the product while granting the client access to use it as intended (Tukker, 2015).

Rental is not a new concept and has been commonly used in some sectors. However, the innovative change and emergence lies in the application of this model to traditionally acquisition-based industries where it has begun to expand (Gumulya & Ginting, 2020; Hollinger & Milne, 2019; Lang, 2018). The emergence of successful rental services such as

Uber, Lime, or Airbnb has had a significant impact on the growing trend to rent rather than buy (Nastase et al., 2021). As a result, the rental sector has expanded and evolved substantially over time (Carry, 2014; Statista, 2023). Among those developing sectors where rental is applied, the clothing, furniture, and toy rental industries are particularly interesting, given the unique situation of the linear production in their respective markets.

The textile and clothing industry is one of the largest industries worldwide and is experiencing continuous growth, particularly driven by fast fashion which encourages the rise of production and excessive consumerism (Clube & Tennant, 2020; Ellen MacArthur Foundation, 2017; Johnson & Plepys, 2021). Indeed, it generates significant amount of waste and promotes short lifespan of products, with an approximate 40% decrease in clothing utilization as consumers throw away clothing that could still be worn (Ellen MacArthur Foundation, 2017; Johnson & Plepys, 2021). This pattern of consumption has also been observed in the furniture industry which is a constantly rising sector with manufacturers starting to produce larger amounts of inexpensive furniture, leading to shorter usage periods by consumers (Kumar & K.J., n.d.). Furniture waste has exploded with 12 million tonnes of furniture disposed in the United States compared to only 2 million tonnes in 1960 (Cummins, 2020). Similarly, the toy industry is facing challenges with plastic, as 90% of all toys are made from plastic, where 80% of them end up in landfills, incinerators, or the ocean, and short lifespans of toys as they depend heavily on the children's preferences, which evolve rapidly with an approximate lifespan of 6 months (Kurland & Lundström, 2021; Nastase et al., 2021; Robertson-Fall, 2020).

Applying the rental business model in the clothing, furniture, and toy industries is therefore very interesting due to the rapidly growing need for alternative business models that lessen the proportion of new production and the need for raw materials linked to the prevalent consumption and ownership framework (Borg, Mont, & Schoonover, 2020). However, the rental model, as defined in the literature has more to offer than the improvement of environmental impacts. It is defined as a system offering value to society and striving to improve the competitiveness of companies, as well as meeting the customer's needs (Mont, 2002). Nonetheless, the implementation of such a model does not come without challenges (Reim, Parida, & Örtqvist, 2015).

Consequently, this thesis has as aim to respond to the following problematic: **What are the benefits and barriers of the rental business model in the clothing, furniture, and toy**

**industries?** This objective will be analysed through **a multi-case study of three companies, namely Nuuly, Inlease, and Tiny Earth Toys.**

The first part of this thesis is an in-depth review of the existing literature. It is divided into two chapters, the first covering the product-service system with its definition, principles, objectives, and categories. Then, the rental model is defined, followed by a description of the benefits and barriers of the use-oriented product-service system including the analysis of the business model and tactical sets to ensure a successful implementation. The second chapter examines the clothing, furniture, and toy rental industries. It presents for each of them, firstly, the current situation of both the traditional and rental industry, then analysing the customers and influential factors that might bring challenges or opportunities when developing the rental business model.

The empirical part of the research covers the multi-case study analysis which has been carried out to determine the benefits and barriers of the rental model in the clothing, furniture, and toy industries. Firstly, the problematic and research methodology will be presented, including the selection of companies for the multi-case study. The following section covers an in-depth analysis of each company with its presentation, offer, customers, operation process and the benefits and barriers. Then, the results will be presented regarding the theoretical and empirical study in the discussion section of the thesis. Finally, I will end the research with a main conclusion, as well as including the limits, and recommendations for future studies.

## **PART 1: LITERATURE REVIEW**

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### **I. Chapter 1 : Rental**

#### **1. Circular consumption models**

In response to worldwide overconsumption in many different sectors, a circular transition has been seen as a promising solution as it allows companies to profit from the recycling, reduction and reuse of materials and goods while reducing the global environmental impact (Arekrans et al., 2022). Out of the proposed approaches to circularity, reuse is a preferred solution as it is resource-effective, increases products' use and seeks to extend their lifespan (Arekrans et al., 2022; D'Agostin et al., 2020).

The adoption of new business models that are based on usability and accessibility rather than product ownership would consequently be one way to make this transformation (D'Agostin et al., 2020). These consist of strategies for sharing products, resources and product reuse, repair, and upcycling. It covers access-based consumption methods like renting, hiring, and leasing products (also referred to as product-service systems), practises of extending a product's life as the sale of used goods (second-hand products), collaborative consumption methods as sharing platforms (cf. Appendix 1), and the sharing economy (cf. Appendix 1) (D'Agostin et al., 2020; Edbring, Lehner, & Mont, 2016). These consumption models are all gaining increasing popularity as the issue of sustainable consumption has become more prominent in recent years and the latter could be significant solutions to tackle associated environmental impacts, as they emphasise accessibility rather than ownership in their unique operational approaches.

Among these, the product-service system is of great interest as an important shift has been noticed in the last few years from a producer perspective; companies are no longer pure product providers, but they also include services (Arekrans et al., 2022). The system has been identified in the literature as a potential strategy for creating sustainable offerings, addressing issues of overconsumption and it prioritizes customer needs over products (Arekrans et al., 2022). Moreover, a service-driven approach offers novel ideas to interact with organizations, clients, and the value chain (Barquet et al., 2013). Nevertheless, the effectiveness of this approach is not unanimously guaranteed or accepted by all researchers (Belk, 2014). In fact, ongoing debates among researchers highlight the many opportunities, challenges and drawbacks

associated with the transition from conventional linear consumption to alternatives models such as the product-service system (Arekrans et al., 2022).

## **2. Product-service-system**

### **2.1. Definition and objectives**

The product service system (PSS) was first defined in the literature by Goedkoop et al. (1999) as “a marketable set of products and services capable of jointly fulfilling a user’s need” (quoted in Annarelli, Battistella, & Nonino, 2016, p1017). Additionally, the second most cited definition of this system is the one of Mont (2002, p239) defining the product-service system as “a system of products, services, supporting networks and infrastructure that is designed to be: competitive, satisfy customer needs and have a lower environmental impact than traditional business models”.

This system implies, from the consumer perspective, a switch from purchasing products to services and system solutions that may lessen the environmental effects of their needs, which therefore necessitates a greater level of consumer interaction and producer knowledge (Mont, 2002). From the manufacturers and service providers’ perspective, it entails a greater level of accountability for the entire life cycle of the product and an early user involvement in the product-service system design (Mont, 2002).

The second description of the system highlights two key characteristics; there are three main goals the product-service system is striving for and there is a systematic thinking behind this business model.

Firstly, integrating product and service solutions is primarily about delivering economic and environmental benefits. As well as improving their use of resources and their competitiveness, companies are striving at the same time to meet the needs of end consumers and provide them with added value. This is precisely why this system is gaining significant attention, as it responds effectively to the current challenges faced by companies and offers viable solutions. Indeed, in the market, numerous companies propose similar products. Consequently, differentiating oneself through design and manufacturing has become increasingly challenging (Tukker & Tischner, 2006). As a potential solution, focusing on the final client needs and presenting integrated solutions or experiences fulfilling these needs can offer these businesses a competitive advantage, deliver valued offerings to consumers, improve the company’s

innovation potential, and enhance their position within the value chain (Tukker & Tischner, 2006; Tukker, 2015).

Furthermore, the sustainable development goal of minimizing the environmental impact can be achieved as products and service solutions establish incentives for optimizing energy and material-use as well as extending the life of a product by building on a genuine life-cycle costs perspective (Mont, 2002; Reim et al., 2015). Indeed, the product-service system business models include various strategies such as reuse and recycling of items at the end of their life cycle, maintenance services to extend product life and reduce replacement frequency, as well as forms of leasing, rental and sharing. These approaches aim to maximise the use of products by allowing multiple users to use them while transferring maintenance responsibilities and, in some models, ownership to the supplier (Annarelli et al., 2016).

The second feature highlighted by many researchers in the literature of the product-service system is its focus on system solution. In fact, from an environmental point of view, the distinction between services and products is irrelevant, as both have an impact on the environment. Under this new strategy, the challenge is to create integrated system solutions where all the parts operate successfully together and satisfy customers (Mont, 2002). These systemic solutions should make it possible to move from segmented production and consumption systems to a unified system comprising goods, services, enabling infrastructures and essential networks to aim simultaneously to all product-service system's objectives (Mont, 2002).

### **3. Business models**

Early in the literature, Mont (2002), in his description of the product-service system, defined it as a business model. The latter is a conceptual framework that outlines how a company runs its operations (Amasawa, Shibata, Sugiyama, & Hirao, 2020). Understanding the components and stakeholder linkages that define how a company develops and markets value is often the objective of defining a business model. Accordingly, value proposition, value generation and delivery, and value capture are the three main components of business models (Osterwalder, Pigneur & Tucci, 2005).

There exist three distinct types of product-service systems: the product-oriented, the use-oriented, and the result-oriented (Tukker, 2015). Each of these categories can be considered as business models, with each one encompassing various sets of strategies that organisations could employ (Annarelli et al., 2016).

- In the product-oriented product-service system, the supplier ensures that the product can be used and may offer associated service agreements, but the ownership of the product belongs to the customer (Tukker, 2015). Sub-categories are the product related services to ensure the product functionality and durability (e.g., maintenance, repair, recycling), consultancy and advice (Tukker, 2015).
- In contrast, in the use-oriented product-service system, the provider retains ownership of the product and allows the customer to use it for its intended purposes (Tukker, 2015). The supplier will sell products' use or functions by different activities; sharing, renting, leasing, or pooling (Barquet et al., 2013). The product keeps a main role, but the business model is not primarily focused on product sales but more on maximizing product utilization. Indeed, since he owns the products and is responsible for maintenance, the provider will prefer to use long-lasting materials and provide services to keep them in excellent operating order for as long as possible (Barquet et al., 2013).
- Finally, in the results-oriented product-service system, the focus is on selling results or competences instead of simply products or functions (Arekrans et al., 2022). The solution is agreed upon by both the customer and the supplier, and no predefined product is involved. Activity management, fleet management, energy-contracting and outsourcing are examples of this result-oriented product-service system (Tukker, 2015).

#### **4. Rental business model**

The rental service is one of the product-service system categories that could be used by a product-oriented business to transition to a service-oriented business. Indeed, the rental business model is consistent with the definition of the second category presented above, i.e., the use-oriented product-service system (Barquet et al., 2009; Khumboon, Kara, Manmek, & Kayis, 2009; Mont, 2002). The fundamental principle behind it is that manufacturers retain the ownership of a product, while the customers are granted the right to utilize the product for a certain amount of time using renting or leasing contracts as legal foundations of the transaction (Vermunt, Negro, Verweij, Kuppens, & Hekkert, 2019). Indeed, clients must only pay for the

use of the products when it is needed and are released from any responsibility for the item's maintenance, repair, or disposal, which will be the responsibility of the supplier (Khumboon et al., 2009).

Lovelock and Gummesson (2004) further define rental services as services in which customers benefit by acquiring the right to use a tangible item, to engage the services of individuals, to hire their labour or knowledge, or to acquire access to resources like facilities and networks. Accordingly, the concept of rented goods services was defined as the provision of temporary exclusive rights of use to customers who prefer not to own or who cannot afford to buy physical items (Lovelock & Gummesson, 2004). This practice embraces a wide range of offerings such as the rental of vehicles, furniture, building materials, clothing, toys, sports equipment, etc (Lovelock & Gummesson, 2004). On top of rented goods services, four other categories of rental services were identified in their research: place and space rental, labour and expertise rentals, physical facility access and usage, network access and usage (Lovelock & Gummesson, 2004).

Within the rental business model, there has been a noticeable shift in customer preferences from a focus on the specific attributes of a product to a consideration of the overall qualities of the rental business (Lovelock & Gummesson, 2004). Although the main offering is a tangible object, customers now consider and sometimes prioritize factors other than the product itself such as the convenience of booking, the accessibility of rental offices for pick-up and drop-off, the competence of rental agents and the benefits offered by loyalty schemes (Lovelock & Gummesson, 2004).

The advent of services such as Uber, Lime, Airbnb and BlaBlaCar has significantly influenced the rising trend of renting or using rather than buying (Nastase et al., 2021). Consequently, the rental sector has experienced significant growth and transformation over the years (Carry, 2014; Statista, 2023). In fact, renting is not a novel concept; many various goods and services, including rental cars, music and movies, sporting goods, accommodation, and musical instruments, have long exploited the concept. However, rental has recently started to expand into many sectors and get involved in a variety of other product categories by offering goods as a service and spreading awareness of the advantageous environmental effects of access-based consumption (Gumulya & Ginting, 2020; Hollinger & Milne, 2019; Lang, 2018). Currently, the rental market considers a wide range of items, including common and specialist products such

as furniture, toys, computer and electronic equipment, art, accessories, and everyday clothing, among others. This change in nature has eliminated the need for ownership in sectors where possession was once considered essential (Carry, 2014).

To adapt to this changing environment, rental businesses have changed their physical components. Indeed, interactive tools have been developed to facilitate the booking process, allowing customers to specify the desired rental duration and period. In addition, shorter-term rental options have appeared in response to changing consumer preferences (Carry, 2014). This change can be attributed to the growing interest and change of attitudes towards access-based consumption in the last ten years, with companies prioritising the delivery of economic, environmental, and social value to their customers (Arekrans et al., 2022; Edbring et al., 2016; Minami, Ramos, & Bortoluzzo, 2021; Mont, 2002).

## **5. Benefits and barriers of the product-service system**

Various authors (Annarelli et al., 2016; Armstrong, Niinimäki, Lang, & Kujala, 2016; Baines et al., 2007; Beuren, Ferreira, & Miguel, 2013; D'Agostin et al., 2020; Edbring et al., 2016; Hirschl, Konrad, & Scholl, 2003; Mont, 2002) have widely acknowledged the multiple benefits that come with the implementation of the product service system by companies. They have highlighted the positive impacts that such integration can have on society, on the customers, on the businesses, and on the environment.

### **5.1. Benefits**

#### **5.1.1. Increase of competitiveness of companies**

By implementing a use-oriented business model, companies can become more competitive compared to other players by providing a differentiated offer to the customers, by gaining costs with a more efficient production process, and by improving the potential for innovation (Mont, 2002, Baines et al., 2007; Annarelli et al., 2016; Beuren et al., 2013).

##### **5.1.1.1. Differentiation**

Differentiation is an important benefit when implementing a product-service system (Baines et al., 2007). By offering a complete product-service offer, companies can extend their existing

offers to their customers and attach additional value to their products. For this reason, some businesses use product-service system components as a logical extension of their current client offers to maintain their competitiveness (Mont, 2002). Some view it as a survival tactic where the implementation of a product-service system is the core of a new business model (Mont, 2002). Baines et al. (2007) also said that the PSS can be seen as an alternative to standardization and mass production. Several authors in the literature also emphasize that integrating a service component into the offering not only enhances innovation but also acts as a competitive barrier, making it challenging for competitors to replicate the offer and preserve market share (Annarelli et al., 2016; Baines et al., 2007; Mont, 2002).

#### **5.1.1.2. Production efficiency**

As suppliers are keeping the ownership of the offered products, extending their life cycle and utility is of great importance for them (Annarelli et al., 2016). Therefore, the use-oriented business models are designed by providers with the inclusion of reuse and recycling policies. The latter could enable many components and parts to be remanufactured, reconditioned, reutilized, and recycled into new materials and products. It would allow a more efficient production, a better utilization of assets and cost reduction as overall life-cycle costs are reduced to a minimum (Annarelli et al., 2016).

Overall, the product-service system offers a great potential of identifying strategic market opportunities, anticipating market trends and developments as well as becoming more competitive in the changing landscape of production and consumption, also influenced by environmental constraints (Annarelli et al., 2016). As the companies become more competitive with an extending offer, it discourages newcomers to enter the market (Annarelli et al., 2016).

#### **5.1.2. Creation of added value for customers**

An improvement in total value for the customer by adding more service components into the offer is one of the primary benefits of the product-service system (Baines et al., 2007; Mont, 2002). These additional services include measures to extend the lifecycle of an existing good, improve its functionality by reconditioning and upgrading, and make the product and its components useful after its intended use has passed, by recycling and reuse of individual components or the complete product (Mont, 2002). Such services as maintenance, installation, and disposal of the items at the end of the useful life, are realized by the provider which allows

to monitor tasks away from consumers and to lessen their responsibilities (Baines et al., 2007; Beuren et al., 2013; Hirschl et al., 2003).

Consequently, the product-service system appears to offer some convenience, flexibility and freedom to the customers as they can take pleasure in the usage of the products when they need it and without having to worry about the consequences (Baines et al., 2007; Edbring et al., 2016). It is also a practical way for customers to try out a product for a short time, without having to make a substantial initial investment (D'Agostin et al., 2020).

In addition, the product-service system is valued by customers for its ability to deliver value through extensive customization options (Baines et al., 2007). The service elements integrated into the product-service system also offer enhanced functionality, and can better meet consumer expectations (Baines et al., 2007).

### **5.1.3. Increase of consumer loyalty**

Another benefit of the implementation of the product-service system identified by researchers, is the relationship's improvement between the customer and the provider, which translates into greater customer loyalty (Annarelli et al., 2016; Beuren et al., 2013). In fact, due to the increasing contact and flow of information on customer preferences, a service component enables manufacturing enterprises to improve relationships with their consumers (Mont, 2002). This advantage is significant, as Annarelli et al (2016) explain that the stronger the customer loyalty is, the strongest hindrance to competition it will be. Hence, a key objective for companies should be to cultivate strong relationships with their most valuable customers, recognising that they are the key drivers of long-term success (Annarelli et al., 2016).

In addition to being advantageous, the relationship between the consumer and the company is essential to developing a successful product-service system. To achieve a solution that satisfies customer needs and wants, early consumer involvement is essential (Baines et al., 2007).

### **5.1.4. Improvement of environmental impact**

Finally, one of the most recognized benefits of the product-service system is the minimisation of environmental impact, frequently acknowledged in connection with "image improvement"

and one of the primary drivers in the creation and adoption of the system (Annarelli et al., 2016; Baines et al., 2007; Beuren et al., 2016; Mont, 2002). In fact, the environment can also take advantage from the use-oriented business model through two actions.

First, by offering consumers alternate product usage scenarios, such as renting initiatives, the system has the ability to reduce the overall number of items while having no impact on the design of the products. Indeed, it increases the frequency of use of goods that consumers typically discard after a set period of usage (Armstrong et al., 2016; Baines et al., 2007; Mont, 2002).

Secondly, producers become more responsible for their products and services by trying to extend the functionality of the latter by upgrading and refurbishing them, and by making the products and their materials useful after the end of their life cycle through recycling and reuse of components or the full product (Baines et al., 2007). The consumption of resources is thus reduced to a minimum (Beuren et al., 2013). Ultimately, it minimizes waste. (Baines et al., 2007; Mont, 2002).

## **5.2. Barriers**

Despite the various benefits of the product-service system, from an economic, social, and environmental point of view, it is important to recognise that it is not without its drawbacks. The authors have outlined several barriers that companies face when attempting to move to this model of consumption. These obstacles not only make the transition challenging but can also lead to disadvantages and conflicting perspectives on the product-service system's effects.

### **5.2.1. Customer's perspective on the product-service system**

#### **5.2.1.1. Acceptance of non-ownership by customers**

The important cultural shift accompanied by the product-service system's implementation is a significant barrier to consider. Indeed, some customers may be unwilling to accept consuming and paying for products without owning them, such as through sharing or renting, as it is not as deeply rooted in today's consumer habits (Beuren et al., 2013, Carry, 2014; Hirschl et al., 2003; Mont, 2002; Roy, 2000). Customers have been used to having product ownership as a primary characteristic of the contemporary consumer culture (Edbring et al., 2016; Nastase et al., 2021).

Hence, it is essential to encourage a shift in customer behaviour, where meeting a need should be prioritized over product ownership (Annarelli et al., 2016; Edbring et al., 2016; Nastase et al., 2021). However, given the significant behavioural change required, customers may find it challenging to adopt this model, which may discourage them from trying it.

#### **5.2.1.2. Unfamiliarity with the use-oriented business model**

While there are increasing positive attitudes towards this form of consumption, consumer concerns and perceived functional risks remain (Edbring et al., 2016; Gumulya & Ginting, 2020).

In fact, consumers are firstly concerned about the process, insurance, and the responsiveness of the company (Edbring et al., 2016). These apprehensions mainly arise from a perceived difficulty in utilizing the product-service system and the uncertainty consumers have of the rules surrounding potential consequences in the event of damage or breakage of the rented products (D'Agostin et al., 2020; Edbring et al., 2016). Furthermore, Edbring et al. (2016) notes that consumers tend to perceive a greater need for caution when using items, they do not own themselves.

Secondly, consumers also express doubts about hygiene, the risk of infection and safety issues because of the multi-usage of the products and as they are unaware of the people with whom they will be sharing the latter (D'Agostin et al., 2020; Edbring et al., 2016). Additionally, users could also question the product's quality and expected performance as it has been used repeatedly by several people (Gumulya & Ginting, 2020).

#### **5.2.1.3. Flexibility**

Compared to ownership-based consumption, customers anticipate greater preparation and restricted access which cause restrictions on flexibility (Hirschl et al., 2003). Certainly, sharing the cost of use forces the consumer to make organizational compromises (Carry, 2014).

#### **5.2.1.4. Social risk**

Finally, consumers may perceive renting as linked to limited purchasing power or lower status. The hyper-consumption culture has influenced how consumers feel about themselves and their

place in society in relation to the purchase of commodities (Carry, 2014). Therefore, the social risk is still quite present, and some customers could believe that renting will lower their self-esteem (Carry, 2014; Gumulya & Ginting, 2020).

## **5.2.2. Significant change in the system**

### **5.2.2.1. Cultural shift for rental service suppliers and stakeholders**

Another widely recognized barrier by researchers is the need for a cultural transformation, which applies not only to the customer's perspective, but also to the producers. Indeed, suppliers are not accustomed to providing a product while retaining ownership and offering support services (Beuren et al., 2013). A profound shift in the organizational culture of companies and their conception of commercial value is therefore essential if this obstacle is to be effectively overcome (Annarelli et al., 2016; Beuren et al., 2013).

Additionally, the acceptance of stakeholders must also be considered as the product-service system demands that producers work closely with all actors involved such as their suppliers, service providers, and end users (Annarelli et al., 2016; Mont, 2002). In fact, the successful development and ongoing management of this system is strongly dependent on the support of stakeholders (Reim et al., 2015). With the integration of products and services, it becomes imperative to establish a supply chain focused on the delivery of products and services, which requires close collaboration with stakeholders (Annarelli et al., 2016).

### **5.2.2.2. Lack of experience**

For companies to move towards a product-service system, a significant change in the system of profit realization will be necessary. In fact, the transition requires the development of a supportive social system or infrastructure and, in some cases, the development of entirely new networks (Mont, 2002). Since it necessitates organisational changes, such as closer interaction with other players in the value chain, as well as cultural changes within the company and a change in market engagement, this new business model is likely to be more complex than the current way of delivering functionality through product delivery alone (Annarelli et al., 2016; Baines et al, 2007; Mont, 2002).

Due to key barriers that have been noted in the literature, including a lack of technological knowledge and expertise in the design, manufacture, and delivery of a product-service system, as well as a lack of skilled personnel in service development, producers may be discouraged from implementing the concept (Baines et al., 2007; Barquet et al., 2013). Furthermore, they have limited expertise in pricing such an offer, which is critical given consumer's high sensitivity to price, which influences their decision process between renting and owning (Baines et al., 2007; Besch, 2005; Bodenheimer, Schuler, & Wilkening, 2022; Edbring et al., 2016).

#### **5.2.2.3. Significant associated costs**

In addition, this transition comes with significant associated costs that could affect time and budget, such as business logistics costs and the need to acquire qualified personnel (Annarelli et al., 2016; Mont, 2002; Nastase et al., 2021).

#### **5.2.2.4. Higher level of responsibility**

Finally, the fear of an increased level of responsibility and financial risk for suppliers, as they are taking on risks that were previously assumed by customers, is also a major deterrent for companies wishing to move towards a use-oriented business model (Baines et al., 2007; Besch, 2005; Beuren et al., 2013).

#### **5.2.3. Rebound effects of sustainability**

A final important barrier recognised in the literature are the rebound effects, i.e., the second order environmentally harmful impacts of an initial service activity (Annarelli et al., 2016; Bartolomeo et al., 2003). Rebound effects, according to Johnson and Plepys (2021), refer to environmental outcomes that occur when the anticipated environmental impacts resulting from a perceived improvement turn out to be less than expected. This difference is often attributed to changes in behaviour, such as an increase in direct consumption or other substitution effects among other products or services (Johnson & Plepys, 2021).

This reflects the complex debate that prevails in the academic literature, with some authors emphasizing the environmental benefits of the product-service system, achieved by minimizing the number of products and extending their life cycle. However, other authors have differing

opinions and do not agree with this perspective. Indeed, although ownerless consumption has a lot of potential benefits, it also has certain drawbacks (Mont, 2002).

Research has shown that many uses do not always have a lower environmental impact. The circumstances, plans, usage conditions, and consumer's behaviours and intentions have an important effect on the environmental impact (Johnson & Plepys, 2021; Mont, 2002). In fact, renting can minimize the production of products as it increases their utilization, but it can simultaneously promote consumption (Johnson & Plepys, 2021). For instance, some products will be rented by consumers because they are more affordable with this option. However, without it, the purchase could have been avoided or postponed to a later day (Mont, 2002). In case of clothing rental, consumers may decide to rent clothing to expand their wardrobe options instead of replacing their regular shopping habits. In those cases, a renting business model may not be effective in reducing waste because customers who opt to rent clothing do not necessarily refrain from buying clothes (Johnson & Plepys, 2021).

Moreover, to reduce the overall environmental impact of consumption, product-service systems are primarily concerned about the use phase. Nonetheless, it necessitates deeper analysis of environmental factors during the entire life cycle (Khumboon et al., 2009). A product will be examined from a life cycle perspective at each stage of its cycle, including material procurement, component manufacture, product assembly, consumer usage, and disposal (Khumboon et al., 2009). The use of materials or the use of energy will typically be the key contributors to the environmental effects of the product life cycle. Nevertheless, in relation to the rental service, transportation during the service time may be a further cause of environmental implications (Khumboon et al., 2009; Mont, 2002).

### 5.3. Summary of the benefits and barriers of the use-oriented product service system identified

Table 1: Summary table of the benefits and barriers of the use-oriented product-service system

	<b>Benefits</b>	<b>Barriers</b>
<b>Literature on use-oriented product-service system</b>	<ul style="list-style-type: none"> <li>• Increased competitiveness (differentiation and production efficiency)</li> <li>• Improved functionality of products (by reconditioning and upgrading)</li> </ul>	<ul style="list-style-type: none"> <li>• Cultural shift for stakeholders</li> <li>• Negative customer perspective: lack of knowledge, lack of ownership, lack of flexibility, social risk</li> </ul>

	<ul style="list-style-type: none"> <li>• Added value for customers (flexibility, better products)</li> <li>• Increased consumer loyalty</li> <li>• Improved environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of expertise, experience, and skilled personnel</li> <li>• Significant associated costs</li> <li>• Rebound effect of sustainability</li> </ul>
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*Source: Own elaboration based on the literature of the use-oriented product-service system*

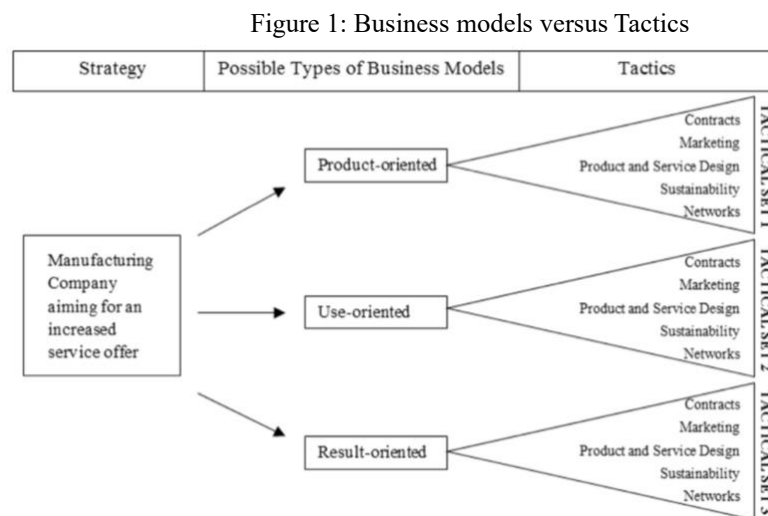
## 6. Implementation of the product-service system

The product-service system has the potential to deliver multiple benefits to different actors involved in the business model, although it is facing several challenges, as summarised in the table above. However, this potential is neither guaranteed nor always feasible if it is not specifically designed with this purpose (de Pádua Pieroni, Marques, Moraes, Rozenfeld, & Ometto, 2017; Tukker & Tischner, 2006). The sustainable product-service system community tends to focus more on the desired sustainability aspect of the concept, neglecting important factors such as consumer acceptance and commercial viability (Tukker & Tischner, 2006). Taking this into account, the definition proposed by Barquet et al. (2013) of a sustainable product-service system business model makes sense as it defines the latter by five criteria which encompasses design principles for the environment, recognizing economic value for all stakeholders, fostering behavioural changes for both consumers and suppliers, implementing actions that promote social welfare, and cultivating innovations throughout the value chain. It highlights the importance of considering the environmental, economic, and social levels, a triple bottom-line approach for assessing the total pay-out of the system (Bocken, Short, Rana, & Evans, 2014; Reim et al., 2015). As a result, business models are seen by multiple studies as essential and central for the successful implementation of the PSS that attains success in all mentioned areas (Mont, Dalhammar, & Jacobsson, 2006; Reim et al, 2015). Therefore, selecting the business model is a key choice regarding the differentiation strategy of a company (Reim et al., 2015).

Moreover, business model categories and operational-level strategies, often known as tactical sets, are closely related concepts. While business models describe how value is created and delivered, tactics determine the actual value generated when a specific business model is put into action (Reim et al., 2015). These sets are a company's available options within a certain business model. Taking these tactical sets into account while choosing and developing the

implementation of product-service system business models, will help companies shift from product orientation to product-service orientation (Reim et al., 2015).

Reim et al. (2015) have noted the importance of five tactics in the execution of the use-oriented product-service system business model, and supported by various studies, finding them to be distinct, influential, and promising approaches to help companies overcome some of the obstacles they face. These are contracts, marketing, networks, product/service design, and sustainability tactics which are further developed below (Reim et al., 2015).



*Source : Reim et al. (2015)*

## 6.2. Contracts

As the product ownership remains with the provider and is not transferred to the customer in a use-oriented model, the contract will be more complex as there is a stronger and longer-term relationship between these two actors (Reim et al., 2015). The responsibility of the supplier is higher with a rental model than when selling a product outright and it is therefore important that the contract terms include all details about the agreed upon services, and how the different parties will work together to ensure a balance of mutual interests (Reim et al., 2015). The service provider's risk and unpredictability should be reduced by the contract definitions (Besch, 2005). In addition, information on the level of availability, price, maintenance of products, returns and sharing of information are examples of terms need to be incorporated in the formal agreement (Reim et al., 2015). The expenses the customers will be charged in case of mishandling of a product, damages or non-return also need to be clearly agreed upon to

mitigate the risk of adverse behaviour, which increases even more in a use-oriented business model (Reim et al., 2015).

### **6.3. Marketing**

According to the research of Reim et al. (2015) about the tactical sets for companies to implement a product-service system, there are two important aspects in the marketing tactics: the importance of clearly communicating the added value to the customers, and the possibility to benefit from an increased customer loyalty, from the longer-term relationship with the customer, to capture customers' needs and requirements (Reim et al., 2015).

In the use-oriented model, customers engage in a distinct form of consumption where they buy a solution rather than a physical product. This shift in consumption behaviour towards ownerless consumption is an important adjustment for most customers. It therefore becomes crucial to positively influence customer attitudes and actions towards this new approach to consumption (Reim et al, 2015). One of the key strategies for achieving this is value-based communication. It is essential to clearly express the added value of the product-service system offering to customers (Reim et al, 2015). Kumar and KJ (n.d.) also highlight this finding in their research by emphasizing that providers should communicate the value of renting clearly to customers and especially environmentally conscious customers as they might have a lower resistance to rental. This can be done, for example, by highlighting incentives emphasizing that renting has a more positive impact on the environment and society, along with being financially advantageous (Reim et al., 2015). Gumulya and Ginting (2020) also recommend for rental business owners to embrace the feeling of pleasure from renting. By effectively communicating the benefits of the product-service system's offer, customers can better understand and appreciate the value proposition associated with this alternative form of consumption (Baines et al., 2007; Mont, 2002; Reim et al, 2015).

Secondly, by adopting rental and other forms of use-oriented business models, companies are building longer-term relationships with their customers, enabling them to gain more valuable insights into customer habits, product and service usage patterns, operational aspects, and overall understanding of customer needs (Reim et al., 2015). The success of a product-service system depends on an in-depth understanding of customers, as service providers rely on co-

creating value with their customers. As a result, it is essential to adapt the design of the service to customers' needs to generate maximum benefits for both parties involved (Reim et al., 2015).

#### **6.4. Network**

Moreover, companies must dismiss "product thinking" in favour of "system thinking" while designing a product-service system because the integration of services and products has brought a series of new operational responsibilities and tasks for businesses (Baines et al., 2007, Reim et al., 2015). Indeed, the PSS mandates that manufacturers and service providers expand their involvement and accountability beyond making a product available for purchase and these changes require increasing demand for human capital (Baines et al., 2014). According to Reim et al. (2015), these businesses cannot create, deliver, and capture the value of the system on their own. Therefore, they are establishing relationships with external partners to drive collaboration. Selecting the right partner, determining the right level of interaction, and putting in place effective mechanisms for coordinating relationships and sharing information become crucial considerations. Moreover, according to Mont (2002), to successfully implement a user-oriented model, it is suggested to include network partners in the development process at an early stage and using online collaboration platforms to coordinate tasks and facilitate information sharing.

#### **6.5. The product and service design**

Product-service system's suppliers need to be careful in the design of their products and services to successfully satisfy all diverse customer's needs. Indeed, a key component in enhancing the circularity of products is the shift from linear to a lifespan design (European Furniture Industries Confederation [EFIC], 2020). This means considering more requirements for the higher usability of the products compared to traditional business models and bearing in mind the entire product lifetime during the adaptation process (EFIC, 2020). This can be done by incorporating desirable product properties such as the ability to be easily maintained, upgraded, remanufactured, and reused. An efficient use of materials will also enable to separate materials and parts, which can ensure an extended and circular product life, beneficial for the supplier and its partners (EFIC, 2020; Reim et al., 2015). A significant focus is made on matching physical product features with the service offer's features and vice versa to satisfy new product and service design specifications (Reim et al., 2015). Nevertheless, implementing circular

design presents industry-specific challenges, including a limited range of alternative materials and greater expenses (EFIC, 2020).

## **6.6. Sustainability**

As previously seen, the product-service system offers significant potential for minimizing environmental impacts, which is one of the key objectives of this model (cf. supra Definition and objectives p.6). However, the achievement of this objective is not always guaranteed, and, in some cases, the implementation of this business model may only produce economic benefits while neglecting environmental considerations or even leading to negative impacts, rebound effects (cf. supra Rebound effects of sustainability p.15). Therefore, according to Reim et al. (2015), the integration of sustainability tactics will enable companies to ensure the success of product-service system business models while demonstrating a proactive strategy that simultaneously achieves economic and environmental benefits.

The authors explain that to enhance the potential for improving sustainability, companies need to focus on one main topic when implementing their business model: either on increasing and optimising the use of products on offer, or on prioritising innovations that make the manufacturing or distribution process more sustainable (Reim et al., 2015; Tukker & Tischner, 2006).

The first aspect, resource utilization in the case of use-oriented product-service system, involves incorporating services that extend the life of products and reduce the overall quantity of items used (Reim et al., 2015). This aspect also places importance on suppliers, as they have an incentive to extend the life cycle of products since they retain ownership throughout the process. Suppliers must take into consideration maintenance and repair processes in the design of their business model and deal with the problems associated with reckless customer behaviour (Reim et al., 2015).

The second aspect explores the different ways in which innovation can be integrated into sustainable tactics (Reim et al., 2015). While many innovations focus on improving product and service features to promote extensive use and facilitate maintenance and reconditioning, achieving higher levels of sustainability requires additional innovations in the business model (Reim et al., 2015). These can include innovative design and service delivery, generating value

from waste, providing functionality, and promoting sufficiency (Reim et al., 2015). Incorporating both these types of innovations not only improves sustainability, but also adds value for customers and encourages them to utilize products in a more durable way (Bocken et al., 2014; Reim et al., 2015)

Below is presented a table summarizing the main learnings from the five tactical sets proposed in the research of Reim et al. (2015).

Table 2: Five influential tactical sets presented by Reim et al. (2015)

<b>Contract</b>	Include all details about the agreed upon services and how parties work together
<b>Marketing</b>	<ul style="list-style-type: none"> <li>• Value-based communication</li> <li>• In-depth understanding of customers and their needs</li> </ul>
<b>Network</b>	Driving collaboration with external partners and include network partners in the development of the business model.
<b>Product-service design</b>	Considering requirements for higher usability of products.
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>• Increasing and optimising the use of products on offer</li> <li>• Prioritising innovations making operation process more sustainable</li> </ul>

*Source: own elaboration from the literature review*

## **II. Chapter 2: Furniture, toy, and clothing rental industries**

### **1. Introduction to the industries**

Rental is a long-standing practice in a variety of sectors, including products and services such as car rental, musical instrument rental and accommodation rental (Gumulya, 2020). However, its adoption in business-to-consumer (B2C) markets has been lagging. B2C scenarios mainly involve long-term, slow-moving goods, such as cars, or items that are frequently rented for one-off use, such as formal wear or party items (Borg et al., 2020). Consumer goods that are regularly used, not only at premium prices, which do not require continuous maintenance or that are heavily influenced by fashion and trends are often considered unsuitable for use-oriented product-service system (Borg et al., 2020).

Nonetheless, more companies are now pursuing innovative business models that promote reuse through rental, challenging the notion of ownership in sectors where possession was traditionally considered essential (Borg et al., 2020; Carry, 2014). Consequently, this thesis focuses on emerging rental markets in sectors involving regularly used products in the everyday of life of consumers, and that may be subject to rapidly changing trends, which are the clothing, furniture, and toy rental sectors. These industries are interesting for alternative business models that lessen the need for new production and virgin resources since they have significant environmental impacts when extracting raw materials, manufacturing, and using materials (Borg et al., 2020).

The next chapter examines each industry in more detail, starting with a descriptive overview of the traditional and rental markets. Then, the customer's perspective about the rental model in each sector is explored, as well as influential and industry-specific factors that should be considered as they may impact the barriers and benefits associated with rental, on top of the ones identified for the use-oriented product-service system in chapter 1. These factors include the unique characteristics of the different types of products, the consumer's preferences, and behaviours, as well as the overall dynamics of the sector. Nevertheless, the academic literature in all three sectors, but specifically on furniture and toy rental is quite limited. This intentional choice to explore more innovative sectors in this thesis therefore leads to a closer examination of the fashion rental sector, which has been the subject of more research, compared to the two other sectors where research is not so advanced.

## **2. Clothing rental**

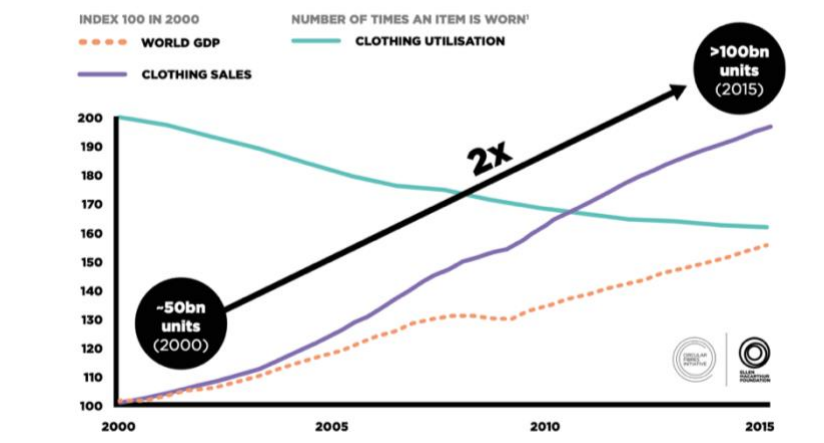
### **2.1. Overview of the clothing industry**

The textile and clothing industry is of considerable importance worldwide and continues to experience remarkable growth as it nearly doubled in the last fifteen years (Clube & Tennant, 2020; Ellen MacArthur Foundation, 2017; Johnson & Plepys, 2021). This increase is primarily attributable to the emergence of the fast fashion phenomenon, which features shorter lead times for new trends, more collections provided annually, and frequently lower pricing (Ellen MacArthur Foundation, 2017). The term fast fashion further describes the ongoing emergence of design trends and the ensuing excessive consumerism (Clube & Tennant, 2020). This shift in the traditional fashion model is mainly due to significant changes in consumer preferences, technology, globalisation as well as how people buy and consume (Duml & Perlacia, 2015). With social media, trends go viral in a very short period of time and manufacturers, such as Zara, Uniqlo, and H&M, have developed a business model that allows them to respond to the latest trends, by transforming from seasonal lines, usually planned a year ahead, as in the traditional fashion model, to clothing that goes directly from the factory to the store in a matter of weeks (Duml & Perlacia, 2015). As a result, on average, consumers worldwide bought 60% more clothes in 2016 than in the year 2000 (Clube & Tennant, 2020).

Nevertheless, the oversupply of cheaper clothes has encouraged over-consumption and the obsolescence of trends. In fact, the value fast fashion generates is accompanied by a considerable amount of waste, resource depletion, introduction of chemical and pesticides residues, worker exploitation, high water use, deforestation, and several other detrimental consequences (Clube & Tennant, 2020; Johnson & Plepys, 2021). In fact, the fashion industry, as assessed by the European Union, is estimated to be responsible for approximately 2-10% of the negative environmental impacts associated with consumption within the Member States (Bodenheimer et al., 2022). This is mostly attributed to the clothing underutilization and inadequate recycling practices. Indeed, there has been an observation of a nearly 40% decrease in the percentage of clothes being worn by consumers once purchased (Johnson & Plepys, 2021). According to Clube and Tennant (2020) lower-cost clothing tends to be discarded after fewer than eight wears. As a result, one of the main challenges faced by the sector is that the consumption of clothing is exceeding its technical lifespan (Johnson & Plepys, 2021).

In addition to the underutilization of garment, less than half of the clothing that is discarded is collected for reuse or recycling (Bodenheimer and al., 2022). Based on the Ellen MacArthur foundation research (2017), only 13% of the total material input used in the industry is recycled after being used to make clothes. We can therefore note that the process in which clothing is currently produced, distributed, and used is almost entirely linear. To produce clothing, which is frequently worn for only a brief period before being thrown away, significant amounts of non-renewable resources are being incinerated or lost in landfills (Ellen MacArthur Foundation, 2017). Consequently, the current wasteful, linear system is the primary cause of this enormous and continuously increasing pressure on resources (Ellen MacArthur Foundation, 2017).

Figure 2: Growth of clothing sales and decline in clothing utilization since 2000.



Source : Ellen MacArthur Foundation (2017)

## 2.2. Overview of the clothing rental industry

The industry and its consumers have recently grown more conscious of the harmful effects the current system is having on the environment and society (Ellen MacArthur Foundation, 2017). Accordingly, the necessity of transitioning into solutions where resource cycles are slowed, closed, and constricted to reduce waste and maintain material value, has been encouraged by this unsustainable trajectory (Clube & Tennant, 2020). In fact, to meet these challenges, solutions that encourage greater usage per garment, reducing the need for additional production, need to be implemented (Bodenheimer et al., 2022).

Rental business models provide such solutions, allowing customers to rent garments for shorter periods and then share them with new customers. Clothing rental refers to a service where

customers can obtain clothing by paying a fee, which includes various models such as short-term rentals and subscription formulas (Clube & Tennant, 2020). This approach effectively amplifies garment usage, leading to a more sustainable use of resources (Bodenheimer et al., 2022). Moreover, it offers other advantages to the customers which respond to their fashion needs such as a rotating wardrobe (Bodenheimer et al., 2022).

Globally, the online fashion rental sector has had an exponential growth (Arrigo, 2021). This is mainly due because sustainability has become a crucial concept in the fashion industry today, with an increasing number of consumers motivated to reduce their clothing consumption (McNeill & Venter, 2019). As a result, the global online rental market has grown significantly in recent years, reaching a value of USD 1.12 billion in 2021 (Grand View Research, 2017). It is expected to continue to expand at a compound annual growth rate of 8.5% from 2022 to 2030 and is expected to become a significant sub-sector of the fashion industry by 2025 (Grand View Research, 2017; Kongehl & Sander, 2021). Fashion rental seems to make up a relatively minor, possibly insignificant, portion of the whole clothing industry, which is predicted to expand in size from USD 1.5 trillion in 2020 to roughly USD 2.25 trillion by 2025 (Arrigo, 2021). However, it still grew between 2018, where the US garment rental market was considered around less than 1% of the overall clothing market and grew by 24% the year after, according to Reuters (2019) (cited in Arrigo, 2021). This growth is driven by factors such as the increasing popularity of online retailing, technological advances, widespread use of the internet and the growing adoption of mobile technology (Allied Market Research, 2017; Grand View Research, 2017).

Among the segments of the clothing rental industry, formal clothing rentals, such as suits and blazers, hold the largest market share due to their high cost and maintenance requirements (Grand View Research, 2017). This rental segment is not entirely a new concept in the field of fashion, small-scale rental has been around for a long time including fancy dress and tuxedo rental (Clube & Tennant, 2020). However, until recently, short-term fashion rental was not viewed as a viable economic possibility which resulted in a growing number of B2C platforms emerging, such as well-known American brands like Rent the Runway or Le Tote, which provide rental platforms and the rental products to customers (Arrigo, 2021; Clube & Tennant, 2020). These fashion rental platforms allow businesses to generate revenue through subscription and rental fees (Arrigo, 2021). The latter can propose rental of premium clothing, other than only suits or dresses, as well as everyday apparel for the customers.

### **2.2.1. New actors entering the industry**

A growing number of companies are adopting a new approach to ownership, moving away from the fast fashion business model that dominates the fashion industry (Duml & Perlacia, 2015). These rental platforms are designed to meet the growing consumer desire for novelty and change, which has been intensified by the spread of fast fashion (Park & Armstrong, 2019). By offering rental options, these platforms allow customers to enjoy new styles and trends without worrying about the environmental consequences of disposal or the responsibilities associated with ownership.

Rent the Runway is one of the most successful platforms in the clothing rental market which offers both long-term subscription-based rentals and short-term rentals for one-off events (Park & Armstrong, 2019). The platform has generated impressive revenues of over USD 100 million, with around 9 million subscribers, and was estimated at around USD 600 million in 2016 (Lee & Chow, 2020; Park & Armstrong, 2019). Other brands such as Bag Borrow or Steal offer similar services, providing access to luxury or high-end products (Park & Armstrong, 2019). In addition, several brands have emerged with a focus on affordable offerings for specific market segments, such as Gwynnie Bee for plus-size women and Mine for Nine for the maternity segment (Park & Armstrong, 2019). Companies specialising in everyday clothing have also been established in various countries such as Armoire, Le Closet, Le Tote, etc.

As a result, the remarkable performance of these rental platforms has caused concern among many traditional fashion retailers, leading well-known clothing brands such as Urban Outfitters, Banana Republic, and Diane von Furstenberg to enter the subscription-based clothing rental market (Arrigo, 2021; Lee & Chow, 2020). In terms of the global clothing rental market, North America currently holds the largest share of the online clothing rental market (40% market share in 2018), followed by Europe (27% market share), with notable activity in countries such as France, Italy, and the UK (Arrigo, 2021).

### **2.3. Customer's perspective of clothing rental**

The clothing rental business model allows consumers to take advantage of the functionality and use of clothing without the responsibilities of ownership, which include not only the cost of acquiring, maintaining, and storing the garment but also the risk of obsolescence and disposal (Lang, 2018). In the fashion industry, a rental business model is particularly interesting for

consumers as fashion trends change regularly and products are quickly replaced by new styles, which may put financial strain on consumers who want to always be in line with the newest trends (Lang, 2018). As a result, Moeller, and Wittkowski (2010) contend that consumers who follow trends are more inclined to engage with innovative services and rental (cited in Kongehl & Sander, 2021).

Furthermore, fashion consumption is often linked to social identity, especially among young individuals during their identity development phase, leading to excessive consumption as clothing can represent an expression of individuality (Ellen MacArthur Foundation, 2017; McNeill & Venter, 2019). Therefore, customers who value fashion and want to change clothes more frequently, but face financial constraints, are anticipated to turn to clothing rental services as a more affordable alternative (Grand View Research, 2017; Lang, 2018).

From a financial perspective, rental also offers consumers the opportunity to avoid spending significant amount of money on clothes that would only be worn for a single or few occasions, such as a dress or a suit. It also allows them to explore and try on new designer brands (Allied Market Research, 2017).

Finally, customers who are going through temporary rapid body-shape changes, such as pregnant women, can benefit from the services (Lang, 2018; Allied Market Research, 2017). Clothing rental is also an attractive option for children as they are growing fast, requiring frequent changes of clothing. This segment is expected to grow significantly as parents can choose to rent clothes to avoid accumulating a surplus of clothes at home and save money (Grand View Research, 2017).

## **2.4. Key factors in the clothing rental industry**

### **2.4.1. Clothing rental barriers**

Firstly, one of the challenges facing rental companies in the fashion industry is the scale and variety of their product range when initially building up their inventory (Bodenheimer et al., 2022). Indeed, while offering a wide selection of products can attract customer interest, it requires a large initial investment and substantial start-up capital (Bodenheimer et al., 2022). The financial implications of the rental model can be significant in the short term, particularly if stock purchases are based on medium to long term investment strategies and are highly

dependent on fashion items (Gyde & McNeill, 2021). Indeed, a valid concern for the fashion rental industry is the speed at which fashion cycles change as trends evolve rapidly, meaning that rental collections can quickly become outdated and obsolete (Lang, 2018).

In addition, the emotional attachment customers may develop to certain items may hinder consumer adoption of clothing rental (McNeill & Venter, 2019). While clothing is a necessity, it has also evolved to become a mean of socially differentiating oneself from others, as well as fostering a sense of belonging (McNeill & Venter, 2019). Consequently, strong emotional attachments are formed with physical objects when they are used to express a person's identity, which partly explains the importance of fashion items in many of the customer's lives (Armstrong et al., 2016; McNeill & Venter, 2019). The contrast between the desire to maintain emotional distance from the idea of owning goods and the need to exert control over the objects that define one's identity, may provide a motive for why consumption of consumer goods continues to increase globally, despite the environmental challenges faced (McNeill & Venter, 2019). Indeed, a service might not be able to adequately replace the significant emotional meaning created with the items (Armstrong et al., 2016).

Finally, an important aspect to consider in relation to fashion items is the importance of aesthetic appeal, which should not be ignored when considering the innovation objectives of companies (Armstrong et al., 2016). This is particularly relevant in the context of clothing rental, as producers strive to maximize the lifespan of their products by focusing on improving quality and durability. However, it is essential not to neglect the importance of aesthetics and comfort in this pursuit of longevity (Armstrong et al., 2016).

#### **2.4.2. Clothing rental opportunities**

One of the main drivers for consumers to adopt to the rental model is the potential for cost savings (Armstrong et al., 2016; Arrigo, 2021; Bodenheimer et al., 2022). Indeed, price is a key factor influencing customers' decision to rent or buy items (cf. supra Lack of experience p15) (Bodenheimer et al., 2022; Lang, 2018). This is particularly relevant in the context of clothing rental, which can be perceived as a cost-effective value proposition for consumers (Armstrong et al., 2016; Bodenheimer et al., 2022). Renting allows consumers to access fashionable items and keep up with the latest trends at a reduced cost compared to the purchase model, making it an attractive option for frugal consumers (Lang, 2018). This argument is particularly well-

known in relation to renting garments for special events, which is more common for customers. In fact, they better realize the financial benefits they can make out of that specific rental offer because these garments are generally more expensive at purchase than everyday clothing, they will only wear the garments once to a few times and they can wear designer or luxury items that would otherwise be financially out of reach (Armstrong et al., 2016; Bodenheimer et al., 2022).

Then, on top of saving money, consumers can explore new styles or brands and frequently update their wardrobe, fulfilling their desire of change without requiring significant investment, risk, or guilt (Armstrong et al., 2016; Bodenheimer et al., 2022; McNeill & Venter, 2019). Users also see this service as a risk-free option to leave their comfort zone (Armstrong et al., 2016). Finally, the literature presents diverging perspectives on the ability of rental companies to source from designers or brands, with authors considering it as an opportunity while others see it as a barrier (Bodenheimer et al., 2022). In fact, Arrigo (2021) notes that some fashion rental platforms can enrich their collection by incorporating free garments from young designers who are willing to promote their collections through rental. However, Gyde and McNeill (2021) emphasize that rental companies often encounter resistance when trying to acquire garments from specific designers who refuse to sell to rental companies. This resistance arises from their belief that the rental model poses a threat to their own sales-based business model.

### **3. Furniture rental**

#### **3.1. Overview of the furniture industry**

The furniture industry is a worldwide significant and continuously growing sector. It is expected to generate sales of USD 165.7 billion between 2023 and 2027, which represents an increase of 21,63%, reaching USD 931.9 billion in sales in 2027 (Statista, 2023). This industry has always been a labour-intensive sector, with a high concentration of small and medium-sized enterprises (SMEs), and a complicated and disjointed supply chain with many phases that are often outsourced (Renda et al., 2015). In recent years, developing trends have been noticed with manufacturers producing large quantities of inexpensive furniture while consumers use the latter for shorter periods of time and replace it more regularly (Kumar & K.J., n.d.). This phenomenon is similar to the fast fashion which the clothing industry is facing. In fact, furniture manufacturers prioritise quantity over product quality and customers without access to funds tend to opt for the least expensive alternative (Cummins, 2020). As a result, manufacturing

relies on high resource consumption, outsourcing, and furniture design that necessitates more frequent replacement (Buch & Trenk, 2021).

Consequently, this trend creates more waste. Indeed, furniture waste makes up to more than 4% of the EU's total municipal solid waste stream, according to data from the European Federation of Furniture Manufacturers (2017) (cited in Furn360, 2018) and 10.78 million tonnes of furniture waste are generated annually in Europe (Forrest, Ballinger, & Whittaker, 2017; Furn360, 2018). According to a study by Cummins (2020), Americans throw away more than 12 million tonnes of furniture and furnishings every year, compared with only 2 million tonnes in 1960. This is an important statistic that illustrates the huge amount of waste produced in the last years. Moreover, as most items contain a variety of constituents, only a small percentage is recycled. For this reason, around 9 million tonnes of waste made up of wood, metal, glass, fabric, leather, and foam will be thrown away in a landfill (Cummins, 2020). Because of these environmental issues, furniture needs to be used more effectively, which might reduce waste volume and the amount of hazardous chemicals used in furniture production (Besch, 2005).

### **3.2. Overview of the rental furniture industry**

A more circular solution will have the ability to resist these trends since it enables value recovery, environmental improvement and economic growth through repair, refurbishment, and remanufacturing (Forrest et al., 2017). Therefore, a rental business model can offer a promising way to add value to the industry and make it more sustainable by addressing resource constraints, items usage with high reuse of products, consumer value, and profitability issues (Furn360, 2018). Indeed, according to Edbring et al. (2016), focusing on renting furniture rather than owning it is a more environmentally friendly option than the current linear business model, on condition that the product is built in a durable manner.

The size of the worldwide furniture rental market was estimated at USD 54.91 billion in 2023 and it is anticipated to increase until USD 89.68 billion in 2030, with a compound annual growth rate of 7.0%, from 2023 to 2030 (Grand View Research, 2018). The increasing prevalence of significant service providers, coupled with the benefits of flexibility and a focus on circularity, are influential factors driving the popularity of furniture rental (Grand View Research, 2018). In recent years, there has been a noticeable increase in its use, particularly among younger generations who value comfort, independence, and adaptability. In addition, professionals are

increasingly turning to furniture rental for office furniture and especially with the rise in working from home (Grand View Research, 2018).

Accordingly, some manufacturers of office furniture and even recognised companies have tried to adapt their business model to incorporate environmental concerns into their design (Besch, 2005; Grand View Research, 2018). For instance, IKEA, a major global furniture retailer, has conducted multiple trials of renting furniture in limited markets in 2019 to respond to customer's needs, targeting specifically students and temporary expatriate employees (IKEA, 2019; The Associated Press, 2020).

Furthermore, the global rental industry is categorized into two main segments: commercial applications and residential applications (Grand View Research, 2018). In terms of commercial applications, rental services are highly efficient solutions for event organizers, enabling them to save time, expenses, and energy as the rental companies handle all the furniture requirements (Grand View Research, 2018). Then, companies can also diversify into the residential market, by offering furniture for homes. The residential applications also respond to the growing demand for the creation of comfortable, flexible spaces in the light of the growing trend towards working from home and online courses (Grand View Research, 2018).

### **3.3. Customer's perspective of furniture rental**

Unlike more common items such as groceries that consumers are used to buy, furniture will take longer to choose and will require more research and thought on the behalf of customers due to its higher cost, durability, and infrequent purchase (Kumar and K.J., n.d.). On top of that, from a customer's perspective, buying furniture can be considered as an emotional purchase as it fosters sharing and a sense of community between friends and family in the homes (Kumar and K.J., n.d.). This involves for the furniture rental companies to try to know their target audience inside out, particularly in terms of what they look for which will help them to respond better to their needs (Kumar and K.J., n.d.).

Furthermore, in the academic literature, two significant consumer groups which have shown increasing interest in furniture rental offers have been identified: the Generation Z and Millennials demographics (Grand View Research, 2018). Indeed, they have been responsible for driving the demand since they are described as being in constant exploration, movement,

and seeking for new opportunities (Grand View Research, 2018). This results in these categories to avoid investing in items such as furniture, as they do not want to commit to important purchases. They rather pay for the convenience, through a rental model as it provides them an effortless way to frequently relocate, adapt their living arrangements, and change occupations while simultaneously giving them access to fashionable designs (The Associated Press, 2020). Customers see furniture rentals and subscription services as a more environmentally friendly way of maintaining flexibility and consuming responsibly (Grand View Research, 2018).

### **3.4. Key factors in the furniture rental industry**

#### **3.4.1. Furniture rental barriers**

First, Bodenheimer et al. (2022) and Edbring et al. (2016) have described that customers are highly sensitive to price (cf. supra Lack of experience p.15). This can be problematic for the rental furniture sector because most furniture, as for instance an office desk is a simple item with a long lifespan and few maintenance requirements. In fact, those products have a prolonged use which might be in contrast with the financial advantages of renting (Besch, 2005). According to Edbring et al. (2016), long-lasting products are not considered suited for rental because renting them could be more expensive than buying new furnishings. Moreover, Besch (2005) described that even if renting furniture came with additional advantages for the customers, there seems to be no incentive to pay a higher price for it.

However, a contradictory trend has also been identified by Besch (2005) among consumers: instead of replacing furniture primarily because of its use, they are increasingly motivated by aesthetic considerations, leading to shorter periods of use. In addition, millennials have shown a notable interest in renting furniture, as they favour flexible living arrangements and see renting as a practical solution for avoiding long-term commitments, leading to shorter periods of use (Besch, 2005). Moreover, as previously seen with the emerging tendency in the furniture industry with manufacturers concentrating more on quantity rather than quality, consumers were starting to utilise furniture for shorter periods of time than before. As a result, the furniture rental market still presents opportunities, but there is a complex debate about the financial benefits and potential barriers involved.

Furthermore, the influence of fashion, design and trends is a significant barrier to customers' furniture rental preferences (Besch, 2005). On the one hand, furniture rental offers the opportunity to constantly update styles to align with current trends (Besch, 2005). On the other hand, if furniture is rented for an extended period, there is a risk that it will become obsolete, resulting in a decrease in rental demand (Besch, 2005). It is important to note that during the reconditioning or remanufacturing process, only changes can be made to the surface of the furniture, such as its colour, cushion, or textile, while the essential characteristics such as shape, size or material remain unchanged (Besch, 2005). As a result, even with frequent remanufacturing, furniture can quickly appear outdated due to frequent changes in furniture design. This finding highlights the considerable impact of fashion and design on our culture, while indicating that sustainability efforts in the furniture industry are likely to be lagging (Besch, 2005).

### **3.5. Furniture rental opportunities**

Two factors have been identified as significant and favourable in influencing consumer preferences for furniture rental.

Firstly, occupational mobility plays a key role in the industry, referring to individuals moving from one geographical location to another due to changes in their line of work (Kapoor and Vij, 2021). In fact, whenever people relocate, they actively seek alternatives to the hassles associated with shipping or selling their existing furniture (Kapoor and Vij, 2021). Additionally, as described by Besch (2005), they prefer the flexibility of renting for shorter periods to avoid long-term commitments, considering it a practical solution.

Secondly, the provision of additional services by rental companies, such as delivery, free assembly, installation, and dismantling, has emerged as the second key influential factor in furniture rental (Kapoor and Vij, 2021). These value-added services contribute to the convenience and ease of the rental experience for customers, enhancing the attractiveness of furniture rental.

## **4. Toy rental**

### **4.1. Overview of the toy industry**

The global toy industry has experienced a major increase in volume and value for these products that are one of the world's oldest consumers goods and was estimated to earn USD 90.7 billion in total revenue in 2021 (Johnson, 2001; Nastase et al., 2021). Factors including population growth, globalisation, and free trading are driving this expansion (Nastase et al., 2021). Moreover, most of the largest companies active in the sector are from the United States, as the American market is very significant and estimated at USD 25.5 billion in 2021 (Nastase et al., 2021).

However, given that around 90% of toys are made of plastic, this expansion has increased the production of plastic toys, adding to the already large number of plastic objects which have not an easy recycling procedure (Kurland & Lundström, 2021; Nastase et al., 2021). In addition, much of this value is lost when toys are thrown away, with some estimates indicating that as much as 80% of all toys end up in landfills, incinerators, or the ocean (Robertson-Fall, 2020). Plastic also generates many damaging environmental effects such air, soil, and water pollution, especially during the extraction and processing of plastic raw materials (Kurland & Lundström, 2021).

Furthermore, a rising trend in the industry leading to a significant quantity of waste, according to Nastase et al. (2021), is that toys typically have a relatively short lifespan, of around six months, because they heavily depend on a child's evolving interests. Consequently, they quickly end up as waste as children's preferences change frequently and they tend to immediately lose interest in their toys. Indeed, every year, more than 40 million toys are wasted in France only, and about a third of parents in the UK admit to discard toys that are still in good working condition after their kids got bored playing with them (Robertson-Fall, 2020). This necessitates to re-evaluate how these items are designed and played with, but also the toy ownership models (Nastase et al., 2021).

### **4.2. Overview of the toy rental industry**

Reuse and sharing strategies, as well as redesigning plastic products are essential for the numerous toys already in existence to reduce economic and environmental damage (Kurland &

Lundström, 2021; Robertson-Fall, 2020). As a result, some leading companies in the toy industry, such as Lego and Hasbro, are now trying to follow these trends and adapt their offerings with initiatives towards toy sharing and reuse opportunities, even though it is still on a small or medium scale. (Nastase et al., 2021; Statista, 2023). With toys-as-a service-model, available items will be more likely to be returned, reconditioned, or recycled and it will allow to let toys be used by more individuals (Nastase et al., 2021; Robertson-Fall, 2020).

However, according to Robertson-Fall (2020), it is essential to consider both the design and material composition of newly created toys to ensure their long-term viability within circular business models, as well as these solutions of toys-as-a-service-model that encourage the continued use of existing toys. Nevertheless, the durability of a toy is determined not only by its physical characteristics, but also by its desirability over time (Robertson-Fall, 2020).

#### **4.3. Customer's perspective of toy rental**

One of the main challenges facing the toy industry is the short lifespan of toys. Children quickly lose interest in their current toys and want new, more exciting ones. This is primarily due to their exposure to a wide range of toys, which they quickly outgrow (Nastase et al., 2021). Consequently, over the years a common problem that has arisen is the accumulation of perfectly functional toys, with parents regularly buying new toys while the old ones remain unused (Nastase et al., 2021; Zipp, 2008). This constant demand for new toys has led to financial and environmental concerns.

To address this problem, a toy rental system offers a solution enabling parents to regularly acquire toys that have been already used, without having to spend a high price on them and producing more waste (Nastase et al., 2021). Many parents, particularly millennials, are already taking advantage of the growing number of toy subscription services being provided by businesses (Nastase et al., 2021). By subscribing to these services, the latter can ensure that their children receive new toys every month at a possibly lower cost compared to buying them outright, while helping to reduce the environmental impact caused by the massive use of plastic in the toy industry (Nastase et al., 2021). It is therefore essential to identify parents who wish to de-clutter their homes from the many functional toys they have accumulated, who do not want to own items that are not needed and who are concerned to minimize toy waste (Zipp, 2008).

Finally, as parents are the customers because they are purchasing the toys, but children are the end-users, it is important that companies understand the preferences, the buying behaviours and analyse the needs of both stakeholders which will be key to develop an effective strategy to offer a solution that satisfies both parties (Nastase et al., 2021).

#### **4.4. Key factors in the toy rental industry**

##### **4.4.1. Toy rental barriers**

A first barrier identified is the emotional attachment to items that can be developed towards toys (Nastase et al., 2021). While some children quickly change interests and get tired of their toys, others can form a deep attachment and view a certain toy as a source of comfort and safety, making them want to keep it (Gillentine, 2012; Nastase et al., 2021). Consequently, some consumers also believe that possessing children's memorabilia is essential as they fear that renting such items could result in a less memorable childhood (Gillentine, 2012).

Moreover, the consumer's attitude towards renting may also be restrained by the concern of available items' incompatibility with children's age development (Gillentine, 2012).

Then, rapid change and volatility have long been characteristics of the toy industry. Indeed, demand for trendy items can fluctuate considerably overnight, reaching a boiling point before dropping suddenly when the next trendy item hits the market (Johnson, 2001). High cannibalisation rates, short life cycles and constant product innovation are commonplace in this industry (Johnson, 2001).

A final challenge in this industry, considering the age of users of the rented items, is the high risk of loss, damage, or destruction of the goods (Nastase et al., 2021). Young children still lack the concept of damage increasing the need for companies to anticipate this difficulty during the design of the rental model and selection of the materials to produce the goods (Hollinger & Milne, 2019; Nastase et al., 2021).

##### **4.4.2. Toy rental opportunities**

Toy rental offer two main benefits and opportunities for the companies' customers, the parents, and their children.

Firstly, by renting toys, children have the possibility to play with and use toys that might be beyond the usual purchase budget of their parents (Gumulya & Ginting, 2020). This allows them to discover a wider range of products and enhance their play experiences.

Secondly, customers who engage in toy rental can experience a sense of joy and satisfaction by de-cluttering their homes and optimising the lifespan of unwanted items (Gumulya & Ginting, 2020). This is a particular incentive for parents as children easily outgrow their toys and only use them temporarily (Gumulya, 2020).

## **5. Conclusions**

The clothing, furniture and toy rental sectors are gaining in popularity and expanding due to several factors (the widespread use of the internet, the increasing popularity of online retailing, technological advances, the growing prevalence of large service providers) and as a means of responding to the increasing amount of waste and the shorter usage cycles in each sector. Although all three industries face similar opportunities and barriers to the rental model, namely the ones of the use-oriented product-service system previously identified, this chapter enabled to investigate into the more industry specific factors and characteristics leading to unique barriers and opportunities to each industry.

Nevertheless, some similarities could be noticed, such as the additional services offered by rental companies, namely installation, maintenance, reconditioning and disposal services, which lead to a valued advantage in all three sectors. Additionally, emotional attachment to rental items is a typical barrier in the toy and clothing rental sectors. Toys are seen as a source of comfort and familiarity by children, while clothing rental customers may become attached to certain items as a means of expression. The industries' dependency to fast changing trends has also been noted for all three sectors as main barrier.

Furthermore, there are contractual advantages and obstacles that differ from one sector to another. For instance, customers are highly sensitive to price when deciding whether to rent or buy (Bodenheimer et al., 2022). Cost-efficiency is seen as an advantage in the clothing and toy rental sectors, as it saves money and provides ongoing access to new and expensive items. Conversely, in the furniture sector, customers prefer to own furniture for longer periods to reduce financial risk, as long-term rental is sometimes considered more expensive than ownership.

## CONCLUSION OF THE LITERATURE REVIEW

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With the rising awareness of the environmental impact of over-consumption in various sectors, due to manufacturers' desire to produce more and cheaper, sustainable models of consumption are progressively introduced and developed into the market. Among them, the development of rental solutions focusing on a more intensive use of products and their entire lifecycle by focusing on reuse and offering other services to customers such as repair, refurbishment, and recycling. The rental model is consistent with a subcategory of the product-service system, namely the use-oriented product service system where the supplier keeps the ownership of the product while the consumer can freely access the product.

This system provides important benefits such as the increase of companies' competitiveness, the improvement of the environmental impacts, the creation of additional value for the customers through more flexibility, better products, etc. Nevertheless, barriers need to be considered such as the consumer's unfamiliarity with ownerless consumption, the companies' lack of experience and knowledge, etc. In addition, renting services have started to emerge in sectors for everyday consumer goods where ownership was seen as a normality, such as the clothing, furniture, and toy industries. Authors base the benefit and barrier assumptions on the general findings of the use-oriented product service system, but few industry specific factors were identified leading to key benefits for each sector such as the opportunity to try new styles with clothing rental, to declutter your home with toy rental, and the facility to move around without settling with furniture rental, etc. Important barriers were identified to as the emotional attachment to clothes or toys, the possibility of obsolescence with furniture rental, etc.

Moreover, Reim et al. (2015) identified five influential tactical sets that are highly suggested to be considered to ensure a successful implementation of the product-service system, which are the contract, marketing, network, product-service design, and sustainability tactics.

Finally, past academic research has mainly focused on the product-service system and the consumer's acceptance of rental service in emerging industries but on a limited scale. Therefore, the practical research of this thesis aims to identify the benefits and barriers of the rental business model in the clothing, furniture, and toys, from a broader perspective considering all the stakeholders. Moreover, it will include a comparison of the results in the three industries looking for significant differences or similarities between them.

## PART 2 : PRACTICAL RESEARCH

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### I. Problematic and research question

With the arrival and success of new companies such as Uber and Airbnb, more companies in very different industries, including everyday consumer goods, have started to offer innovative business models that integrate products and services for their customers. This has led to businesses offering rental models, through subscription or multiple formulas, in the clothing, furniture, and toy rental sectors. The academic literature mainly associates this emergence of rental companies as a response to the harmful effects of linear consumption on the environment, and the rising trend of short product's lifespan. However, rental has more benefits to offer to society. Additionally, the implementation of the business model and the consumer behaviours are important influential factors to successfully achieve these advantages. Therefore, the latter are also accompanied by significant barriers to consider.

From the literature review we were able to understand in more detail the principles of the product-service system, of which renting is a sub-category, namely the use-oriented product-service system, and its benefits and barriers. This system has been seen in depth in the theory because due to limited research on the clothing, furniture, and toy rental business models, the authors have assumed that these rental industries follow the same benefits and challenges of the use-oriented product-service system, with some distinction due to certain industry specific factors.

The practical research therefore explores the above-mentioned points with two main objectives. Firstly, the research aims at identifying the benefits and barriers of each rental industry, realizing for each a case study analysis of three companies active in each sector, which are Nuuly, Inlease, and Tiny Earth Toys. Secondly it aims at comparing these between each other to investigate whether there are patterns and commonalities, whether they depend independently on each industry or whether there are new or not identified factors in the academic literature which also need to be considered.

This leads us to the following question: **"What are the benefits and barriers of the rental business model in the clothing, furniture and toy industries? A comparative case study analysis of Nuuly, Inlease and Tiny Earth Toys.**

## **II. Research methodology**

### **1. Justification of the chosen methodology**

As research on clothing, furniture and toy rental models is limited in the academic literature, qualitative research was carried out, through three case studies, for each sector considered. The case studies are most valuable when factors and their correlations are studied in unfamiliar situations and in the early stages of a management theory (Eisenhardt, 1989). Indeed, according to Gibbert, Ruigrok and Wicki (2008) and Ridder, Hoon and Mccandless Baluch (2014), a case study is a well-suited methodology for generating knowledge, adding theory through the identification and refinement of constructs and links, or the development and confirmation of assertions.

While single case studies can provide a rich description of the existence of a phenomenon, a stronger basis for theory development is often provided by multiple case studies (Eisenhardt & Graebner, 2007). To determine whether an emergent finding is simply exclusive to a single example or whether it is systematically reproduced in several cases, it is necessary to make comparisons between several cases (Eisenhardt & Graebner, 2007). In fact, by using three case studies from three different sectors, the research can be extended to compare whether these benefits and barriers are dependent on the rental business model, the sector, or whether there are other key factors to consider that have not been covered by the research carried out in the academic literature.

In addition, the literature review provided further insights into the principles and theories of the product-service system, with the benefits and barriers of clothing, furniture and toy rental models being based on those of the use-oriented category of the system. In addition, the academic literature has shown that the advantages and challenges depend on the implementation of the business model and its processes carried out by companies (Reim et al., 2015). Therefore, the use of qualitative research and case studies will enable a more detailed examination of how companies operate, their offer, their relationship with customers, the benefits they deliver to the different stakeholders through the rental offer and the barriers they faced or currently do.

### **1.1. Selection of companies for case studies**

For the case studies, three major companies were selected for each industry. The factors that influenced this selection were the degree of innovation of their offering, their geographical location to not be limited to one single country, and the size of the company to study quite developed businesses.

The first studied company is Nuuly, an American clothing rental company focusing on offering everyday wear clothing through a subscription model. Multiple clothing rental companies are getting more popular such as Rent the Runway which is currently the most famous one in the United States. However, its offer is focused on premium garment, high-end designers, and mostly occasional wear (Scholz, 2023). The option of everyday clothing seemed more innovative as it is the one that has the most potential to have impacts on the environment as well as the one who would change customer habits the most.

Then, Inlease, a Belgian company is offering furniture rental in many countries in Europe through different rental formulas. The company is part of the CORT Global Network, the largest alliance of furniture rental companies created by CORT furniture rental, which is the biggest furniture rental company in the United States, and a major global leader. This leads for the company to have knowledge about other rental companies globally, and to have gained experience from leaders of the market, which could be interesting for the analysis. Moreover, the company being active in Europe, it allows to increase the objectivity of the research by not being limited to one country, the United States. In addition, the company's offer is not limited to only furniture, they also rent decorative items, gardening equipment, tableware, electronic appliances, etc. Many furniture companies do not have such a wide offer.

Finally, Tiny earth Toys is an American company offering a subscription of toy boxes curated by educators. The rented toys are premium wooden toys to optimize durability and sustainability. In fact, in addition to its rental strategy, the company is striving to be more sustainable with the items it rents out, making its offering highly innovative and advanced in the aim of a sustainable offering.

### **1.2. Information collection**

To realize the three case studies, two types of information have been collected.

Firstly, internet research was done to gather maximum online information to realize the case study of each company, and to increase the objectivity of the research. The online documents used in the research were the websites of the three different businesses, the website of the groups the companies are part of (URBN and CORT Global Alliance), interviews with the companies (such as the one conducted by Benedict (2020) with the founder of Tiny Earth Toys), articles published by the businesses through their social media platforms or website and blog, platforms where customers can share their reviews on the companies (such as Trustpilot), and press or blog articles talking about consumers' perspectives and reviews.

Secondly, to realize the case-study analysis, semi-structured interviews have been carried out with employees from the three companies to gain more valuable and qualitative insights about each business. The three interviewees were the Executive Director of Marketing of Nuuly, the Account Manager Benelux and NATO of Inlease and the Chief Operating Officer of Tiny Earth Toys. The semi-directive approach was chosen to enable to obtain not only precise answers to closed questions or theories expressed by the respondents, but to allow them to freely express their perspective and insights, to understand people's practices, behaviours, and perceptions in relation to the rental business model, its barriers, and benefits (Chevalier & Meyer, 2018) (cf. Appendix 2).

## **2. Analysis structure**

As previously outlined, the objectives of this thesis are to identify the benefits and barriers of the rental business model in the clothing, furniture, and toy rental industries. Additionally, these are compared with each other in order to investigate whether they are dependent on the rental business model (use-oriented product-service system) or the sector in which they operate, or whether there are new ones identified that must be considered to improve the current academic literature. To achieve these objectives, the following methodology was followed.

First, the companies will be presented with some important facts about themselves, their offerings, and their operational process for items to be shared. This process will follow the same outline as that followed by the products, i.e., manufacture, shipping, cleaning, reconditioning, reshipment, and additional services proposed by the business. The target consumers will also be identified, as well as the company's relationship with them, as it is of significant importance in a product-service system.

Then, the benefits of the companies' offering will be introduced. These include benefits for the companies but also for various stakeholders such as partners and customers. After, the barriers faced by the companies will also be presented, as well as concerns of barriers they thought they would face, and ways they have implemented to overcome these. In addition, as the implementation of the business model is significant to capture all the potential benefits and potentially overcome barriers, the five sets of tactics presented by Reim et al. (2015) in chapter 1, namely marketing, contract, network, product-service design, and sustainability will be compared with the actual implementation conducted by the three companies.

Furthermore, these benefits and barriers will be summarized and compared with the existing literature on the use-oriented product-service system, and the key influential factors for each sector. A comparison between the three companies in the discussion section of the research will also be done, and the section will be concluded with the main results.

Finally, the important limitations will be highlighted as well as recommendations for future research. The thesis will then be concluded with a general conclusion of the research with its main results, and contribution to the existing literature.

### **III. Analysis and results**

#### **1. Nuuly case study**

##### **1.1. The company**

Nuuly is an American brand created in 2019 by the group URBN which owns multiple consumer brands including Urban Outfitters, Anthropologie, Free People, FP Movement, Anthropologie Weddings, Terrain, and Menus & Venues (URBN, 2023). Nuuly offers two main services, Nuuly Rent which started in 2019 and Nuuly Thrift which started in 2021.

Nuuly Rent is a women clothing subscription rental service offering around a thousand of styles from more than 400 brands and designer labels, including Free People, Urban Outfitters, and Anthropologie, the brands of the URBN group, as mentioned by the Marketing Director of Nuuly. The clothes range from party dresses and workwear to high end denim and vintage finds (Nuuly, 2023a).

Nuuly thrift is the new community resale marketplace of the brand where anybody can buy and sell clothing, accessories, and shoes for ladies, men, and children (Nuuly, 2023a). Anyone can use Nuuly Thrift to resell items and users can earn Nuuly Cash in the process or directly transfer the money gained into their bank accounts. With the Nuuly Cash, consumers can increase the purchasing power of their dollars by 10% for any next purchase at Nuuly Thrift or some brands of the any URBN group such as Anthropologie, Free People, Urban Outfitters, BHDLN or Terrain (Nuuly, 2023a). Nevertheless, Nuuly Rent is the company's main service and the focus in this practical research.

According to Nuuly's Marketing Manager, the idea of implementing a rental business model started as the group was trying to anticipate the evolution of the consumers' behaviours, including their attitudes towards sustainability that were seen to be changing. Indeed, multiple new business models and services were emerging in multiple industries around the sharing economy. Additionally, new models were also emerging in the clothing industry as for instance a personal styling service for women and men proposed by the company Stitch Fix, sending curated clothes to the consumers which was mentioned by the respondent. This business focuses on convenience for customers, which is different from what URBN strives to deliver through a rental offer. In fact, the group believed that its core customers are people enjoying fashion and

shopping over only the convenience of having clothes, according to Nuuly's Marketing Director. However, there were conflicting desires from the customers as they wanted to find alternatives to buying garment but also desired to stay in line with the trends. Therefore, renting sounded like a great solution for the group to bundle the social and environmental values for its consumers. In fact, according to the group URBN (2023), by giving its subscribers access to a wide selection of today's fashion products at a much lower cost per garment than retail, Nuuly aims to transform consumers' shopping habits. By doing so, it resolves the conflict between millennials' need to follow new fashion trends and their desire to adopt a more sustainable lifestyle.

The company's objective today is to grow the business and be profitable by increasing their number of subscribers and improving all their expenses in all areas, which explained the respondent.

## **1.2. The offer**

The company's subscription offer enables customers to rent six pieces of clothing every month for USD 98. The service includes free shipping, return and cleaning of the garment (Nuuly, 2023b). If customers would like to add some additional products to the six items of their subscription it is possible for USD 20 for each additional product, limited to four each month (Nuuly, 2023a). Moreover, no fees are asked to the customers in case of delay or damages and customers can pause or cancel their subscription at any time. It is also possible for customers to buy rented products if they become attached to an item and wish to keep it (Nuuly, 2023a).

Regarding the catalogue of Nuuly, it covers a wide range of clothing. Indeed, it is not only targeted for one-off events, but it ranges from workwear, vacation wear, to everyday wear clothing to offer many options to the customers (Nuuly, 2023a). From the consumers' perspectives, it is considered as a great option for trendy pieces ranging from casual blazers to more colourful dresses and jumpsuits (Scholz, 2023). Moreover, the stock includes outdoor activewear as bike shorts or ski outerwear (Johnson, 2023). The company is working with over 400 brands including Citizens of Humanity, Levi's, Patagonia, etc. offering around a thousand styles to the customers (Nuuly, 2023b). Most of the products in the inventory are URBN brands such as Free People, Anthropologie, and Urban Outfitters. Additionally, all clothes vary in terms of prices, but the subscription allow customers to access all of them.

Furthermore, the sizing is an important criterion for Nuuly as renting enables customers with very different body types or with changing body sizes such as pregnant women to find clothes that fit them well, as explained by the Marketing Manager. The company offers a wide range of sizes in their catalogue going from the size XXS to XL with 11 different categories such as standard, petite, plus size, UK and Australia EU, French and Italian, good American denim, etc. (cf. Appendix 3) (Nuuly, 2023e).

### **1.3. Operational processes (manufacture, shipment, wear phase, return, reconditioning, cleaning, and disposal)**

Firstly, Nuuly purchases clothes from 400 brands, including its sister brands in the URBN group. Clothes are selected for the catalogue based on the fabrics used, some of which are too delicate and therefore unsuitable for rental, and the colour of the garments, as products with many coloured stains are difficult to wash, as explained by the Marketing Director.

Then, once the customers have chosen their products for the month via the catalogue, Nuuly is shipping the items for free via UPS in the United States only. The orders are sent in a recycled reusable bag made from post-consumer plastic to eliminate the large amount of use of cardboard boxes (cf. Appendix 3). The clothes are simply folded in those boxes without any use of plastic in the packaging. Once the order is shipped, consumers can wear the rented items for one full month.

After the rental period is over, customers return the items to unlock their following Nuuly box for the month, or they can decide to keep items by purchasing them for a discounted retail price (Johnson, 2023; Nuuly, 2023d). When customers send back the products, they simply must close the Nuuly bag, insert the pre-paid return label inside it and hand it over to UPS (Nuuly, 2023d). They do not need to clean the clothes before shipping them back as the company handles the cleaning process. Indeed, when the items are coming back to the company they are sorted according to their fabrication and colour in different types of washing methods. According to the respondent, there are around 12 categories in which these can be divided into, such as dry cleaning, wet cleaning, and many different detergent blends. After the cleaning phase, clothes are being thoroughly inspected to see if they are still stained or if they need to be repaired. This is done by two different teams, a cleaning team who is expert in sanitising and washing clothes while protecting the integrity of the fabric for the next tenant and a repair team.

Repairing items happens quite often according to the interviewee as the repair team repaired around 200,000 products the previous year. If the garments are successfully being repaired and cleaned, then they are sent back to the assortment to be rented again by new customers.

However, when clothes are not considered suitable for rental anymore, but are still in good working condition, they are sent to Nuuly's sister brands, Anthropologie, and Free people, which have a section on their websites where clothes from Nuuly are labelled as “gently worn”, which explained the Marketing Director. Similarly, clothes that are out of circulation are not scrapped but resold through Nuuly Thrift (Nuuly, 2023b). This is Nuuly's main option for clothes that are no longer in good condition. This section allows customers to buy clothes that have already been worn at more attractive prices. According to the interviewee, these garments are highly requested because the damage is slight enough, but still too extensive, for them to be offered for rental. However, if the garment is too damaged to be repaired, it will be donated, which happens less often.

#### **1.4. Customers**

Firstly, the company aims to target consumers who are looking for platforms that offer novelty and diversity in the clothing industry, while supporting a responsible approach, as stated by Nuuly in a press article (Deslandes, 2019). Millennial consumers are particularly looking for these types of solutions according to the company. By giving customers access to a variety of modern products, the company is trying to adapt to this change in behaviour and solve the gap between the younger generation's need for new fashion and a more sustainable lifestyle (Deslandes, 2019).

Additionally, Nuuly desires to offer opportunities for consumers with any type of body size as they offer a wide range of sizing . It can go from a petite size to a plus size, as well as a maternity category.

Then, according to the Marketing Director, Nuuly attaches great importance to its relationships with customers. When deciding to add new features or change the catalogue, the company starts by examining its customers' opinions and generally makes these changes in response to these. This is key as the company wants to validate what they do through the customer’s perspective, according to the respondent. To have insights on the latter, Nuuly is running on its website an

ongoing customer satisfaction survey, as well as sending consumers a quarterly Net Promoter Score survey, which includes additional in-depth questions over different themes. Sometimes the company even phones customers to better understand their reactions and what it can do to satisfy them.

### **1.5. The benefits of the rental business model**

Firstly, as Nuuly's rental business model is growing a lot, it creates a lot of value to the URBN group for three main reasons.

First, half of the products rented by Nuuly come from the sister brands, namely Free People and Anthropologie. Therefore, as the company's turnover and margin are increasing, they are buying more units of the URBN's brands to complete and increase their catalogue, as explained by the Marketing Director.

Secondly, as many of the customers are renting clothes from URBN's brands, they get to know these better and experience their products' quality. As a result, it has been noted that Nuuly's users, after renting, have started to buy products from these brands. Another advantage is that Nuuly has a younger customer base, which allows the other brands to reach this new target group.

Moreover, thanks to the rental model and thus the reuse of clothing, Nuuly gathers a lot of data on the durability of its products. This information is shared with the production team of Free People and Anthropologie helping them improve the clothing accordingly. This is particularly interesting for these brands because if they happen to have non-durable clothing, it is because they were not able to get the data of how parts of their clothing hold over time or if the products, they got from their vendors were not good enough. In fact, this type of information is not always easy to obtain if it is not directly communicated by the customers.

The company also shares this information with their other suppliers who are also able to benefit from the product data Nuuly collects. It is also a mutual benefit for the company as once the information is shared, suppliers improve their products and Nuuly can rent items that are more durable to the customers. Additionally, it enforces and extend the lifespan of the inventory, avoiding the company to regularly dispose and replace garments.

Then, according to surveys the company sent to its customers, a change in behaviour has been noticed after using Nuuly's rental service. Indeed, around 90% of the customers are saying that they changed their way of consuming since they started renting and that they are purchasing less garments in general, as explained by the respondent. The company is investigating this trend quarterly and this change in consumers attitudes has been consistent, which is also beneficial for the company as it shows that purchasing clothes is not preferred over renting.

According to the Marketing Director, the rental model is therefore beneficial for the environment because, on the one hand, it encourages consumers to change their behaviour and, on the other hand, it allows high, efficient, and eco-friendly use of clothes by reusing them as much as possible. The company takes additional measures to improve its environmental impact, such as using reusable boxes from post-consumer plastic for the orders, with no use of additional plastic inside of it, participating in offset programmes with its shipping service provider and examining every step of the cleaning process with specialists who helped to build the most eco-friendly laundry system.

Furthermore, this circular model also delivers multiple benefits for the customers. In fact, according to the respondent, the rental model is of great value regarding money. Customers can access clothes at high prices, such as a coat at more than USD 300 for a monthly subscription fee of only USD 98. Also, because consumers can easily pause or cancel the subscription, Nuuly believes they can use it very economically by looking at their calendar for the month and deciding whether it is worth taking the subscription for that month. According to the interviewee, this is an approach that many customers use, as many of them rely on the pause feature all the time.

In addition, consumers with changing body shapes, such as pregnant women, can rent stylish maternity clothing that fit well without creating a surplus of clothes that they will no longer need in their wardrobe. Moreover, when it comes to fit, there are more reviews on rental websites than on e-commerce websites, as the clothes are worn by a larger number of consumers. As a result, these comments help others to find the garment that suit them best. Nuuly also helps to improve this by providing a "customer photo" area where customers can leave a review, a photo, and other characteristics such as their height, weight, and chest size to help others (cf. Appendix 3) (Nuuly, 2023c). This benefit is also supported by Johnson (2023), a user who indicated that consumers' comments posted directly on the website helped her to

find the best size for clothes. This is important for Nuuly, as the Marketing Director also explained that consumers rent clothes for various reasons, notably because some fit better. Jeans, for example, often adjust better after a few uses. As a result, consumers can find better fitting clothes while also not having to buy several items to try them out, which can entail return shipping costs, and the risk of these clothes not being resold, which often happens according to Nuuly's marketing director.

Finally, because Nuuly does not just offer dresses for occasional wear, it allows customers to integrate the subscription into their daily lives and try on new outfits by offering more feminine styles, workwear, and more playful styles, as mentioned by the interviewee.

### **1.6. The barriers of the rental business model**

The main challenge faced by Nuuly is the intensive and laborious logistics of the rental model compared to the conventional linear model. Indeed, this circular model involves more processes as it also includes the return phase, followed by the cleaning, inspection, repair and repackaging of the goods before they are placed back into the warehouse, ready to be shipped to a new customer. According to Nuuly's Marketing Director, efficient logistics are essential and can bring many opportunities, but managing them is rather difficult and the company is still learning to improve. However, management difficulties can cause problems for customers, as evidenced by some reviews from clients who have complained that the company's shipments are not always carried out correctly and that, in some months, they can only use the clothes for three weeks instead of a month (Thingtesting, 2023; Trustpilot, 2023).

Two more challenges, related to the intensive operational logistics have been identified by the company. Firstly, the company's warehouse lacks space, which sometimes makes it difficult for employees to find the right products, as they are tightly packed. As a result, the company must multiply substitutions in case a product cannot be found, which also increases costs. Secondly, the company also faces difficulties with the catalogue and the quantity of clothing it needs to buy. This aspect has also been identified as a barrier for customers through their reviews. Indeed, many customers stated that the availability of clothes was quite limited and that their favourite pieces were always very difficult to obtain (Thingtesting, 2023; Trustpilot, 2023).

However, there were some concerns about two potential obstacles, namely the effect of fashion trends on the catalogue and customers' reluctance to rent clothes that have already been worn by other people, both of which turned out not to be barriers for the company. In fact, the company noticed that trends did not evolve as quickly as a retailer might think. The products available in Nuuly's catalogue have a long shelf life, as there are still products that have been launched in 2019. The company believes that, although there are trends, not all customers are early adopters. In addition, the problem may not be the product but the style of it and by reshooting the product, it could overcome this potential hurdle believes the Marketing Director. As for customers' reluctance to rent, they did not feel this, as the respondent believes that other sectors that offered rental models before the fashion industry, such as Airbnb, had already introduced customers to the concept of non-ownership of products. People were therefore already used to the idea.

Finally, Nuuly is conscious that they did not overcome all the barriers yet. Nevertheless, this effort is one of their top priorities. They have also already taken some actions to overcome the storage's space problem by opening a new fulfilment centre in Kansas City to increase the capacity, according to the company's Marketing Director. The latter is further challenging as it requires to move the inventory while keeping it available for its customers. Moreover, they made the decision early on to not include fees for damaging products as it would significantly deter customers from renting.

## **2. Inlease case study**

### **2.1. The company**

Inlease is a furniture rental company founded in 1998 and based in Belgium. The company is offering its services in multiple European countries through its six international offices located in Belgium, France, Germany, Luxembourg, the Netherlands, and Germany.

In 2000, the company joined the CORT Global Network, the world's largest alliance of furniture companies, founded by US-based CORT, the world's largest furniture rental company. The group facilitates furniture rental in over 80 countries and is the central point of contact for people seeking furniture rental solutions worldwide (CORT Global Network, 2023). Customers will be redirected to member companies based on their location, thanks to this network.

## 2.2. The offer

Inlease is offering a complete solution of rental services for both individual and professional use. It is offering a wide range of furniture, electrical devices, garden furniture, lighting, bed and bath linen, decoration, baby furniture, and dishes. Clients can find furniture for 13 categories of rooms (Inlease, 2023c). This makes the company quite unique as most of the competitors only focus on renting furniture. Additionally, Inlease has solutions for short- and long-term furniture rental, if there is only a short-term need for customers waiting for their own furniture to arrive or if customers need to rent for multiple months, up to 60 months (Inlease, 2023a). In fact, this is all possible through four formulas that Inlease proposes, which can also be tailored to the customers' needs.

Firstly, the “perm” formula is an all-in furniture package proposed for a short period, up to 12 weeks. The customer can choose a predetermined all-in furniture package or individual items from the company's catalogue, which can also be tailored and upgraded if the customers desire it (Inlease, 2023a).

Then, the “rent” formula is proposed for longer periods, namely from 4 to 60 months. In this case, a wide range of immediately available furniture and appliances is proposed to clients who can choose between many different styles and types of furniture (Inlease, 2023a). The company offers the option of extending or shortening the contract if needed, and customers only pay for the duration of the rental period. For both types of contracts, the furniture comes from Inlease's catalogue and can be delivered within 5 working days (Inlease, 2023a).

Moreover, Inlease offers the “plus” formula which allows customer to choose new furniture for a long-term stay, from 12 to 60 months. The client can select new furniture and appliances from other factories and catalogues selected by Inlease. It provides a selection of over 50 brands, with options that are both affordable and luxurious (Inlease, 2023a). In this case, the items take longer to be installed as these are not the company's own furniture, but the latter will propose a temporary package while awaiting the new furniture. At the end of the contract, customers have a purchase option (Inlease, 2023a). For all three formulas, the deliverers build the rented furniture and dismantle it at the end of the contract. In addition, there is a full rental guarantee and customers do not have to pay in the case of damage, but only if the damage is due to usage;

in the case of deterioration beyond use and normal wear, clients must pay, as explained by the Account Manager of the company.

Finally, the last formula is the “buy” which consists of the purchase of furniture with a choice between 3 complete interior packages with a full service offered by the company, from delivery to installation, as well as additional services such as decoration or customized curtains (Inlease, 2023a). The products are also fully guaranteed by Inlease for 2 years (Inlease, 2023a).

### **2.3. Operational processes (manufacture, shipment, wear phase, return, reconditioning, cleaning, and disposal)**

The rented furniture is designed by Inlease and then manufactured in a factory in Belgium, with whom the company has always worked with as it knows that the materials and items are of good quality, as explained by the Account Manager of Inlease. Product quality is significant as the company wants its products to last as long as possible. The furniture must be solid and sturdy, especially as it might be dismantled 10 to 30 times, especially the products for the “temp” formula, where customers only stay for around 3 months. Then, the Account Manager explained that the trends in households need to be considered. In fact, nowadays bedrooms are smaller than before, which has resulted in the design of smaller products, such as smaller nightstands. Additionally, the products cannot be too high because they need to be transported all the time, through doors that are sometimes not very wide. The furniture must be designed in such a way that it can be moved in any situation. Moreover, Inlease decided to have the same design for all its products, including the same attachments and connections that the furniture needs, as explained by the Account Manager of the company. As a result, Inlease has several furniture lines such as “brown cubic”, “grey natura”, and others but all the items are built the same way. This makes it easier for the drivers to assemble the products when they arrive at a client’s location and saves them a lot of time.

Then, concerning the products’ shipment, once the contract has been signed by the consumer, the furniture can be delivered within five working days. This only applies to the “temp” and “rent” formulas, as for the “plus” formula, new furniture is ordered and therefore takes longer to be delivered. Furniture assembly is included in the rental rates and is carried out by Inlease’s teams, as is the installation of the electronic equipment, as explained by Inlease’s Account Manager.

At the end of the renting contract for the “temp” and “rent” formulas, the drivers disassemble and return the furniture to the warehouse. There, the products are being inspected through the company’s triage system, where they are sent either to the cleaning department or first to the repair department in the event of damage. Almost all items are cleaned at the warehouse of the company, except for bed linen, which is outsourced. The company has professional washers and dryers to clean all other types of linen, such as bath and kitchen towels. Mattresses are also deep steam-cleaned to get rid of any potential insects. Dishes are cleaned using professional dishwashers and the electrical appliances are also tested and cleaned (Inlease, 2021). Then, as explained by the respondent, if a product needs repairing, it is dismantled and only the broken pieces are replaced. However, if the product is heavily damaged, only the functional parts are kept, while the others are discarded as they are no longer usable. In the case of disposal, the products are recycled according to their material composition.

Thanks to its cleaning and reconditioning systems, the company has been able to keep many products that are 10 to 20 years old and looking like new. Sometimes, the teams only change a few pieces of this furniture, either because a piece was damaged and they replaced it with a new one, or because they changed, for instance, the handles on a cabinet to make it look more modern. Moreover, with the plus program, customers buy their furniture but if they do not want to keep it when they leave, Inlease offers to take it back for them. This happens for an average of 10% of these customers, explained the Account Manager. In this case, the furniture is then being sold, once a week, in the company’s showroom at discounted prices with the mention “used”. As the furniture has already been fully paid off by the customers who have opted for the “plus” program, Inlease is able to set high discount prices for the customers, based also on the damage to the products. This allows customers to purchase furniture, sometimes nearly brand new, at prices reduced by 20% to 75%, mentioned the respondent.

#### **2.4. The customers**

In general, Inlease offers its services to people who move around a lot for personal or professional reasons, which is happening more and more these days. In fact, by renting furniture, people can maintain their “nomadic” lifestyle and do not have to settle down for years, which would be more likely to happen by purchasing (Inlease, 2023b).

However, more specifically, the company is targeting various customer groups, the most prominent ones being the expatriates, diplomats, and the military, according to Inlease's Account Manager. These customers are living abroad temporarily; thus, renting will provide them with a temporary accommodation solution (Inlease, 2023b). Then, in line with the expatriate world, Inlease is also targeting building promoters, such as Brussels Business Flats, who are building complete flats and want investors to buy them and to furnish them for the expatriate world. Businesses are also important, as they want to furnish the flats or company units for their foreign employees (Inlease, 2023b). In addition, Inlease is targeting landlords of real estates who wish to fully furnish a property for their tenants to add value to the property and attract potential tenants more rapidly (Inlease, 2023b). A final segment is aimed at, but rather limited compared to the others, namely Erasmus students for student houses, as explained by the respondent.

As far as the relationship between the company and its customers is concerned, the Account Manager explained that it is very central to the company. He often talks to clients, especially if there is a misunderstanding related to the rental contract or its functioning. In this case, the company tries to resolve the problem as quickly as possible by replacing a product if it is damaged, contacting suppliers if the problem is more serious or discussing with customers if the problem is due to a misunderstanding of the concept. Moreover, before signing the contract, clients are assisted in their choice of formula and furniture, which helps to establish a relationship of direct trust and a better understanding of their needs.

## **2.5. The benefits of the rental business model**

The first benefit identified is that the company can make intensive use of its one first major investment for many years. Indeed, as the products are rented out, and cleaned and repaired for reconditioning after each rental, Inlease can use its stock several times over many years, at best, according to the interviewee. The company still rents furniture that is 20 years old, but most of it is around 10 years old. Those older products are also cheaper, as prices have risen in recent years, enabling the company to be competitive on prices. Nevertheless, in order to implement a rental model, it requires a high initial capital investment.

Then, thanks to the "plus" program, as mentioned above, when customers decide to leave their furniture to the company, the latter sells these second-hand products at reduced prices to local

customers. This is a win-win situation, as the products are already fully refunded, providing a new opportunity for the company to earn money on them, as well as giving customers access to quality and sometimes luxurious furniture at very affordable prices. With the money earned from this resale, the company can then reinvest in new furniture for its rental stock. It is truly a continuous cycle of purchasing items, renting them out, and using the profits to improve the rental stock, as explained by the Account Manager.

As for the customer, the Account Manager explained that Inlease's rental model offers multiple benefits, particularly for the military and expatriates. It offers on one side great flexibility to them, while being cost-effective.

Once the consumers have chosen the items from the catalogue, it is delivered within five working days. This means that customers can move straight into their new home, whereas they would have to wait for their furniture to be shipped or buy new products and must wait if it is not in stock. Moreover, it gives them great flexibility as they can prioritise location when choosing a flat, to be close to a school or in a nice area with other expatriates. They do not have to worry whether there are furnished homes in these selected neighbourhoods. Additionally, compared to furnished accommodation, customers can also select the furniture they want themselves, as they may find a nice furnished flat, but the furniture is out of date. Therefore, the renting formula offers the best of both worlds. Finally, with Inlease's rental contracts, customers are also free to break the contract whenever they wish, for any personal and professional reason (Inlease, 2023b). This means that they will only have to pay for the months they have used the furniture, and it will be taken back. This gives clients a high degree of flexibility and they do not feel tied to a location.

Then, Inlease is trying to convince its customers that the rental service is more cost-effective than moving and shipping furniture. Indeed, according to the Account Manager, consumers often consider shipping their furniture from their home to their new destination. Nowadays, with transport costs, and of course depending on where clients are coming from, this can be very expensive, especially when they are sending their furniture back and forth. Taking these two journeys into account, the rental option is cheaper for customers, according to the interviewee. As the company also offers solutions for long-term stays, up to 60 months, purchasing would not be the best option.

Inlease emphasises the importance as well of considering all the other services and benefits that go with the price, namely transport, assembly, dismantling, and guarantee. Indeed, in the event of damage during transport, if the furniture belongs to the company, it is directly replaced by a new product (Inlease, 2021). On the other hand, if expatriates ship their furniture and something breaks during the journey or any other incident resulting in loss, there is no guarantee. As a result, the rental model is also less risky for expatriates, according to the interviewee.

Furthermore, the rental model also benefits other stakeholders, when working with expatriates, namely the relocators. In fact, as the expatriates can move straight into their accommodation, the administrative process is accelerated and they can quickly integrate them into the community, explained to the Account Manager.

Finally, the rental offer has less impact on the environment because the model focuses on the reuse of products, explained the respondent. However, the company is aware of the additional shipments it includes, compared to a linear model, which could lead to rebound effects. Therefore, it tries to optimise the shipments by coordinating trips for customers in the same region or by offering newer products to people who stay longer and live further away from the warehouses to avoid long journeys in the event of damage.

## **2.6. The barriers of the rental business model**

The first barrier mentioned by the Account Manager is the lack of awareness and knowledge of the service and its products. According to him, few people are familiar with furniture rental, except for some expatriates who may have already used it or heard about it through their company. Therefore, the challenge is to get the word out to consumers and explain the model and its benefits. To do this, the company does a lot of marketing by explaining the concept and by directly contacting companies with expatriates or through existing clients to identify others who might be interested in the offer.

Another barrier identified is the competition with traditional retail furniture manufacturers and in particular the large players that have a reputation for being cheaper, such as IKEA. In fact, as people are used to purchase a lot from there, especially as it is seen as the most affordable furniture, it is difficult to convince customers that Inlease's rental offer and its products are

cheaper and of better quality, according to the respondent. Additionally, there are other big competitors which are active in the furniture rental, for example in France, but that is the case for any business, but which can also be a challenge.

Moreover, furniture rental requires a lot of personnel for all the operations included in the service, in particular many drivers who also must assemble the furniture and employees in the warehouse to collect the products, clean them and repair them. It is hard work, as the products can be very heavy and they must lift them a lot during transport, then into the flats, etc. The company has experienced some difficulties in retaining its employees, especially as it is extensive work and when employees have been able to find other jobs where they do not have to lift as much, they preferred to leave, mentioned the respondent.

A final barrier faced by Inlease, as explained by the Account Manager, was the company's dependence on customer mobility, which can be a barrier in times of crisis. In fact, Inlease targets people who move around a lot and who do not want to or cannot, for professional reasons, settle in one place permanently. However, during Covid 19, people could no longer travel, and expatriates all returned home, which had a considerable impact on the company's profit. Fortunately, one of the company's customer segments is the military, who had no choice but to stay in the country they were in, which saved the company. Inlease's current objective is therefore to return to growth since this crisis.

Nevertheless, the Account Manager explained that the logistics associated with the rental model were not considered a barrier for them, as the company was not one of the first in the sector. Indeed, CORT, the largest rental company in the world, has been in business since 1972, as furniture rental in the United States is more common than in Europe (CORT Global Network, 2023). On top of that, as a member of the CORT Global Network, Inlease has been able to acquire significant knowledge through the alliance and with CORT, even though it built everything internally. Additionally, the later has always used a logistic manager, which has contributed greatly to the smooth running of all the operations.

Finally, Inlease tries to overcome the potential challenge of trends in the sector by slightly modifying its products to stay fashionable. For instance, Inlease changes the handles on the products, as previously explained, without changing them further, or producing smaller products. Thanks to this, the products have never looked old-fashioned, and the Account

Manager believes it is also the result of the company's extensive catalogue which ensures that customers can always find something they like.

### **3. Tiny Earth Toys case study**

#### **3.1. The company**

Tiny Earth Toys is an American subscription-based toy rental service founded in 2019 by Rachael Classi. The idea for a rental service arose when she wanted to declutter her home realising how many toys she had for her children and how excited they were to buy new ones, to consume. Her personal goals then became to declutter, teach her children about consumerism, and reduce her family's environmental impact (Benedict, 2020). As a result, the company started out as a neighbourhood toy rental service, before being tested with a rising number of families. Additionally, the business offers age-based educational toys, curated by experts to ensure the right development of the children.

The company's main objectives today are to reduce toy consumption and particularly demand for the production of plastic toys, to teach children and their parents about the positive cycles of consumption, and to ensure that children play with educational toys suited to their age, as mentioned by the Operations Director of the company.

#### **3.2. The offer**

The company offers different formulas all based on a two-months exchange cycle, but that differ in terms of payment options and the number of toys per cycle. These cycles help to encourage children's engagement and reduce clutter (Tiny Earth Toys, 2023c).

Consumers can choose between a monthly payment model or flexible 4-, 6- or 12-month pre-payment subscription plans. For each formula, parents can select from a set of 5, 8 or 10 toys with an average value of \$250, \$368, and \$460 (Tiny Earth Toys, 2023d). All members benefit from expert educational advice, free two-way delivery and discounts on merchandise and second-hand toys (Tiny Earth Toys, 2023d). For the 6-month prepaid plan, it also includes FedEx home pickup and for the 12-month prepaid plan, it offers the home pickup as well as a free bonus exchange.

Moreover, the model has evolved to offer families customisation options. Parents can choose from over 300 educator-approved toys in the toy library, which are high-quality toys made from wood and tailored to the child's abilities (Tiny Earth Toys, 2023a). Tiny Earth Toys also gives recommendations to families on which toys are best suited to a child's age and learning, but parents always have the freedom to choose which toys they want, as explained by the head of Operations. Furthermore, the offer also includes a guarantee in the event of damage or loss of a piece, which means that no additional costs are charged in those cases, but the damage must be minor (Tiny Earth Toys, 2023d). A buying option is also proposed to the clients for the toys out of the rented box, with a 15% reduction on the sale price (Tiny Earth Toys, 2023d).

### **3.3. Operational processes (manufacture, shipment, wear phase, return, reconditioning, cleaning, and disposal)**

Firstly, the wooden toys are manufactured by Tiny Earth Toys' partners, various toy manufacturers that produce safe, high-quality wooden toys. The decision to outsource the production of the products was taken by the company to speed up market entry, given the significant operational costs and time required to establish in-house manufacturing capacity, according to the company's COO. In addition, the presence of numerous national and international manufacturers of high-quality wooden toys played an important role in this decision, as it enables the business to benefit from the expertise and quality of these companies, according to the CEO of Tiny Earth Toys (Benedict, 2020). High-quality toys are essential, as they are constantly being rotated between different families and must be safe for children. The selection of toys for the company's catalogue is also carried out by educators who assess the toys on basis of the skills they develop, their degree of openness and the number of different ways of playing with them, which is beneficial for children's brains (Tiny Earth Toys, 2023b).

Then, customers can choose from the various products on offer, with advice from the educators. Once they have received their parcel, they can keep the toys for two whole months. They also have seven days from the moment they received the new shipment to drop off the old box of toys at FedEx with the free prepaid return label that comes in every shipment (Tiny Earth Toys, 2023d).

After, once the toys have been returned to the company, they are examined. If the toy is badly damaged, the last customers are informed. Otherwise, after being unpacked, each product is sent to the company's conveyor belt to be cleaned, checked, repackaged or, in some cases,

sanded and reapplied with beeswax for finishing, explained the Operations Director. The items are cleaned using an EPA-registered disinfectant and sanitiser, which means it is regulated by the US Environmental Protection Agency (US EPA, 2023; Tiny Earth Toys, 2023d). Small batches of toys are used for this process, as the operations manager explained. In addition, to ensure that the company can keep track of all its products, they are serialised, which facilitates the process and makes it possible to know how many rotations the items have undergone and to find them at any time. The toys are finally returned to their boxes after the cleaning process and put back into stock to be sent to a new family.

However, items that are too damaged and no longer suitable for the rental programme, but are still in good working order, are sold by the company as second-hand products to customers. If the products are completely broken, or if a specific part of a toy is damaged, which involves the complete replacement of the toys, the company must dispose of them, but they go through a recycling process, as explained by the Operations Director of Tiny Earth Toys.

### **3.4. The customers**

The company targets as end-users children between the ages of 0 and 5, as this is the period of growth when development is most rapid, according to the COO of Tiny Earth Toys. It groups the children into seven categories: 0-6 months, 6-12 months, 12-18 months, 2-2.5 years, and 3-5 years, to propose toys suitable for each category (Tiny Earth Toys, 2023a). In addition, the COO pointed out that millennial and Generation Z parents are particularly well suited to the rental model as they value experiences and access to products a lot. The latter are therefore interesting customer segments for the company.

Concerning the relationship between the customers and the company, the respondent asserted that the company prioritises customer feedback, shaping its toy selection, operation decisions and pricing with parents in mind.

### **3.5. The benefits of the rental business model**

The first advantage of the business model mentioned by the company's COO is the long-term relationship that is established with customers. Indeed, thanks to the rental model and the subscription formula, the company can work continuously over a long period with parents, as their children grow. This strong relationship translates into two important benefits. Firstly, Tiny

Earth Toys generates recurring revenue throughout the customer relationship, as it does not sell just one toy at a time. Secondly, by shipping products to the same customers repeatedly, the company can access more data about consumers, understanding their needs and preferences over time, as well as what works best for them and what does not. This data can also be used to refine the catalogue and keep the most popular toys in stock.

In addition, the company obtains more information about the products than traditional toy retailers, particularly with regard to the durability of the goods over time. Indeed, as toys go through different cycles of use, the company obtains valuable information about the components of the products that often break. In the case of one-off purchases, customers rarely communicate this information to manufacturers, making it challenging to obtain. As a result, the toy manufacturers with whom Tiny Earth Toys works benefit greatly from this new set of data. Furthermore, the company also profits from sharing this information with manufacturers, enabling them to improve and supply more sustainable products.

Moreover, the manufacturers are not the only stakeholders who benefit from Tiny Earth Toys' offer, customers as well. In fact, the company's catalogue is firstly composed of high-quality wooden toys that are at a higher purchase price than plastic toys. Usually, parents do not spend as much money on toys, according to the COO and they prefer to purchase those lower costs and lower quality items. Nevertheless, with this offer they can access toys that are usually out of reach at a reduced price, paying between USD 35 and USD 65 per month to access boxes of toys with an average value of USD 250 and USD 460, thanks to the subscription model (Inlease, 2023c). Wooden toys are also safer for the children, as constant contact with plastic can harm their health, as explained by the Operation Director of the company.

Furthermore, renting offers parents the advantage of a clutter-free lifestyle and considerable space savings at home. With the rental model, toys are returned after being used, meaning that they do not pile up and clutter up the house unnecessarily, which can reduce stress and anxiety for the families (Tiny Earth Toys, 2023a). Additionally, having a limited number of toys encourages children to play in an unstructured or open-ended way, which helps them develop mental skills such as creativity and concentration (Tiny Earth Toys, 2023b). After two months, children can play with new toys that entertain and excite them because of their novelty, as supported by Preti (2023) in her review of the company's offering.

Then, the offer contains recommendations for children curated by educators to support parents in selecting toys, giving them greater flexibility (cf. supra The offer p60), and saving them time as they do not have to worry about which toys to choose from the catalogue, although they can always select other ones from those suggested. However, this advantage is mainly due to the personalisation of the offer in addition to the rental service provided by Tiny Earth Toys.

Finally, according to the Operations Manager, toy rental minimizes the negative impacts on the environment for two main reasons. Firstly, the toys are reused and enjoyed by many more children than those purchased outright, and the company optimises their reconditioning to maximise their lifespan (Tiny Earth Toys, 2023e). This allows them to be used for longer than plastic toys, which are thrown away once they break or when children get tired of them. Secondly, the company focuses on sustainability in the various phases of operations by using non-toxic cleaning products with a low environmental impact, including water for steam cleaning and environmentally friendly detergents. It also ships the items in recycled brown packaging, fill and tape, prioritizes sourcing from national manufacturers, and offsets the carbon from the shipment of toys, as explained by the COO of Tiny Earth Toys (Tiny Earth Toys, 2023e).

### **3.6. The barriers of the rental business model**

There are two main challenges identified, both requiring important capital which are the inventory intensity and the labour intensity of the rental model. Indeed, when the business is first established, a significant amount of money is needed to purchase various items to complete the inventory. In addition, all the operations involve a considerable amount of work, including cleaning all the products, checking their condition (whether they are complete or damaged), shipping them, etc. This requires a lot of personnel and, consequently, a high level of investment. A significant investment by the founders or outside investors is therefore needed to get the business up and running, according to the interviewee. Nevertheless, this also leads to a high barrier of entry for the competition, which is beneficial for Tiny Earth Toys.

Furthermore, the company has found it difficult to determine the most appropriate pricing for its service. Indeed, the Operations Director indicated that many changes had to be made to the pricing structure, based on customer feedback, to find a balance between shipping costs and monthly subscription fees when the cycles happen every two months. Unfortunately, these

changes resulted in a slight increase in prices, which in turn led to a decrease in the number of subscribers. As a result, the pricing model remains an ongoing concern for the company and continues to be reviewed by employees to ensure customer satisfaction.

Nevertheless, the Operations Manager indicated that the acceptance of rental, and therefore only accessing toys, was not seen as a challenge for the company. According to the CEO, many millennials have changed their buying habits and are more inclined to rent (Benedict, 2020). This is mainly due to the emergence of companies such as Uber, Airbnb, and Zipcars, which have paved the way for this model in other sectors (Benedict, 2020). In addition, the influence of trends for wooden toys was not considered as a significant influential factor, as mentioned by the COO. In fact, the toys offered are suitable for young children, aged between 0 and 5, who cannot do much with them. However, it is more attractive for parents to add new toys to the catalogue from time to time, but this is not a high-speed trend.

Finally, to overcome the challenges faced, Tiny Earth Toys has taken several initiatives. Firstly, the company was able to raise funds from external investors to help finance its implementation and growth. Then, the COO explained that they have tried to minimise costs throughout the process, for instance by automating some of the toy cleaning operations, adding a conveyer belt during the process, changing the cleaning process to steam cleaning which consists of a burst of steam instead of employees spraying all the toys, and developing technology to more quickly identify the parts each toy needs in the event of damage.

Then, to overcome potential negative customer reactions, various measures were undertaken. The two main concerns of customers were their children's potential attachment to the toys and the actual cleanliness of the products, particularly at the time of Covid 19, when the company was founded. As a result, the company offers the opportunity to purchase a toy from the box at a discounted price, which was not originally part of the offer, and uses an EPA disinfectant and sanitiser which is very effective at killing the Covid-19 virus, as previously mentioned (Benedict, 2020). These two actions are clearly mentioned to the customer and on the website to improve customer confidence. In addition, to avoid discouraging customers from renting, the company has never charged for minor damage or loss.

#### 4. Contracts, marketing, networks, product/service design, and sustainability tactics for Nuuly, Inlease, and Tiny Earth Toys

In the literature review, Reim et al. (2015) identified five influential sets of tactics to help businesses overcome some of the challenges associated with the implementation of the use-oriented product-service system and maximize its success. These include contract, marketing, network, product-service design, and sustainability tactics.

The following table has as objective to summarize and provide a comparison between these tactics, as identified in the academic literature and the specific measures adopted by Nuuly, Inlease and Tiny Earth Toys in the above-mentioned areas.

Table 3: Comparison of Reim et al. (2015) tactical sets and measures taken by companies.

Tactical sets following Reim et al. (2015) model	Rental companies
<u>Contracts:</u> Include all details about the agreed upon services and how parties work together.	Information on shipments, returns, exchanges, payment, and charges is listed on the three companies' website and directly communicated to consumers.
<u>Marketing:</u> <ul style="list-style-type: none"> <li>• Value-based communication</li> <li>• In-depth understanding of customers and their needs</li> </ul>	<ul style="list-style-type: none"> <li>• All three companies share the benefits of the service with customers on website, social media (cf. Appendices 3,4 &amp; 5) and during meetings.</li> <li>• All three companies gather customer data (through surveys, meetings, calls, online reviews) and adapt offers accordingly.</li> </ul>
<u>Network:</u> Driving collaboration with external partners and include network partners in the development of the business model.	Most operations are carried out internally for the 3 companies, but different types of collaborations have been put in place: <ul style="list-style-type: none"> <li>• Nuuly: partnership with other brands in URBN group for inventory and requesting advice and expertise from laundry specialists.</li> <li>• Inlease: partners with manufacturers to create furniture with its own design and member of CORT Global Network for expertise from CORT and partners.</li> <li>• Tiny Earth Toys: partners with wooden toy manufacturers and educators for advice on child development.</li> </ul>
<u>The product-service design:</u> Considering requirements for higher usability of products.	All companies look for desirable products features to enhance circularity and long lifespan (easily replaceable parts, easily washable colours, easily repaired, strong materials).
<u>Sustainability:</u> <ul style="list-style-type: none"> <li>• increasing and optimising the use of products on offer</li> </ul>	All companies focus on product reuse and additional innovations to make the process more sustainable:

<ul style="list-style-type: none"> <li>• prioritising innovations making operation process more sustainable</li> </ul>	<ul style="list-style-type: none"> <li>• Nuuly: uses environmentally friendly laundries.</li> <li>• Inlease: optimises shipments and travels.</li> <li>• Tiny Earth Toys: cleaning with eco-friendly detergents and steam cleaning.</li> </ul>
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*Source : own realization based on the literature review and the practical research*

Despite being active in different sectors, having different types of customers, and being active in different regions, we can see that all companies are considering these tactical sets especially for four of them, which are the contract, marketing, product/service design and sustainability tactics.

For network tactics, all the companies work with manufacturers, but the other activities of the business model were implemented and are realized internally. Nevertheless, following its foundation, Inlease joined the CORT Global Network alliance. This has enabled the company to benefit from the expertise of CORT, the largest furniture rental company in the United States and other rental businesses, and to gain valuable insights for the implementation of its business model, mostly regarding the logistics, even though everything was realized by the company itself. In addition, Nuuly was founded by the URBN group which enabled the company to benefit from easier access to the group's other retail brands such as Urban Outfitters, Free People, etc. This has helped the company with its inventory, but the group had no specific experience of the rental model.

## IV. Discussion, limits, recommendations for further studies

### 1. Discussion

The main objective of this thesis was to identify the benefits and barriers of the rental business model in the clothing, furniture, and toy rental industries. In this section, the key results of the analysis are discussed, including the similarities and contrasts with previous academic literature.

**In a first instance**, the table below summarises the benefits and barriers identified in the three case studies about Nuuly, Inlease, and Tiny Earth Toys. These are compared with the benefits and barriers identified in the literature of the use-oriented product-service system, given that the rental model is consistent with its definition.

Table 4: Comparison table of the barriers and benefits of the product-service system, rental service of Nuuly, rental service of Inlease, and rental service of Tiny Earth Toys

	<b>Benefits</b>	<b>Barriers</b>
<b>Literature on use-oriented product-service system</b>	<ul style="list-style-type: none"> <li>• Increased competitiveness (differentiation and production efficiency)</li> <li>• Improved functionality of products (by reconditioning and upgrading)</li> <li>• Added value for customers (flexibility, better products)</li> <li>• Increased consumer loyalty</li> <li>• Improved environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Cultural shift for stakeholders</li> <li>• Negative customer perspective: lack of knowledge, lack of ownership, lack of flexibility, social risk</li> <li>• Lack of expertise, experience, and skilled personnel</li> <li>• Significant associated costs</li> <li>• Rebound effect of sustainability</li> </ul>
<b>Nuuly</b>	<ul style="list-style-type: none"> <li>• Added value for partners (URBN group)</li> <li>• Gathering data on product durability for partners (manufacturers)</li> <li>• Change in customer behaviour towards reduced purchases</li> <li>• Improved environmental impact</li> <li>• High-value garments at lower costs</li> <li>• Adaptability to changes in body-sizes and types</li> <li>• Wide range of clothes for various styles</li> <li>• Resale option for unsuitable products</li> </ul>	<ul style="list-style-type: none"> <li>• Intensive logistics</li> <li>• Labour intensive operations</li> <li>• Requires large storage space</li> <li>• Inventory management and quantities</li> </ul>

<b>Inlease</b>	<ul style="list-style-type: none"> <li>• Intensive use of primary investments (inventory)</li> <li>• Resale option for unsuitable products</li> <li>• Greater flexibility, personalisation</li> <li>• Cost-efficient over shipping furniture</li> <li>• Lower risk option for customers</li> <li>• Fastens expatriates' integration process</li> <li>• Improved environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of awareness</li> <li>• Competition with large, low-cost furniture manufacturers</li> <li>• Labour intensive operations</li> <li>• Dependence on customer mobility</li> <li>• High initial investment</li> </ul>
<b>Tiny Earth Toys</b>	<ul style="list-style-type: none"> <li>• Long term relationship with customers</li> <li>• Gathering data on product durability for partners (manufacturers)</li> <li>• Safe and high-quality wooden toys at affordable prices</li> <li>• Promoting clutter-free homes</li> <li>• Resale option for unsuitable products</li> <li>• Improved environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• High initial investment</li> <li>• Labour intensive operations</li> <li>• Optimal rental subscription pricing strategy</li> </ul>

*Source : own realization based on the literature review and the practical research*

Firstly, the results of the table show some **similarities between the benefits and barriers** of the product-service system and of the three companies.

The **major common advantage** is the **reduction of negative environmental effects**. The companies consider improving the environmental impact through the extensive use of their products. Nevertheless, the literature mentions as a barrier the **rebound effects** that could occur with the rental business model, but this point was **not mentioned by the companies**. It is possible that they are aware of this potential effect, but as they are taking additional measures, as explained in the case studies, to tackle the extra pollution they produce as a result of the increased shipments and operating process of the rental model, they do not consider it as a barrier.

In addition, **although presented from different angles**, these organizations share a strong similarity with the use-oriented product-service system, in that they **all add value for their customers**. In fact, Nuuly offers clothing for changing body-sizes, or more personalized sizes, and the opportunity to try out new styles, when clients need it, without having to worry about the consequences, as mentioned in the literature (Baines et al., 2007; Beuren et al., 2013; Hirschl et al., 2003). Inlease also provides added value to its customers, thanks to a high degree of

flexibility for international people such as expatriates and reducing the risks of damage to furniture. Additionally, Tiny Earth Toys enables its consumers to live clutter-free, encourages and improve the development of the children with access to higher quality and experts' curated toys.

However, one **aspect that is not addressed in the literature** but that companies considered is the **creation of value for other stakeholders**. Indeed, Inlease and Tiny Earth Toys mentioned collecting valuable **data on the long-term durability of the products**. By sharing this information with **manufacturers**, they contribute to improvement initiatives, which increase the overall quality of the partners' products. This is also a **beneficial situation for the company**, as it enables to rent longer-lasting products for its customers and increase the lifespan of its stock. Inlease, on the other hand, did not mention this advantage, which may be due to its partnership model being different from the others. As it designs its own products for manufacture, it has greater control over product quality. As a result, it uses this information internally to continuously improve the performance and features of its furniture. However, Inlease did say that rental is also **beneficial for the relocators** as it fastens the process. Additionally, Nuuly has also indicated that it creates **added value to its group** (URBN group) by sharing data as well on product's durability, but also by offering value through its service and the purchase of the group's brands' garments for its inventory, which leads customers to become more familiar with these brands and to buy from them.

The literature also identifies **increased consumer loyalty** as an advantage for companies, as it provides a better understanding of customers' preferences and needs. **Each of the companies** indicated during the interviews that they **maintain close relationships with their customers** and **engage with them** considerably, particularly Nuuly that sends out regular surveys to better understand their needs. Nonetheless, **Tiny Earth Toys is the only company to mention the long-term relationship with the customer as a benefit**. This result is surprising as Nuuly strives to know its customers as well as possible and put them at the heart of its decisions. However, Nuuly did report some changes in customer behaviour after using the rental service. Many users confirmed that they had **changed their purchasing habits by buying less in general**. This has a positive influence on the environment, but also on the company which can show some form of consumer loyalty towards renting. For Inlease, as customers travel a lot, the long-term relationship could be different depending on whether it is a short-term or long-term

contract. In addition, once the contract is over, consumers generally relocate, possibly to other countries where Inlease does not operate.

Moreover, Tiny Earth Toys and Inlease have highlighted the advantage of **reusing their initial inventory investment**, which allows **companies to reduce costs in the long term**. However, **it requires a high capital investment**, which is a significant barrier when implementing the business model. The literature on the product-service system mentioned the high associated costs that come with the rental model, but not in further details about the different costs and investments required. Nevertheless, this is a significant hurdle as companies need to be financially viable to continue with their activities. The rental model includes important costs and is capital intensive, leading to the need of investment from the company, or external investors. Nuuly did mention the important costs required for a large storage space but not regarding the stock investments. This might be because it is part of the URBN group, founder of several famous clothing brands such as Urban Outfitters, Anthropologie, Free People, etc. As a result, the garments from these brands make up the majority of Nuuly's inventory. Furthermore, both Inlease and Tiny Earth Toys have indicated that this **significant capital investment creates a barrier to entry for potential competitors**. This assertion is **not supported by the literature**, which highlights the **differentiation** between traditional retailers and rental services, as well as the **efficiency of production in creating barriers to entry**.

As for the **two main barriers identified in the literature** of the use-oriented product-service system, namely the **significant cultural shock of ownerless consumption** that could affect all stakeholders, as well as the **negative perspective consumers might have on renting** due to unfamiliarity with the concept and other consequences (social risk, lack of flexibility), they have surprisingly **not been supported by the practical research**. For the companies, these were not identified as barriers, except for **Inlease that mentioned the lack of awareness of its service**, for which additional marketing efforts had to be made. This inconsistency could be due to the emergence of large rental companies in other sectors, which were introduced earlier, as the founder of the toy company asserts (Benedict, 2020). As a result, people are more used to the principle of non-ownership and are not reticent about these services. Furthermore, the marketing tactics presented by Reim et al. (2015) should be highlighted in this case, as they consider that sharing the benefits of the rental service with customers influences them favourably toward renting, which has been correctly achieved by all companies, as shown in Table 3.

However, the **lack of expertise in implementing the rental business model, identified in the use-oriented product-service system's literature**, was **noted for two of the organizations**, Nuuly and Tiny Earth Toys. The latter faced two main difficulties: managing the logistics efficiently and finding the right pricing strategy. Inlease is the only one which has not experienced this barrier which could be explained by its partnership with the CORT Global Network. Indeed, it has benefited from the expertise and experience of the companies which are part of the alliance, and particularly from CORT, which has been active in the industry for around 50 years. This **highlights the importance of collaboration when implementing the business model**, one of the tactical sets outlined by Reim et al. (2015). Table 3 shows that Inlease is the only company that has partnered with experts in the service rental when founding the business. Nevertheless, Tiny Earth Toys and Inlease added the **high need of personnel and difficulty of retaining enough employees as a barrier**, as it is a labour-intensive business model. The **lack of skilled personnel** was also identified in the literature.

Then, **in a second instance**, the key factors influencing each sector that were presented in the literature review are summarized in the table below, to identify consistent factors, refute others and highlights the new findings in relation to the existing literature. Comparing Table 4 and Table 5 will allow a final comparison of the benefits and barriers between the three companies studied.

Table 5: Summarized and comparison table of the key factors influencing the clothing, furniture, and toy rental services identified in the academic literature

	<b>Benefits</b>	<b>Barriers</b>
<b>Key factors clothing rental</b>	<ul style="list-style-type: none"> <li>• Reduced costs for high-value, occasional clothing</li> <li>• Exploration of new styles</li> <li>• Easy access to partnerships (designers)</li> <li>• Clothes for temporary rapid body changes (pregnant women, kids)</li> </ul>	<ul style="list-style-type: none"> <li>• High initial investment</li> <li>• Speed of fashion cycles, trends</li> <li>• Importance of ownership for self-identity development</li> <li>• Emotional attachment</li> <li>• Conflict between durability and aesthetics</li> <li>• Reluctance of designers to rental</li> </ul>
<b>Key factors furniture rental</b>	<ul style="list-style-type: none"> <li>• Opportunity for occupational mobility</li> <li>• More flexibility</li> <li>• Possibility to change furniture for aesthetic reasons</li> </ul>	<ul style="list-style-type: none"> <li>• Not cost-efficient for customers as long-term rental products</li> <li>• Catalogue can become obsolete</li> </ul>

<b>Key factors toy rental</b>	<ul style="list-style-type: none"> <li>• Access to toys beyond usual purchase budget</li> <li>• Possibility to declutter homes</li> </ul>	<ul style="list-style-type: none"> <li>• Children's attachment to toys</li> <li>• Concern about age-suitability of toys</li> <li>• Rapid change of trends</li> <li>• High risk of loss and damage</li> </ul>
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*Source : own realization based on the literature review*

A comparison of the two tables reveals surprising similarities between the benefits and barriers of the different rental sectors, some of which have been overlooked or not reflected in the same way in the literature.

Firstly, **in the literature**, the **rapid evolution of trends** was identified as a **barrier in all industries**, although with their own aspects. Nonetheless, it was **not considered as such in the practical research**. In fact, according to the respondents, trends do not evolve as quickly as retailers might think, and businesses could find easy solutions to overcome the latter such as changing some product features (handles for furniture) and buying a few new products. Companies confirmed that they have items in their catalogue since the company's founding that are still rented.

Additionally, **emotional attachment** has been identified as a **barrier to clothing and toy rental in the literature**. This was **not supported by Nuuly and Tiny Earth Toys**, as they both offer the possibility of buying a product after renting it. However, Tiny Earth Toys mentioned that it was one of the main concerns from consumers in the beginning. Consequently, the company decided to propose a purchase option, which was not directly offered by the latter. This example highlights the importance of the second aspect of the marketing tactics proposed by Reim et al. (2015), which mentions that the success of the product-service system depends on the in-depth understanding of customers.

Moreover, **cost-efficiency** was evident for the clothing and toy rental industries in the literature, both of which are short term rentals. Nonetheless, this benefit was also identified by Inlease. Indeed, despite the challenges associated with the unsuitability of long-term rental, highlighted by Besch (2005) and Edbring et al. (2016) in the literature review, Inlease's specific target groups allow furniture to be appropriate for rental. Indeed, the contract durations are ranging from 4 weeks to 60 months, which are not such long periods and the shipping costs associated with transporting furniture back and forth, sometimes over long distances, often end up more expensive.

A **financial gain for the companies** has also been identified through the **resale of products that are no longer suitable for rental**, which is what the three companies do, and which has not been identified in the literature.

As it could be noted, the above-mentioned benefits and perspectives regarding barriers were similar between the clothing, furniture, and toy rental industries, although not always in line with the literature. Furthermore, there are some distinct **benefits and barriers identified for each industry, with some similarities and contradictions with the literature.**

Firstly, for the clothing industry, the **ability to find partnerships or designers for the inventory has been questioned in the literature**, Arrigo (2021) seeing it as an opportunity for designers while Gyde and MacNeill (2021) saw it as a barrier. Nevertheless, Nuuly did **not mention having any difficulties with brand partnerships**, being able to work with around 400 brands. In addition, the company has a wide range of clothing, from everyday wear to workwear or sportswear, allowing consumers to **try on new styles and find their own identity**, which is considered an obstacle in the literature. In addition, Nuuly has supported the **ability of people whose size changes quickly and temporarily** to find opportunities with the rental service, but also **people of all sizes to find better fitting clothes**, as some pieces fit better after being worn several times.

Secondly, the literature on furniture rental identified the significant **opportunity for occupational mobility**, which is **in line with the practical research** given the target groups of Inlease. Nevertheless, **the trend of shorter lifespan of furniture due to aesthetic reasons was not supported**, which might be explained by the fact that Inlease's customers do not rent in permanent locations.

Finally, the two barriers identified in the literature for the toy rental service, namely the **high risk of loss or damage** and the **incompatibility of available items with the child's age development have not been mentioned by Tiny Earth Toys**. These are eventually **overcome in practical research** thanks to the partnership with educators to select toys suitable for children aged between 0 and 5 and the absence of additional charges in the case of damage. Offering a **full guarantee against damage was taken by the three companies**, which seems only right as it would discourage people from renting, and Nuuly supported this argument.

**In a nutshell**, the results have shown the benefits and barriers of clothing, furniture, and toy rental business models. **Several common benefits**, although **with each company's perspective**, have been identified such as the **improved environmental impacts, added value for the customers** (through better products, flexibility, personalisation, lower risk, increased number of options, etc.), **added value for partners** (manufacturers, URBN group, and relocators), **financial gain for the consumers and for the company** (costs savings through reuse of initial investment and resale of products not suitable for rental anymore).

However, the high financial barrier due to a **significant capital investment**, the **intensive labour**, and the **intensive logistics** and the **lack of knowledge and expertise** (with large storage space needed, intensive inventory management, efficient pricing strategy) were the **main barriers** faced by companies. Challenges varied depending on the collaboration with partners, particularly during the implementation phase of the business model.

Finally, some unique benefits and barriers have also been identified depending on each company's sector of activity and offering, such as **positively influencing customer behaviour, enabling product testing, and nurturing long-term relationships with customers** which **improves the understanding and responses to the needs** of the customers as benefits, while facing **competition from large traditional manufacturers and retailers, lack of awareness** and **relying on customer mobility** as barriers.

## 2. Limits

Although this research provides valuable insights on the benefits and barriers of the rental business model, certain limitations of the qualitative research realized should be kept in mind.

Firstly, the main limitation of this research is the quite limited number of case studies carried out. The selection of one company per sector was made to allow an in-depth analysis of each company, which added valuable data of the functioning of the business model and its operational processes to the existing literature, which is rather limited in the three selected sectors. Additionally, it was influenced by the willingness of the companies to participate in the interviews, given that there is a relatively small number of companies in the toy, furniture, and everyday clothing rental markets. However, having a larger sample could enable to have a

complete understanding of the benefits and barriers of the rental model in all three industries and allow to generalize the results.

Moreover, it is important to bear in mind that interviewing employees from the three companies may lead them to emphasize on the benefits of the rental model rather than the barriers, which could undermine the objectivity of their responses. Conducting interviews with several employees within each company could have provided diverse perspectives, different insights, and experiences. Consequently, relying mainly on individual interviews could introduce bias and subjectivity due to the position and personal opinions of the respondent, which could impact the overall accuracy of the analysis.

Finally, although the improvement of environmental impacts has been recognized as a benefit of the clothing, furniture, and toy rental business models in this thesis, further research is needed to accurately verify and quantify this benefit, by considering rebound effects as well. This thesis has not explored the environmental impact in any depth as it would require comprehensive new research. As result, there is an opportunity for future studies to explore the environmental implications of the rental model in more detail.

### **3. Recommendations for future studies and further thoughts**

This research was focused on gaining more data about the rental business model, its benefits and barriers in three specific industries, but not all aspects have been able to be studied. Consequently, various interesting subjects of research related to this topic could be further investigated to enrich the academic literature on rental models.

Firstly, it is suggested to explore a comparison between several companies within the same industry. It would be interesting to include in the research businesses with different rental offers, additional services, different target groups, distinct geographical regions, or different types of partnerships or collaborations which could influence the benefits and barriers of the model. This comparison would allow to have more insights and a more global view on the industry-specific advantages and challenges.

Furthermore, research into the environmental impact of these businesses is greatly suggested. Indeed, the rental model is considered to have a positive impact on the environment, but it is

strongly influenced by multiple factors, as supported by Mont (2002) and Johnson and Plepys (2021) in the literature review. A more in-depth study of the environmental impact of the three companies, as carried out by Khumbloon et al. (2009) in their research evaluating the rental service with reconditioning using as case study a photocopier, is therefore of interest using quantitative research to obtain more accurate data on the environmental benefit. Additionally, there is a significant gap in the literature regarding quantitative research on the environmental impacts on clothing, furniture, and toy rental business models.

Finally, other industries could be studied, as nowadays new forms of innovative consumptions are emerging in all sectors, particularly due to the emergence and success of large companies such as Airbnb or Uber. The study of rental models in the sports industry for everyday sports, thus that are played on a regular basis, such as Decathlon which launched a subscription rental service, could be an interesting area to investigate. It is suggested that the focus should not be exclusively on rental for special occasion, but also on a model that could be integrated into customers' everyday lives, with everyday consumer goods. This model has the most potential to influence customer habits and have the largest impact on the environment. The study of these sectors could also be carried out by simultaneously examining different stakeholders' perspectives.

## CONCLUSION

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To conclude, this thesis aimed to highlight the benefits and barriers of the rental business model, operating in the clothing, furniture, and toy industries. The analysis focused on three companies, namely Nuuly, Inlease and Tiny Earth Toys, to explore their unique approaches and experiences and to provide valuable insights into the dynamics of the rental model. This conclusion sums up all key results from this qualitative research.

In the academic literature, numerous articles have illustrated the rise in consumption leading to over-consumption in many markets. These levels of consumption have led to increased waste and pollution in many industries (Mont, 2004). Nevertheless, alternative consumption models to the linear production and consumption models have emerged in recent years. Among these, the product-service system (PSS), defined in the literature as a system bundling services and products into a single offering to be competitive, satisfy customer needs, and have a lower environmental impact, is growing in popularity, and more specifically one of its categories, the use-oriented product-service system, which is consistent with the rental model (Goedkoop et al., 1999; Mont, 2002). In fact, the rental sector has experienced significant growth and transformation, mainly due to the emergence of companies such as Lime, Airbnb, or even Uber, which have influenced a rising trend towards accessing rather than buying (Carry, 2014; Nastase et al., 2021).

In response to this trend, rental companies, which are focusing on the extensive reuse of products by including additional services in their offers such as reconditioning, repairing, and cleaning, have emerged in a variety of sectors, including clothing, furniture, and toys. These industries are experiencing rapid production and the prevalence of short product lifespans, which is contributing to a concerning increase in waste, as supported by several research studies (Clube & Tennant, 2020; Cummins, 2020; Ellen MacArthur Foundation, 2017; Nastase et al., 2021). Therefore, rental, due to the significant reuse of products in this service, has been perceived as a solution to overcome this global situation. However, not all authors agree on the environmental impact of the business model (Johnson & Plepys, 2021; Mont, 2002) and others highlight the challenge of transitioning from conventional linear models to a more circular model, as in the case of rental (Arekrans et al., 2022). Additionally, the definition of the product-service system outlines that it can deliver other values for society. For these reasons, the aim of

this research was to further explore the benefits and barriers of this emerging service, in the clothing, toy, and furniture sectors.

To realise this research, the literature on the product-service system has been used due to the limited research carried out on the specific industries selected for this study. Key influential factors identified in each sector have been included to establish a framework for comparison. Then, to have complete and valuable insights, a multi-case study analysis has been conducted of three major companies in the sectors, namely Nuuly, a clothing rental service, Inlease, a furniture rental service and Tiny Earth Toys, a toy rental service. The case studies permitted to do a profound analysis of each company, studying their implementation of the rental model, its offer, the customers, the operational process, the benefits, and barriers they have faced.

The results of the qualitative research have shown that the rental model in the three industries provides many different benefits for all stakeholders. Various similarities between each of them could be noted, although with each company's perspective regarding its offer. These were the improved environmental impacts, added value for the customers (through better products, flexibility, lower risk, personalisation, etc.), added value for partners (manufacturers, company group and relocators), nurturing long-term relationships with customers, added value for the company with increased data on customers and on the products' durability and financial gain for the consumers and for the company (costs savings through reuse of initial investment and resale of products not suitable for rental anymore). Nevertheless, despite these key benefits, the rental model faces significant barriers, namely the intensive labour, intensive logistics (with large storage space needed, intensive inventory management, efficient pricing strategy), and a major financial barrier that is the high capital investment. These could potentially be faced by the three industries, but in the practical research, specific tactics such as collaboration and marketing have shown importance in being able to mitigate these. Moreover, the lack of awareness, significant competition with large, low-cost manufacturers and retailers, and the dependence on customer mobility were also identified in the furniture rental sector.

Finally, this thesis makes a valuable contribution to the limited literature on emerging rental industries with a specialisation into three innovative industries and major companies, considering the limitations of the research. By examining the benefits and barriers, it complements the existing customer-focused research on rental and with the multi-case analysis it provides valuable insights into the dynamics of these evolving sectors.

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## APPENDICES

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### 1. Explanation of main concepts

#### 1.1. Sharing economy

Sharing is not a new concept and has existed since the earliest days. The emergence of the sharing economy, defined by Belk (2014) as the practice of consumers allowing other consumers to access their personal assets through the internet, is however a modern development that arose with the digital era. This economic system is also described as sharing assets and services between private individuals, either for free or for a fee, typically using internet (BlaBlaCar, 2017).

With all the technological developments, advancements in internet connectivity and the widespread use of mobile devices, many consumer-to-consumer marketplaces have emerged. In fact, individuals were already lending or renting out items to other individuals before the advent of Internet platforms but only with family and friends. With the Internet, transactions between strangers have become much more affordable. As a result, consumers are now lending items to strangers as well. This notably relates to the fees involved in doing a search and setting up a contract for exchanges between strangers as there was little information available regarding supply, reliability, and contract forms (Frenken & Schor, 2017). These marketplaces are characterized as peer-to-peer online platforms that involve multiple parties who share and access capacity constrained resources and assets (Arekrans et al., 2022). They share two common features; they offer consumers temporary access to goods and services, and second, they rely on the internet to facilitate their operations (Arekrans et al., 2022).

In addition to the use of internet in the sharing economy, the concept of sharing unused resources is essential to the definition of this model since it separates the practice of sharing commodities from that of on-demand human services (Frenken & Schor, 2017). The ordering of a taxi via Uber or Bol differs significantly from the sharing of a trip via BlaBlaCar or another network for hitchhiking or carpooling. In the case of a taxi service, the customer expands the available capacity by using an on-demand cab to transport the customer. The trip would not have been taken in the first place without the command (Frenken & Schor, 2017).

## **1.2. Collaborative consumption**

The collaborative consumption can be defined as the process of utilizing and sharing goods or services with the aid of the Web 2.0 and between a platform provider, a peer service provider, and a user in exchange for monetary compensation (Minami et al., 2021). It is also characterized by an exchange with no transfer of ownership, mediated through market systems and can take place either locally (e.g., Uber) or internationally (e.g., Airbnb) in the region where the peers involved live or work (Minami et al., 2021). The term also includes occurrences in which one or more persons consume goods and services in joint activities with others (Toni, Renzi, & Mattia, 2018). In addition, in collaborative consumption, it is common for individuals to offer goods or services through a business-run platform facilitated by peers (Amasawa et al., 2020).

The function of business in the business model is one apparent conceptual distinction between product-service system and collaborative consumption. In PSS, businesses are the main suppliers of an exchangeable good, whereas peers often offer the good via a platform run by a company in collaborative consumption (Amasawa et al., 2020).

## **1.3. Circular economy**

The circular economy is defined in the literature by Kirchherr, Reike, and Hekkert (2017, p229) as “an economic system that replaces the ‘end-of-life’ concept with reducing alternatively reusing, recycling, and recovering materials in production/ distribution and consumption processes”. Its objective is to achieve sustainable development while improving the quality of the environment, economic prosperity, and social equality for both present and future generations (Kirchherr, Reike, & Hekkert, 2017).

## **2. Interviews**

### **2.1. Methodology**

The semi-directive approach was chosen for the different interviews. This allowed the interviewee's responses to be directed towards specific questions while also being able to ask new questions in response to the respondent's insights to gather as much qualitative data as possible (Chevalier & Meyer, 2018). Consequently, multiple specific questions were asked about the implementation of the rental model at the creation of the company, its evolution, the benefits of this model for the company, for the consumers and the barriers faced. Follow-up questions were then asked according to the insights shared by the interviewees.

The same interview guide was used for all three interviews to gather approximately the same data and because the questions were more related towards the rental model, its benefits, and barriers rather than the industry. It also avoided influencing the qualitative data gathered and subsequent research between the three sectors. The interviews lasted from 40 to 70 minutes.

Moreover, two types of interviews were conducted. The interview with Inlease was held face-to-face at the company's office. This made it easier to gain the trust of the interviewee and for him to engage more. A tour of the factory and warehouse was then arranged with the company to gain better insights into its operations. The two other interviews were conducted using Teams. As the companies are based in the United States, no other option was feasible but this still made it possible to conduct the interviews given the geographical distance and time constraints. Although they were not face-to-face, personal contact and trust were established, but there was perhaps less willingness to engage, as these two interviews were shorter than the one with Inlease.

## 2.2. Summary of the respondents

Company	Nuuly	Inlease	Tiny Earth Toys
Name of the respondent	Kimberly Gallagher	Marc Hul	Catherine Bhattachar
Position of the respondent	Executive director of marketing and customer success	Account Manager for Nato and Benelux	Chief Operating Officer

## 2.3. Interview guide for Nuuly, Inlease, and Tiny Earth Toys

### Introduction :

Hello, I am Lisa Fosséprez, nice to meet you. I wanted to first thank you for your time and help me with the realisation of my thesis by agreeing to answer to my questions today. I will start by giving you a little recap of the objective of my thesis that I am realizing for my master thesis in Business Engineering. The aim of my research is to identify the benefits and barriers of the rental business model. I decided to focus my research in three industries, namely the clothing, furniture, and toy sectors. I therefore would like to have more insights from rental companies themselves, active in these sectors, to have some more valuable data on the subject, and enable me to do a comparison of the results in the three selected industries. To facilitate my work and to keep track of all insights, would it be possible to record our meeting? Thank you, I will directly start with my first question you.

### Questions :

#### 1. Introduction of the respondent

- To start with, could you introduce yourself and explain your role within the company?

2. **Introduction of the company and implementation of the rental business model:**
  - Can you describe the company's history and how the idea of renting started?
  - How did you manage to implement the rental business model, how was it designed to create value for the company and customers?
  
3. **Benefits/ drivers of renting:**
  - What are the key objectives of the company by renting? What measures do you put in place to achieve them?
  - What are the main benefits for the company?
  - What are the main benefits for the customers?
  - Did the rental model and its objectives/ benefits evolve over the years?
  - Do you communicate these benefits with the customers or incentives to rent?
  - Has the company received feedback or sought for it, from customers regarding the rental offer? If yes, what have been their opinions and how has it been considered?
  
4. **Challenges/ barriers of renting:**
  - What are the main challenges or barriers the company faced during the implementation phase and currently face?
  - How has the company overcome these barriers in the past and how does it continue to address them?
  
5. **Operations of the renting company:**
  - How does the whole operational process work (manufacturing, shipments, returns, reconditioning, cleaning, and disposal of items)
  - Is there any focus on sustainability during the process?
  - If you are not manufacturing the products, are there specific criteria or qualities to look for when choosing the rental products?
  - Do you collaborate with any partners?

## 2.4. Interview with Nuuly

The interview with the executive director of marketing and customer success took place on the 16<sup>th</sup> of June.

**LF: First of all, could you introduce yourself and explain your role within the company?**

KG: I will give you a quick background on me and my role. So, I've been at URBN, which is our parent company, in various roles across the brands for 12 years. I worked at the Anthropology brand and then moved into a strategy role across the brands. Then, that's where we really started thinking about new business models and how we wanted to kind of anticipate how the consumer was evolving and we got very interested in the rental concept. It was a time where a lot of new models were popping up such as Stitch Fix. But we really thought that rental was uniquely interesting versus a Stitch Fix likewise model. Stitch Fix is much more convenience driven and the rental model, we thought would be better for our core customer who really enjoys fashion and values, kind of the fun of shopping over just the convenience of having clothes. We also obviously saw that there was a lot of change regarding attitudes towards sustainability and a lot of disruption happening in other industries around the sharing economy. So, we made the decision to start a new brand. We had to decide how to get into the market, whether we partner with a third party to handle the logistics, or do we acquire a company that's already in this space, or do we build it ourselves. And we ultimately decided to build it ourselves. We also needed to decide whether we would launch under a single brand, like the Anthropology brand, but we decided that we really saw this market at a very early stage and thought this could be very big. But we need to think about the future where a multi-brand platform is going to be much more attractive to a consumer than a single brand. So, we decided to do multi-brand and we launched the brand in 2019. I more specifically oversee marketing, creative, analytics, and customer service.

**LF: One of my first question was to know a bit more about the company's history. Could you explain a bit further how the idea of renting started?**

KG: My boss was our Chief Digital Officer at the time. I worked with him and another tech person at the company and we kind of thought through all those questions, should we be a single brand versus a multi-brand? But we were really thinking about the customer and how the customer was going to evolve. And it just felt like there were these kinds of conflicting desires of customers, one being wanting a more sustainable alternative to buying clothes, but the other one being wanting new clothes and that was driven by a lot of changes like social media. So, it felt like with rental it is something where you can have new clothes but it isn't buying for every occasion and it seemed to be something very interesting.

I mean at the time it was so new there weren't many people in the space but we really felt like it was a market where we could kind of grow if we entered it.

**LF: It is very interesting because renting clothes for one-off events is quite popular, at least in Belgium, and being able to rent clothes that you could wear any day brings more novelty.**

KG: Yes, you know, what we find is that renting clothes for special occasions often is what makes it easy for a customer to decide that this is interesting for them. But then when they stay, they actually realize that they can incorporate rental in their everyday life in a way that's very useful, I'd say, and for different reasons. For example, for jackets and outerwear, it's nice to be able to have something that's more novel or statement. Fit is also really easy with jackets and outerwear, so it's very fun. But then for something like denim, for example, a lot of people use rental because with denim it is really difficult to find the right brands and the right sizing, and it actually gets better over time with wares. So, a lot of people use rental to really find the perfect pair and that's an example of a category where our customer might buy it if they do find one that really fits well. But it's much better than, for example, buying all these brands from an e-commerce site and returning all of them. You know, a lot of returns actually do not get sold again. So, for different categories, we notice that people really use rental in different ways.

**LF: We often talk about the sustainable aspect of the rental model, but it is interesting to see that other factors, such as the size are interesting for customers.**

KG: I think rental has also many more reviews than e-commerce often because each item gets worn by so many more people. So, regarding fit, I think we have a much higher likelihood of items fitting than items that are bought on e-commerce sites, because here you can look at a review and it can be its height, weight, bust size, body type. You can really find people like me who have my exact proportions.

**LF: Then, more related to the implementation phase of the business model, how did the company implement the business model and how was it designed to create value for the company and the customers?**

KG: We built almost all the technology in-house which was a very big undertaking. There was not very much that we could leverage from our e-commerce brands because with rental we have a subscription model and it's just very different. So, we had to build a lot from the ground up, which was good in a way. I mean, it really allowed us to approach it with newer technology than our other tech stack. We also had to build a warehouse with, you know, reverse logistics, laundry, all of that. So, it was a was a

big undertaking. We worked with and we did leverage some of the talent that we have in our other brands, especially on the building of the warehouse side. We have a lot of expertise in that, which was very helpful. But in terms of what it did for the company versus the customer, I would say our whole goal was to make that aligned. If we build a business, it has to be what we think customers want, so it is going to benefit the company. So, I would say we were very focused on making something that was very attractive to customers. We stay very connected with our customers I think more so than many other companies I've experienced. I mean I talk to customers all the time, for example I was talking to customers this week about one topic. It's just something that's kind of at the core of our DNA. For the whole brand, we have a monthly meeting where we talk about the customer insights and everyone from the brand comes, all the engineers, everyone has to hear about what the pain points of our experience are, how can we improve, what our customers are telling us, etc. I think that's just part of how we build the business, with the customer at the centre.

**LF: Did you need to collaborate with other partners regarding the logistics or did you do everything internally?**

KG: No, we didn't collaborate with one partner who could do everything but it was more with specialists. For example, we worked with specialists in the laundry space, people who really understood how to build the most eco-friendly laundry system. We wanted to know what kind of like high-efficiency machines we need, what kind of detergent composition is going to be least harmful for the environment, and how do we set up our cycles so that our product is as durable as possible? Because a lot of products we use and a lot of the laundry we do at home are not great for the environment and are quite harsh on clothes. What we have is much easier and I wish I could bring my clothes to our warehouse to wash them. Thus, we use experts for things that were not our core area of expertise. But then for other things as for example the subscription payments platform we use, we didn't build that ourselves, those exist. However, a lot of the technology around the warehouse management we build ourselves because there just isn't anything out of the box that was specific for rental.

**LF: What were the key objectives of the company when you started, and today? What measures do you put in place to achieve them?**

KG: Our key objective is to really try to grow this business right now and develop a rental market. So that has been the real focus. And we measure that through subscribers, we are looking at how many people have signed up. We also look at the unit economics of the business. We calculate our revenue every month based on what we ship for every month that people pay us, and we break out all of our expenses and look at how we are doing in each area, to make sure that we are getting better over time,

because we really have a goal of making this business profitable. There hasn't been, to my knowledge, a profitable subscription business like this. None of the other competitors are profitable and we are close. We are really focused on getting to profitability. Obviously, it is very important, especially I think the macro economy has changed and it's really valuing profitability more, but also we are at a legacy company who always had to be profitable. They're publicly traded and so we were lucky in that regard that they really made our focus be there from the early stage that we didn't you know over hire or like really discount our offering in a way that would make it not sustainable over time. But I would say we have been very fiscally disciplined from the start.

**LF: What are the main benefits for the company with this business model?**

KG: I think that it positions the company as circular business model which is great for URBN to we have this quite growing business model. I don't think no other retailer like traditional retailer has something this big. We don't talk about it that publicly, but I do think we probably have one of the most circular fashion games in town. There are so many other benefits. For example, half of our products are from our sister brands such as Anthropologie and Free People predominantly. We have so much data on the durability of their products that we feedback to their production team so that they can make the products better and more durable. Which is a huge advantage not only for Nuuly, but now their products are better for their customer. It's not that they were trying to not make it durable, but sometimes they just didn't have that data of how something holds up over time, or whether a zipper that they got from a vendor just wasn't good enough and they needed to upgrade it. There are many different examples, but it's just been so mutually beneficial. Also, as we grow, their margin gets better because we're buying more units, so their buys are bigger. And I think overall it brings a lot of customers. We have a younger target customer than they do and a lot of the customers who use Nuuly rent items from Anthropologie for example and then actually they shop more at Anthropologie. They kind of shift their behaviour especially if they are finding the products durable and well made. Maybe there are other fast fashion brands that they are less inclined to buy from because they do report that they buy less overall. 90% of our customers after using Nuuly say that they are buying less, but they do not actually buy less from our brands because I think they are really shifting how they buy which has been a great benefit for the company.

**LF: It is very interesting and surprising that customers are changing their behaviours regarding consumption, but also very positive.**

KG: Yes, we were hopeful that it would be the case and we ask every quarter and it is so consistent. They really say that they are very much changing how they consume.

**LF: What are the main benefits for the customers?**

KG: I think for the customer there are a few benefits. I think it is really good value for money, especially how they use it. They will look at their calendar for the month and say, do I have something on the calendar that will make it worth it? We make it very easy to pause or cancel, and a lot of people use that pause functionality all the time. Thus, it is great value for money. It is also better for the environment. Then, it is also really nice with changing body types, which I think we have a lot of customers that go through, especially with maternity. Because then they have a baby, and their body's changing. I have been there, I have had three kids, and it's not fun to have to buy things in a size that you know is not going to be your size anymore. Then you have these clothes that you're not going to wear anymore. So, it is really helpful for those body changes.

**LF: Did the company's objectives evolve during the years since you started?**

KG: I would say not really. We are really trying to keep focus on the value proposition and we haven't changed our offering since we launched. That has been purposefully because we have something good and we don't want to be distracted by trying to do something new or focus our energy in a different way.

**LF: As you talk a lot with customers, do you also communicate these benefits with them, or incentives to rent?**

KG: Yes, a lot of our marketing is focused on that and what we find is that our best channel is definitely word of mouth. It is a very word of mouth driven model because you are wearing a lot of things, you are renting also for events, so there are clothes that do get talked about. Therefore, our customers are our best advocates. But we also work with influencers a lot. When we just launched a new product line for our plus customers for instance, having influencers who can speak to why this product is great, how it is great for their body type, I mean, there's not anything better than just hearing from a true user. Our influencers who we work with are all Nuuly customers. We really try to work with people who really believe in what we are doing. But we'll take different angles. We might not say everything, as it is great for fit, for value, and for money. We're not trying to do it all at once but we try to kind of parse that out and have different people talk about different things.

**LF: Have you received feedback from the customers, positive or negative? And if yes, have you considered into your offer?**

KG: We do a lot of surveys and a lot of interviews with customers. We have kind of our regular survey, we have a customer satisfaction survey that runs on site. We also do an NPS Net Promoter Score Survey quarterly, where we ask a lot more in-depth questions, and then we'll do other surveys on topics that get proposed by various team members. We're always surveying the customer. We will do larger studies at times, for example we will do something around pricing or a study around new product features that we might want to develop for our service. So, we almost always start with the customer insight and making sure that we're validating what we're doing through the lens of the customer. For example, we knew that our customers were not as satisfied with the availability of our product because sometimes with seasonally it can be harder to find products, because we definitely have seasonality in our business. So, it can be harder to find like occasion dresses. We are trying to figure out how much to buy but it can be hard to balance. So, we look at the data but then it is sometimes easier to just say, let me just have a call with 12 customers. It helps to get some nuance that you wouldn't get in the survey data all the time.

**LF: I read that the management of the inventory can be quite difficult, considering the fast-changing trends in the industry. Is it a challenge you faced and how do you manage your inventory?**

KG: Actually, when we launched, we did not know how it was going to work in regards to trends. What we find is that the trends don't move as fast as a retailer would think they do. I mean, in a retail model, you're just trying to sell through and on to the next thing. But we find that our products actually live for quite a long time. We have a really high number of units from when we launched in July 2019 that are still on our site. I think that with trends, some people are early adopters of trend and some people are not. And there are also other things we can do. For example, sometimes the trend or the product is still relevant, but maybe the styling gets dated. We are actually talking about this now with my team. Do we take some of our early products that we are still renting and just reshoot it by styling it in a different way? And if we do that, I know their rentals will go up again, so there are many ways to approach it.

**LF: What are the main challenges that you face and the main barriers the company faced during the implementation phase?**

KG: For both, it is just about logistics. The logistics are so complicated compared to a normal operation, which is very much pick, pack, and ship. Ours has so many more points. It's about returning the product, washing it, inspecting it, repairing it with our repair team, putting it back in our warehouse, then pick, pack, and ship. So, there are many more opportunities for a bottleneck but it is quite difficult to manage and we are still learning all the time. We solve one thing and another issue pops up. We are also really

tight on space right now which causes problems. It makes it harder for our associates to find the product when it's packed in very tightly. It leads to more substitutions because we have to pick something else. So, it's all in the logistics area where I would say the majority of the complexity is.

**LF: Did you face in the beginning some challenges regarding the customer perspective as they were maybe not used to renting a piece of clothing and not owning it?**

KG: Actually, not as much as people anticipated we would. I would say that was a concern of some of the executive team who were wondering if people would think this is gross. And no, most people were actually quite open and ready for it. I think other industries did some of that work for us, like you know there was Uber and Airbnb and the concept of not owning had just kind of really taken off, and I was really pleased. I didn't think we were going to face problems because I had done a lot of customer research and I was glad to see that the customers were very open to it.

**LF: Do you know if it is due because they already rented clothing in the past maybe?**

KG: No, I think that most of our customers have never rented before. I think in our early adopter stage, probably we were pulling more people that had tried it before but now most people have not.

**LF: How has the company overcome the barriers, so regarding logistics in this case, and how do you continue to address them?**

KG: We haven't overcome all of them, but we work on them all the time. Honestly, it's just about continued focus in the area and thoughtful prioritization about where we focus. We are opening another fulfilment centre in Kansas City. So, we are expanding, even tripling our capacity but it is a big challenge to move the inventory because we need inventory available to customers. So, we are working through a lot of that right now, but I would say, it feels so far away from a time where I will say, we figured it out, we solved it. It is just going to be, I think, a consistent challenge.

**LF: Could you explain in more details how the whole process works? So, including the return of the clothes, the reconditioning, how you then clean them, or what happens in the case of damage and disposal?**

KG: So, when the product is returned from the customer it gets sorted based on its fabrication, colour, into different wash sorts, which could be dry cleaning or wet cleaning, but also within that, there a lot of different detergent mixes. I forget how many sorts we have, around 12 I think, but I'm not exactly

sure if that is right. Then it moves to wash, and we wash the items. Then it comes out of wash and goes to the inspections and there we inspect each garment for everything, from does it smell, does it have any tears, stains. It's a very thorough inspection. From there it either passes or fails. If it fails, it goes to repairs. There is a repair's team and a stain's team that has all these stain treatments to get rid of all of them. The repair's team last year repaired 200,000 garments, so they are repairing a lot. And then it goes, if we can get the stains out or repair it, it goes back into our assortment. If we can't, we have different options for the garments. The biggest one being that we actually sell a lot of garments as gently worn on our sister brand sites. On Anthropologie and Free People, they have a section of their site that is Nuuly and that is marketed as "gently worn" and we fulfil it out of our place or our fulfilment centre. We find that there's still a lot of demand for these products, especially if they're priced well. We will be opening a store, which I actually think will be even better because some of the product are still great and the damage is something that if you had it at home, you'd be fine with it's just we can't rent it out because it needs to look pretty, pristine for rental but I mean if something is damaged beyond repair we'll donate it but like yeah I mean most of that, that is not the large majority of what happens, usually it is very minor.

**LF: And do you clearly communicate with the clients what happens in case of damage? As it might be a concern for them to damage the clothes and that they need to be very careful with them as they do not own them.**

KG: There is no penalty for damage because I think that it would be a real disincentive to sign up and we want people to feel comfortable and live their life in the clothes. We don't find that people take advantage of it. They are not trying to damage the clothes. We haven't had any problems with that.

**LF: Do you focus on sustainability during the process, other than reusing, as for example trying to optimize the transports or anything like that?**

KG: For each part of our process, we have tried to look at what we can do to make this the most sustainable option possible. For example, I think one of the first decisions was that we needed to do a really good job with our packaging because we obviously ship out a lot of items. So, our packaging is all made from post-consumer plastic but it holds up, maybe not forever, but we haven't had any issues with this package breaking down. I mean, I don't want to say forever, but it has held up to date. We are also eliminating the use of many millions of cardboard boxes from doing it this way. We also found a machine that can sanitize these bags in a way that it does not use water to clean them, because we have to clean the bags too, obviously. Then we don't use any plastic in our packaging, like in our shipments, we don't use polyvac. The items just come folded within the package. Then we also participate in a

carbon offsets program with our shipping vendor. It means everything we purchase offsets for every package that goes out. And I mean those are just examples. I mentioned the laundry being really thoughtful, but we really try to look at every step in the process and say what can we do to make this as environmentally friendly as possible?

**LF: I have another question regarding your selection of toys for your catalogue. You explained that a majority of the catalogue comes from the sister brands of URBN, but do you buy items from many other companies? And if you do, what do you look for in these clothes to ensure that they are strong and will not damage easily?**

KG: We buy from 400 brands right now and we've learned along the way. Certain fabrics we are not going to buy because they do not hold up, it is just that they are too delicate and they are not good for rental. So, some products we will just steer clear of but there are other items where we work with a vendor and we are finding that the buttons are falling off. We reach out to that vendor right away and we say that he needs to fix this garment. It is not only a problem for us, but also a problem for them if they are selling this. We try to really have that feedback with the brands that we work with to ensure that our product is durable. But there are things that we just need to not rent because they are just not good for the rental experience. For example, items that have a lot of colour bleeds, we stay away from, like colour blocks, because they are very hard to wash. So, we steer clear from a lot of those.

**LF: As a last question, I was wondering how you differentiate yourself from the other companies active in the clothing rental?**

KG: I would say that we are not directly competing with other rental businesses. We think of it as most people have never rented, we don't really need to differentiate against a rental business. We need to explain why renting is better than buying for many reasons. I would say that we are different in that we focus a little bit more on everyday clothing and renting for every kind of occasion in life versus only for special events or more like dressed up events. But other than that, I really feel like we are competing more with other retailers versus other rental companies.

**LF: Thank you very much for your time.**

## 2.5. Interview with Inlease

The interview with the Account Manager of Benelux and NATO took place on the 19<sup>th</sup> of June.

**LF: Firstly, can you introduce yourself and explain your role within the company?**

MH: My name is Mark Hul. I am the oldest, not in age, but the longest working in this company. I was here from the beginning when we started the business with Inlease. It was a small family business. We were only with four of us, two trucks, three warehouses and now we have 12 trucks, and we are with 35 people. So, it's been a growing business since. Concerning my domain, I do a lot of things. It is called Account Manager, but it does not cover the title. As an Account Manager I will work for NATO but then that means I am driving to Germany, Holland, France, everywhere and our core diplomatic. I'm also responsible for the Benelux, and that is also more in finding new businesses, business development, going to base to base, trying to convince the military or the diplomats that furniture rental can be maybe more interesting for them, cheaper than moving. And that is how I try to convince them. Of course, I am also sometimes stuck to a structure done by the government. So that is my challenge, to convince about renting, but until now I see that more and more people are getting convinced of doing furniture rental. Just this morning a guy came and asked to make four different offers without a name because he had 11 newcomers and depending on the structure of their family, he will use that kind of furniture or that. It goes now automatically already. So that is what I do. I also interfere with marketing, I am restructuring the warehouse a little bit and the showroom that we now newly built downstairs and upstairs. So, I am doing a bit of everything because my high season is June, July, August, and September and then I am working really with clients, but then all the other days I am working for marketing, business development, touring around, really trying to convince people for the next rotations to come with us. So, there is a lot.

**LF: Can you describe the company's history and how the idea of renting started?**

MH: In 1998, there were two guys, they were working in a sort of office development, office rental, office creating business and for one project they had to do as stylists, all the offices of Monsanto. And the new CEO asked if they could also do it for his house and that is how it started. So, one of the two guys said they will do his house and then they had to do another house for the COO, FCO, etc. and that's how the idea came from furniture rental for expatriates. Then, they decided to split the company because they first did interior designs and then they said we have interior design and now we also have Inlease. So that's the history, and from that moment on it went only up. They started first in Belgium,

and in the beginning they wanted to spread out a lot. So, they had cooperative members in Holland, France, Switzerland, and in Germany. They were co-owners but of course 51% was Belgian related from the family and all the rest was from these people that they did a joint venture with. Then, we grew fast in the years 2000 and we made a big growth. We had to move twice because the warehouses became too small. We also needed more parking space for all the trucks. Then I believe it was in 2010, we had a lot of problems in the warehouse. So, a guy came and had a look to see how we could manage the warehouse better, how we can improve things. The owner, they knew each other, he is an engineer and he had a friend from childhood, they always put money together in a bank and they said that if they find somewhere a company that they like, maybe we will decide to buy it and work together, and that's how it started. So, the guy came and saw what could be done in the company, what and how you could grow it. And the owner was already around 56-57, and they paid him out and they bought his company. So, Kevin and Philip are now the co-owners, and they also bought out Holland, Germany, and France, so now everything is Inlease owned. We don't work anymore with cooperatives. That means the Benelux, Germany, France, and Switzerland are all done by them and from these headquarters.

**LF: How did they manage to implement the rental business model? How was it designed to create value for the company and the customers? Did they have to do some collaborations?**

MH: There are different types. First you have the manufacturing of the furniture, and the appliances and everything. Then, on the other hand, you have to develop your business. That goes by advertisement but it also goes by word of mouth. For example, with NATO, it started with one guy in 2002, who was one of my first clients and now it is the biggest client of all Inlease and that is the military. So, it goes by word of mouth, people talk. Now, of course, we are also more modern, we work a lot with WhatsApp, Facebook, Google, we try to be on that scale as well. Sometimes we make a movie, an ad, or a pop-up, but the old-fashioned way of doing just a commercial in a book, it does not work.

**LF: Did you directly start by doing the manufacturing of the furniture, the cleaning, etc. internally?**

MH: Yes, we always did it ourselves. We designed our own furniture because, you have to think that there are three types of furniture rental. First you have “temp”, that means temporary furniture. That is for people who are waiting for their container to arrive. They only need it for one, two months, three months maximum. Then you have “rent” and that is what it says, you rent it and it comes back. Then we also have a “plus” program where you can choose whatever you like, that means that you can choose from other factories or from our catalogues which we present from the factories we will work with. The furniture will be brand new, we order it for customers and only 90% stays there and 10% comes back. So, they buy it, it is a rent to own. In the past we called it rent to buy, and now we call it a “plus”

program. So, there are already differences there, with temp and rent, it is our own furniture. We design our own furniture and we have it made in a factory with whom we work with because we know that it is good quality, it is done here in Belgium. We also try to have all the attachments and connections that you need on furniture the same for all types of furniture. That means we have four lines of furniture, we have the brown cubic, the grey natura, the dark brown and the natural wood walnut. Then, we have more country-stylish, the Picasso, but all of them, tables, wardrobes, beds, are built up in the same way so our drivers do not have to think about which screws they need for each table and how it has to be built. No, they know that it is the same for all. They just have a box with all their screws and everything they need and if it is a cubic, a dome or anything, it is all done the same way, they can do it blindfolded. That makes also win a lot of time. Then it's being reused. Rental means that it comes back and then we start to look at every product with our own triage system. First it comes in and we have a look at it to see if it is damaged or not, or if it is dirty. Then either it has to go to the cleaning department first, or it has to go to the repair zone. If some pieces are damaged, we dismantle the good pieces and keep that apart, and the bad pieces we have to throw them away because they are not usable anymore. All the linen are also cleaned by us, only the bed linen we outsource, but all the other linen, bath linen, towels, we have professional washers and dryers downstairs. The mattresses also we clean them with deep steaming to get rid of all the bugs. And that is how the furniture that you will see behind you is more than 10 years old and you think it's new, because that is how we maintain it. I can even show you furniture that is still here and that is 20 years old and you will not see that it was used for 20 years. So that is the sustainability of it, you can reuse all the time. Maybe there is one piece, one door of the four doors that is new but all the rest is reused all the time.

**LF: For the pieces that you have to throw away because you cannot use them anymore, do you recycle them?**

MH: We do we have three types of containers. All the cardboard goes together, all the wood goes in one, and then we have also for iron. Of course, the appliances are also separated for the Recupel and that goes to a specialized firm. We really try to put all in different demands so it can be used as recycling.

**LF: When you design the furniture, as you said, do you do it in your own manufactory?**

MH: It is not our factory, but it's a factory that we use because we know that it's quality and they do it how we want it.

**LF: What are the specific characteristics you are looking for the furniture to keep it on the long term?**

MH: First of all, it has to be robust and strong because some of these models might be dismantled 10, 20, 30 times. For sure with the “temp” furniture, it is only staying maximum three months there which means that if you take the maximum, three months, it's been assembled and disassembled four times in a year. But if it stays only for one month, that also happens, it means continuously mantling dismantling, so it has to be of good quality. That is where we look at first, which is easy to be done. Other characteristics we look at are for example the new models, from time to time we do have a new model because we look at how the world evolves. We see for example that everything is built smaller, so the newest furniture line has smaller night tables for example because all the bedrooms are getting smaller and smaller. Indeed, we have to adapt to that style. We also had an example last week with a guy from the military who tried one of our new sofas and said that it was a little bit too low. He asked if we didn't have something where you can have your head up and that you have a support. I said that it exists in another program but why don't we do that? Because sometimes you cannot use an elevator or you can have an elevator to go inside but the sofa has to go into another room where the doors are sometimes only 80. Then if you have a sofa in one piece, which the back has a height of 90, it cannot go through the door anymore and we are stuck. We have to see that the furniture can go in any strange occasion that might happen. Indeed, we have to look at too. That is how we construct our furniture.

**LF: What are the key objectives of the company by renting and what measures do you put in place to achieve them?**

MH: Of course, growth. Growth in business, that's the only objective you have. We try to grow by doing a lot of prospects. We especially try to convince the people that it is cheaper than moving. We also show them the results because from time to time we make a demand on how much it costs to move furniture so we know their prices of shipment and then we see with our rental prices. For example, we had a guy who asked how much it costs to rent a two-bedroom apartment, and we came up with 12,000€. He said that his shipment costs 9,000€ so we are much more expensive. I said, yes, it is cheaper but you also have to send it back, so it will be 18,000€. So, they understood indeed. You really have to compare everything. Then our goal is as I said of course to grow. To make a new growth actually because after the Covid 19, the business went down a lot. People were working from home, remotely and a lot of people were afraid to send expatriates. So now, we have to rebuild the business again, that is the current objective that we have.

**LF: Do you especially target expatriates?**

MH: Yes, we especially work with expatriates. We are also targeting building promoters, but somebody else doing is working with them, for Brussels Business Flats for example. Those guys, when they build a complete flat, they want investors to buy an apartment and maybe have it also furnished for the

expatriate world. Then we use a stylist to look at the building and to say what kind of furniture we need in that building. The people can then also come downstairs in the showroom and have a look because we will have several options for them. They can take between different packs; pack one, pack two or pack three. We also work for companies but that is again also related to expatriates actually. Also, student houses but that is done more locally, and the majority of these students are Erasmus students. It's more for them that we do it.

**LF: What are the main benefits for the company with the rental business model?**

MH: The main benefit is that you can actually do only one investment. That is a big benefit, you do a big investment in furniture and you can use it for 20 years hopefully. Not always for this long because it depends also on the style and the colour and indeed the looks are changing but that piece of furniture that you see behind you, you could think that is new but no, it is more than 10 years old. If we change the handles, because they had a silver colour that was very popular in 2010 but now it has more of an industrial look with black handles, so we are just going to change the handles, put black handles on it and it will look like completely new furniture. And there are many other pieces of furniture that are like I said, 20 years old, and they also have the price of 20 years ago, so they're much cheaper. So, this are the major benefit of our company, that you can reuse your investment time by time. Another thing is that with the "plus" program the furniture is brand new because some FCOs or CEOs they want brand new, very fashionable, high-quality furniture, so they decide to buy and let their apartments completely furnished by us. However, after it comes back because they are now going to Singapore for example to be the boss over there and they will choose other furniture. So, it comes back to the company. What do we do with that as it is not our standard furniture? We have downstairs, each Saturday, sales. Local people can come and have discounts of 25%, 50%, or even 75% but also customers, customers with a lower budget, they can come during the week and look at those products. They always come but when they see downstairs they also ask if they can get that too. And what is very strange is that we tell them that they can also have it but it has been used already. The renting is also used but they do not realize it because for them it looks like brand new and downstairs it is written that it has been used, but they have discounts on that furniture and then you can have somebody with a very small budget who can still have his house completely furnished. That is also how we also reuse things again, without an investment because that piece of furniture was already paid off. Renting is different. Renting, if for example you buy a table, it is paid off after a few times of usage. The other one is already paid, the one from the plus program because the guy who said I want that program has to pay the complete table as it is and then whether he keeps it or it comes back. It is paid anyways, so we can give very nice discounts, sometimes a little bit less or more discounts depending on how it looks, if we can get rid of it easily or not. Then, with that money we can invest again in the rental furniture, so it is really a cycle of buying things and

re-rent it all the time. With the profit you make you also use it to update or upgrade your rental stock, it is a win-win situation but you need a lot of money to begin with. It is a big investment in the beginning.

**LF: What are the main benefits for the customers?**

MH: For the customers, the major benefit is that they can go straight into their house because we deliver within five working days. I have to say within five because sometimes we need a hoist and according to the government there, the local city, it says that we need five working days for the parking permit to block the street. This is why we say within five working days but sometimes if the client comes here at the office in the morning and he agrees with everything, in the afternoon it can be loaded and we are there the next day. That can also happen if we have the people downstairs and if the truck is available, it can go very fast, within two and five days. Then, in comparison with furnished accommodation, the customer can choose his furniture. Furnished accommodation, what you see is what you get, that is the house. Sometimes the house is very beautiful, but the furniture is very old-fashioned, or vice versa. The benefit there is also that the client can first look for a location where he wants to be, for example, near to a school for the children, or for the spouse who stays at home all the time, an environment where she is amongst other people, other expatriates in that neighbourhood or where the public transport is very easy. If you don't find a furnished accommodation there, then again furniture rental can be helpful. Another benefit is that you can end the contract anytime. Suppose that after a year the customers want to leave because of illness, or because it is boring, or because it is not the work the employee thought it was, they can break up the contract anytime and then it all goes back to us. So that is also a benefit. There is also an advantage also for the relocators for example, because expatriates go into their house with their stuff as they are renting, the relocators can immediately describe these people into the community. If they are staying first for a month or two or even longer while the container is coming, or for any other reason, you have to wait to do the paperwork, you cannot get your identity card. So if they take either a "temp" or they take for a long time furnished rental they can go into the house and immediately do all the paperwork, which is also an advantage for them.

**LF: Is it cheaper for the customers to rent the furniture instead of buying it, even if they might rent it on the long term?**

MH: Yes, that is also a reason. Sometimes, depending on where they come from, furniture rental is cheaper than moving. Nowadays, for sure with all the transport costs and everything else. I had a Greek as my point of contact, I always have for each country one point of contact who is actually dealing with all the personnel staff of that delegation, and he said that he is always shipping furniture because from Greece to here, we can do it over land. So, I asked how much it costs and he said 8,000€, but proposed to him an offer of 12,000 € ? So then, people start to see that it is cheaper. Before it was always overseas

the shipment, but now we see even people from Greece, from Poland, from Estonia, shipping over land but the distance is that long, that renting is actually cheaper than moving. Also, another thing that sometimes we hear is that expatriates say that they want to go back home as well on holiday, but if they take their furniture over here, they have to go in a hotel in their own city because there is nothing there anymore. So, they prefer to have this furniture rental and that their furniture stays back home. Also, it is beneficial for damages. I had a client from Israel years ago and he compared prices and preferred to ship his furniture but the ship sank in the harbour with the containers. He lost everything. Not only his furniture but also all his souvenirs, everything and that is also something sometimes people do not think about. This is very cruel of course a ship that sinks but it can happen during a transport on the road as well, with an accident. Sometimes we also hear that a wardrobe or any piece of furniture is not well sealed into the truck and then because of a bump it is damaged. That can happen during transport, even with us. Sometimes a brand new item when we unload it is broken because something was not well attached or for whatever reason, but then that is also an advantage. Indeed, we give you another one straight away. That is a benefit again. I mean there less risks because we take care of everything and that is also an advantage for the customer. Our policy is that we give a full service during the whole rental period. That means that if for example your washing machine is not functional anymore for whatever reason, within 48 hours you have another washing machine. It is therefore very easy, you do not have to wait for an electrician who then says that it is a piece that he has to replace, but he needs to order it in Germany and it will only arrive in 8 days or two weeks. As a result, you were two weeks without a machine. Now, within 48 hours, you have another machine. And that is for any furniture, any damage. However, if you have a table and your child was carving with a knife on it, that is damage on purpose, and customers will pay for that table. But, for the rest normal wear and tear is covered. Also, it is by manufacturing. We actually had a good example a few weeks ago, somebody said they had their own bed but they took our mattress. We didn't know it was a 140 mattress and after three months it was deformed. So, is that a manufacturer failure? We asked him to take pictures to see where the bump was. Then, the first reaction of the factory was that the client had a slatted board of 140, and this does not give enough support. So, first we brought two slatted boards of 70 like the manufacturer said but of course the client was not happy with that decision because the bump was still there. So, we went back to the factory and told him that we are buying thousands of mattresses from him and now for one mattress he says no because it is his own fault. Next day, the mattress was on its way. If the factory did not do it, we had already another alternative to give him because that is what how we are. If something is broken and we see that the manufacturer does not want to help us, we will do it ourselves.

**LF: So, the customers directly know that the damages are covered? Because it could potentially be a barrier for customers to decide to rent as they might be scared to damage the furniture and have to be extra careful?**

MH: No, we tell it from the beginning because they often ask about that and I say for normal wear and tear, it is normal. I mean, if I am writing on this table, I will also make scratches in time, so that is normal. But then I say the same, if someone carves the table with a knife, or the cat has damaged the chair completely then he will pay for the chair but otherwise, no.

**LF: And just some clarification regarding the price, do people still believe that it could be more expensive as furniture is rented for long term contracts?**

MH: First of all, an expatriate can only be an expatriate for five years. So, if we talk about long term, the normal length is around three to four years. Our average, with the “temp” and all formulas is 32 months. So that means that they rent a long time with us but if they still compare it with the advantages of having the furnishings done and then we come and take it back, now that gives them a good comfortable feeling, they don't have to be afraid.

**LF: Did the objectives of the company evolve during the years, and especially since the launching of the company?**

MH: Yes, because of the growth. If you start with 2 trucks and 4 people and now we have 35 people and 12 trucks, that means that more and more people are aware of furniture rental. Now we see that everybody starts to talk about sustainability, which before we did not use as a topic. Now we start to use also in our commercials that word sustainability because people are more aware of their footprint. And indeed, if you can then reuse all the time, we save a forest somewhere. So, there is a big involvement. There is also a difference in expatriate nowadays. We see that especially for the Eastern European countries, the poor countries from the past, they are not poor anymore. Before they did not have any furniture to move because it was old from the 60s or 50s even. That was the communist period. Nowadays these people, they have everything. If a young soldier comes from Romania or Bulgaria, they have already everything. They are 30-32 and they have an apartment completely furnished. So, they are not looking at new furniture, they are looking at furniture rental, so it is easy when they are going back home. So, that is the change of expatriates.

**LF: Regarding sustainability, do you consider it as one of your main objectives?**

MH: From the beginning it was one of the main objectives. We were sustainable from the beginning without knowing it. We did not realize that it could be a topic as well. Yes, we have found a business in the expert world because of this one guy from Monsanto who asked to furnish his house and we never thought about the sustainability and the footprint. But nowadays everybody is talking about. We realized

we are actually helping the world with our footprint. We also have complete solar system on our roof as well, which is very big.

**LF: Do you communicate these benefits with the customers, or incentives to rent in order to convince them?**

MH: Not always, because most of the time they find us. So either we know how they found us, because that is one of the things that they have to click on when they go on the website. Either, they found us through the search engine, so that is Google, because when you type furniture rental in Belgium we are practically on the top. Or, we call our existing clients because it works with word of mouth. For example, you have the logistics of the army that say that they are using Inlease as a furniture rental supplier, so every newcomer, they call it the rotations, they just come back here because they know how it works, they know it is easy, we do not have to explain them anything. For these customers we will only ask what they want. However, I am doing that conversation about the benefits when I do a prospect, that means somebody who is not working with us. Then I will try to explain all the benefits of rental such as it will save time, you do not have to do everything yourself, which means that your employee can work from the beginning, he does not have to think about going to IKEA and then spend two hours screwing the IKEA cupboards, etc. Everything is done by us and covered for you. You also have insurance, and this warranty is actually very unique. We are the only in the world who are doing that because of all the other colleagues, they do not do it. It is also a rental warranty and so it covers everything.

**LF: Does the company seek for or received customer's feedback? If yes, what were the main feedback and have you considered it in your offer?**

MH: Yes, sometimes they are grateful and they send us a thanking note and we put it up in the cantina or where the drivers are to tell them that they did a good job, because most of the time it goes about them. I can be the best salesman in the world, but I need a team behind me. So that team also has to be very good. It goes from the cleaning lady to the drivers and to the installers. It has to be a chain that works together. But of course, the worker only sees some of the customers, because sometimes we only have one point of contact and we do not even know who the person is who is going to use the furniture, but they are thanking of course mostly the drivers because they did a very good job. Sometimes we also get bad feedback as for example something was broken and they ask for a new product, or it is not what they ordered, etc. We always answer by saying sorry and that we will replace it as soon as possible. So, we always try always to fix it. Sometimes it can be a bad feedback because we did a mistake, or because the factory made a mistake, or it can also be a bad feedback because the client did not understand the whole concept very well. Then, of course, we always go in dialogue. I am not just going to mail him, I

will always use the phone and if it is even possible, I will visit him. If it is in a military base, I will ask if we can have a coffee in the cantina together and discuss about his issues. Then I explain to him what his expectation was, and then how it actually works. I will try to resolve it and then sometimes they understand how it works, and they will say “okay it is my fault, that is how it works”. But communication is a lot, and not always on an email because in an email what you write can be read in different ways. Sometimes one sentence can be very polite but the same sentence can also be very rude depending on how the man is feeling on the other end on that moment. That is why I take the phone and I explain to them what is going on. Thus, as soon as a complaint comes in, about anything, we make a ticket with what was wrong, what the supplier said, what the client said, what his concern was, if it was a damage and by what it was caused and then we try to solve it as soon as possible.

**LF: Did you also have some feedback regarding the concept of renting?**

MH: Sometimes yes and then we publish it on our website. We also ask sometimes if we can use the email customers sent so that we can publish the review. Most of the times they say that we can publish it.

**LF: Did you already receive feedback about your stock which led the company to buy more products to improve the stock?**

MH: When you talk about the stock, you mean the whole stock or the furniture only?

**LF: Especially the furniture I would say. Did they find that some products became old-fashioned for example?**

MH: Yes, but because we have so many styles available that does not happen often. Customers often come here and then the man will like the brown style, and the woman wants another one. There is always something that they like. So, no, we are not concerned about products that are getting old fashioned. If it is really getting old fashioned, then we put it out and we use that for other clients. Last Friday we had a delegation, because sometimes I invite delegations here as this showroom is new to them and I also show them the behind the scenes. Then sometimes they have already used us for 15 years but they did not realize how big we were and how we do it and they are very impressed. That is what happened with the guys on last Friday. They came in here and they did not realize how it worked, how it was done and they were very impressed about everything.

**LF: What are the main challenges or barriers the company faced during the implementation phase and is still facing?**

MH: The first challenge is getting your product known, because even when I go somewhere with a friend or I meet somebody new and they ask me what I am doing and I say furniture rental, they do not know it. Nobody knows about it actually. Expatriates maybe they do because they are already used to that but for the rest of the world nobody knows. They never heard about furniture rental. So, this is a big challenge, getting you known. A second challenge is IKEA. People think that they have to go to IKEA because it is cheaper, but it is not. The men who came last week, when they saw our prices, they said “this is even cheaper than IKEA and we get better quality than IKEA”. But that is the marketing style of IKEA. They will show you some very cheap products in the beginning at the entrance, and the further you go, the more expensive it gets. And of course, everybody will take these expensive products. But the customers had already in their mind that they can get a glass for 1€, but here we sell them at 50 cents. So even with their cheapest products, we can be cheaper than IKEA, but that is a challenge because they have a very big brand name.

**LF: I read that they also tried a leasing model.**

MH: They started but they stopped it, maybe they are still doing it in one or two countries worldwide but they immediately saw what the effects are. If you are not in this business, you do not know what you are talking about, it is not just giving it to somebody and let them rent it and then you take it back. It is a lot more than that. For example, here I can screw that table 10 times in a year and dismantle it with a key. Have you tried already a cupboard from IKEA that can stand one time, if you then unscrew it, you do not get it together anymore because they use pressed paper. All our products are at least MDF (Medium Density Fireboard), which is also heavier than wood, or solid wood. If you have a blade table from IKEA, and a screw is gone, then you can throw it away. Us, with our solid furniture sometimes, we can even repolish it to have the scratches removed, repaint it and you have a new table. Another challenge is of course also competitors, which is normal for any business. Now in Belgium, we do not have that many competitors, firstly because we took over the competitors. Then there are still one or two others, but they do not do the same as we do. One is the store, and it is doing only furniture, but with Inlease you can get everything from glass wear to electronic appliances. That is what is different with our company. The other one is renting very cheap furniture, which I therefore do not call it a competitor. It does not have temporary furniture, so I do not consider it a competitor. But in the other countries we do have some such as in France, there are big competitors and that is also a challenge. Another challenge is also personnel, and for sure after the Covid. Do not underestimate the hard work it is to work here, especially for the drivers and warehouse personnel because it is heavy. They have to lift the furniture all the time and then put it in a truck. We gave them all types of lessons and tools to make the job easier but it is very human to just bend over when there is something on the floor and take it, but that is a bad habit. You should do it otherwise and that is why we teach them and give them all

the tools but of course, for the movers on hot days, when they have to go move into an old apartment, it is heavy work. They also have a driver's license for a C truck, and when they find another job somewhere where a C license is needed and they only have to drive from a point A to a point B and they wait for somebody else has to unload their truck, then you lose that person. So, it is a challenge to keep your personnel.

**LF: Did the company also face some challenges in the beginning regarding the logistics, as for instance managing all the shipments, transportations, etc.?**

MH: No because we always had a logistic manager so he knew everything about logistics, he knew which truck to use, and where to go. Of course, now it is easier because you have tracking systems and so you know where each truck is, how long they still have to drive. But this is the person who is overlooking all the countries and he knows exactly which truck is full, which one is going to be empty or when it is going to be empty so we can load it again. The salesman, we have to listen to our logistics manager. The client can ask if we could deliver on Wednesday, but we first have to say that we need to ask logistics if it is possible, because we do not know where the trucks are. We do not know because you can see that the truck is there but it is actually still loaded and it has to be unloaded first but you do not have the personnel here because they are working now on a big project for example so you have to wait a day longer. However, this has been from the beginning.

**LF: This was a question I had, as I read that multiple companies might face challenges regarding the implementation of the business model, as it is quite new and they lack the experience with this type of model.**

MH: Yes, but you think it is new but it exists already for more than 25 years. But when we started, actually we did not have that problem, because before us, you had CORT. CORT is the biggest in the world. They are an American company and in the United States, furniture rental exists already for more than 60, 70 years. People move from state to state and they do not take their belongings with them. Some of them even do not have their own furniture. They rent from state to state. Of course, CORT is very big; they have even their own shops. Here, we call this a showroom and they call it a shop where the people can go and say what they want. For example they can choose a specific sofa and within five days it is already in their house. They are not buying it, they are just renting it. That is very common in the United States. So, we knew already that it existed and we made a joint venture. In lease as from the beginning became very fast the largest in Europe and in the year 2000, we made a joint venture as a CORT Global Network under the name of CORT, but it is a global network. That means that now in 98 countries we have furniture rental companies. So, there is one single point of contact. For example, a guy is from Turkey and he is moving to Singapore, he will ask if we have furniture rental in Singapore

and we will give him an address, and a telephone number, and the name of the person who is in charge there, and that is how it works. It is a complete network that was actually founded by Inlease and CORT. So, we did not have those problems. And also, with the interior designer service, with the offices sometimes it was also leasing, so we knew already the concept. That was not a challenge for the company.

**LF: And regarding the other challenges, for example how did you overcome the barrier of unawareness of customers about the rental service?**

MH: It evolved. For example, in the beginning, when I started to work for Inlease, I locked myself up in a room and took the telephone. I had the AmCham, the American Chambers of America, with the big companies in Belgium and started to call all these big companies and asked them questions like “can I talk with Human Resources please? Who is responsible for expats?” And in that time, it was easy. You could call a company and they gave you immediately a name and they transfer you to the Human Resources. Nowadays it does not happen anymore, there is a barrier, which is a telephonist. As soon as you call, the telephone operator will ask you to put it in an email, and then you never hear about it anymore. So, that is out. Another thing that we used later were letters. For example, we had a brochure with the letter attached to it explaining who we were and that we were specialized for expatriates, we also wrote “here you can have some information with some pictures and if you are interested, please contact us and we are willing to come to your office and discuss about it”, and it worked for some people. Then the fax came, so we faxed to, for example, all the embassies with a sort of a questionnaire with questions such as: “are you aware of furniture rental?”, “are you interested in furniture rental?”, “do you want to know more about it?”, “do you want our brochure or our catalogue?”, and then we get replies. If we had 10 replies out of 100, that is a success. Then we could continue because we got a database. But it evolved again and even that does not help anymore. Then I started doing visits, you try to open the doors but nowadays it is off the limit because you cannot just go to a company and ask to speak with human resources. So now, we work with LinkedIn, Facebook, all the social media platforms. We hired a very professional company as well to make our movies and advertisements. They know our house style, which they have to respect and from time to time you will see the advertisement on Facebook and I will share it in another group for example. However, I am doing visits now again and that is very strange because I visit by appointments which are done by somebody else. What I mean is that I will talk to a client and I will ask him if he can talk about me to one of his colleagues in Luxembourg for example because when I have the email address from this person in Luxembourg and I mail him, it is just an email amongst the others you know. He might think it is a commercial and then he will just delete it without even reading it, but then my client will say “look I work with Mark, can you just listen to him and when can he come?”. Then I will drive to his office in Luxembourg. I also often drive to Germany, all the way to Munich, Berlin, or Paris. I drive a lot and that is how it works

now. Also, a new thing is that when they are located for example when it is around 1 hours and a half driving, I invite here so they can see the showroom and they will realize how big it is. And it is only 10% of the showroom and so they will see it too and they start realizing who we are and that makes the best commercial you can do. It gives trust and they are also so impressed that they say “I am going to talk with my guys over there because they need to see this”. That is how it works now. As you can see it evolved a lot. I do not know what is going to happen in five years, maybe with virtual reality. We tried it once but it was still on very low scale with virtual glasses and you could see around an empty room with furniture standing, but it is very expensive. We will see, the world is changing very quickly.

**LF: To reach out to the expatriates, do you directly go to the companies to talk about the company and its offer?**

MH: Yes, sometimes when I get in touch with them, some of them say that they outsource it to a relocation company and they say which one they use. Then I just send an email to them explaining that the people were interested in furniture rental so maybe next time if they have the opportunity, they can think about us. That is all I can do, so that is a blockage but it depends on who you talk to. You have the companies, you have the relocators, but you also have the real estates. That is also a different approach. Then, you have the military and diplomats because they have always a logistic, they call it national support element. Each country has that and that is the person you need to talk to, and once he is convinced, he can convince his Ministry of Defence that furniture rental is cheaper and that it has more benefits than doing something else. When they agree, then it is only with this one person that I have to talk to, and then it goes all automatically. That is how we survived Covid actually, because the military were the only constant clients. With companies, all the expatriates had to go back to their country because they were afraid of Covid and to be stuck for long in the country they were staying. However, the military has to stay there, it has to stay on base to defend either the country, or Europe. They still are necessary so they made extensions to their contracts and the income was constant because all the military stayed. That saved us.

**LF: Then, I had a last question, about the whole process. How do you focus on sustainability during all the operations?**

MH: Reusing the furniture of course and maintaining it, that is the most important. With transport we try to make as many combinations as possible, for example, we say that we can deliver within 48 hours another washing machine but if we have to drive only on that day for one washing machine that is not sustainability anymore. However, we have reacted within the 48 hours and for example if it is on a Monday, we should normally bring it on Wednesday but we gently ask if we can bring it on Thursday morning because we know that we have another client in this neighbourhood where to deliver the whole

apartment on that day. So that is also a part of sustainability, to try to combine all the transport that you have to drive. Especially as we have our warehouses in Germany, Frankfurt, one in Paris, here in Belgium and in Zug, in Switzerland, if you have to drive from Paris to Marseille, that is a long way. On top of that, if that client is a guy who is going to stay for three years, we are not going to give him an old washing machine because we decide what he gets. I mean when you do rental, you rent a washing machine, not specifically the Siemens C with that serial number, it is a washing machine. All our products are from good brands, that is for sure but a washing machine can be already three years old, so you know that it might maybe work for only two, three more years. And it might also happen that after a year it breaks down. If you then have to drive all the way to Marseille for this single washing machine, first of all it costs you money, so we lose, and secondly it is not good regarding sustainability. So that is why we think about it and give this person a new machine at the beginning of its contract. After three years we will use that same machine again for the short-term rentals. We think before we act.

**LF: That is very interesting to consider those potential rebound effects that could happen with renting.**

MH: We always take into account the distance as well to make sure we do not drive specially for that.

**LH: Thank you very much.**

## **2.6. Interview with Tiny Earth Toys**

The interview with the Director of Operations NATO took place on the 27<sup>th</sup> of June.

**LF: Firstly, could you introduce yourself and explain about your role within the company?**

CB: I am Catherine Bhattachar and I am the Chief Operating Officer of Tiny Earth Toys. I lead the functions of customer success, customer service, and our warehouse operations. That includes fulfilment as well as reverse logistics, so receiving the toys back, cleaning them, getting them ready for the next family. Then, I run our people operations as well, making sure we all have a sense of employee engagement, that everyone has a sense of their performance, and figuring out the right structure for the company. I am also part of the leadership team that is making strategic decisions and plans on how we advance the company.

**LF: Can you also describe the company's history and how the idea of renting started?**

CB: So, our company was launched a little over two years ago by Rachael Classy, who is our CEO and founder. She started during the pandemic, she did the first test of this service in fall of 2020, when she was at home with her kids because the school had closed so she was not able to have her kids in care. She had to step away from work for a while and take care of them and she found that she was just overwhelmed by the amount of toys that she had in her home. So, she was trying to declutter and she was also trying to figure out “how do I not buy more toys and teach my kids the pattern of consumption that they are learning right now?” She said that one particularly vibrant example for her was going to an Easter event with other families and her daughter came home with six Easter basket kits and all but one of them ended up in the trash. Also, when Amazon would drop off a package, her daughter would say, “oh, is it for me?” So, her daughter was learning the excitement of consumption. Then there was more clutter ending up in their home and her daughter was learning that we can just keep buying things. She wanted to figure out how she could reduce her family's impact on the environment and how we could teach the children how to be good environmental stewards. So, she started a neighbourhood toy rental, it was a neighbourhood toy library. Families would just exchange toys and share them and then they exchanged toys around for a while and one of her neighbours said, “can you take some money from us and buy more toys for us to all use?”. That is when she realized that there might be a business opportunity to help a lot of families access these great toys without having to own them.

**LF: It is very interesting because those are reviews I read about toy rental and its opportunity to declutter. Could you explain how the company did to manage the implementation of the rental model? How was it designed to create value for the company and the customers?**

CB: Initially, the idea was first tested out with 10 families to pre-paid for four months of toys and they got a set of toys to use for four months. Then we fully launched in March of 2021 with four-months interval kits, so you have the zero to four months set of toys, the four to eight months set of toys, the eight to 12 months set of toys, etc. by age of children. Then as families would say that they already had something like this, or that they did not really want that, the model evolved to offering a customization option. So, families could choose whichever five toys they wanted or whichever set of toys they wanted, and from there we have expanded. We still want to be able to give families the recommendation of the right toys for the child's age and where they are in their learning but we want to balance that with letting them have the freedom to choose. Parents want to be able to choose exactly what is coming into their

home. So now, families get to choose whatever is coming in their kit each time. It is not a preset, certain set of toys in each age group.

**LF: What are the key objectives of the company by renting and what measures do you put in place to achieve them?**

CB: Our two main goals are to reduce the consumption of toys and teach positive cycles of consumption, and we do that through the basic concept of rental. Then the other main goal is to have for each child the right toys at the right time versus just having whatever toys are in your attic available or that were handed down. Therefore, we are curating sets of toys for each child based on where they are developmentally and they only have those toys and when they are done playing with them, they send them back.

**LF: And that is done especially regarding the ages of the children?**

CB: It is especially important and that is why we target children ages from 0 to 5 because that is when there is high rapid development.

**LF: What are the main benefits for the company?**

CB: So, our customers stay with us for a long time. We are able to work with them long-term as their children are developing. So, there are benefits for us in that we are not selling one toy for only one time. We have recurrent revenue over the life of the customer. Then, we also are getting more data about each customer over time, and what is working for them, what is not working for them, which toys are they liking, not liking, if they decide to rent for longer, or even purchase from us, so we get data on refining our catalogue. Then there is also a benefit for the toy manufacturers because we can see where the points of failure are on a toy, for example we can find that the yellow piece on this toy breaks and they would not know that if it is sold in the store to a family. The family never reaches out to let them know versus us, we have seen that this toy came back six times because the yellow piece was broken, so there is something wrong with the yellow piece. We are able to have really excellent data on the product.

**LF: In addition to those, what are the main benefits for the customers?**

CB: Main benefits are not needing to think about which toys to buy because our recommendations are curated for them. They also do not need to buy toys. Customers normally would not spend, would not get as high-quality toys as they do with us. They would have probably purchased more plastic toys. So,

either they would have purchased more plastic or worse toys and it is not good for children to be exposed to plastic. So, they are getting access to higher quality because they are all wooden toys, or if they were going to buy these very expensive toys, then they are getting them at a much cheaper price by renting them. Then they also get to live clutter-free, they are not having to store toys in their attic. They are able to get them out of their house as soon as the children are done with them. They get a lot of variety without the storage.

**LF: When you communicate with the customers, do you share these benefits of the rental model with them, or incentives to rent?**

CB: I think people do not join us if they do not believe in rental, so we do need to sell the value of rental to them, the value of why wooden toys are great, why renting toys is great. We talk about clutter free a lot, we do talk about the benefits of them. We talk about that in our newsletter, our Instagram, and on our website.

**LF: Just to clarify one of the main benefits, would you say that it is financially more interesting for them?**

CB: It is cheaper than buying the same quality of toys. It is not cheaper than buying cheap plastic toys from Amazon.

**LF: Did the objectives of the company, and of the rental model evolved during the years?**

CB: Initially we did not think about the clutter benefit as much, we thought more about the environmental benefit which is a nice plus for a lot of customers. For some customers it is the main objective, but for most of them, it is just a bonus and the access to variety and lack of clutter are the real values for them, which makes sense people do typically adopt environmentally friendly behaviours when it is financially reasonable or there are some other benefits.

**LF: For the company, the sustainability aspect of the business model was the priority?**

CB: Yes, for us the importance has always been sustainability and it remains one of the top goals.

**LF: Has the company also received feedback from the customers regarding the rental offer and if yes, what were the opinions of the customers and how did you consider them?**

CB: Have we had negative feedback from customers?

**LF: Yes, the negative and positive feedback about the rental offer, and what were their opinions?**

CB: Some customers have said that it is too expensive. They said that paying for something every month and we only let them exchange every other month, that is not worth it to them. Some people feel that it is not worth it to them because they do not keep the toys or could then resell them on Facebook market pages. Some people also give as feedback that it takes time and effort to return the toys to us, because they need to go drop them off at a shipper to return them. That is a pain point for them versus if they just purchased them, they would not need to do it, they would just keep them. Those are the negative feedback. The positive feedback has been that this service has transformed people's lives, it enabled them to have the best toys for their children, and that they love Tiny Earth. Even if people cancel their membership, they usually will say something like, "but I am recommending you to everyone and I will be back". Because maybe they had a birthday and they are cancelling because they just got a bunch of toys. Are you familiar with NPS score?

**LF: No, I am not.**

CB: So, net promoter score is the score you get when you ask the question, "how likely are you to recommend this to a friend?", and we have a world-class level NPS score. People are very likely to recommend us to a friend. A lot of our customers stay with us for a very long time, feel very dedicated to it. It is a lifestyle for them, it is something that helps them live their best lives and be the best kind of parents they can be. If you take a look at Trustpilot.com, you can see more of our reviews.

**LF: People seem quite excited about this rental offer. Do you maybe have an example of customer's feedback you received and that you then considered in your offer?**

CB: We have changed our pricing recently because our customers were complaining that they paid every month and only got to exchange every other month for new toys. So, we tried changing our pricing a month ago to pay a small fee every month just to maintain your membership and then you pay per shipment when you actually get the toys. Some people were less confused, they thought it made more sense but some people were more confused about why they were paying for two different things. Overall, there was also a price increase and we found that a lot fewer people joined during the past month. So, we have determined that this pricing model does not work. We are still figuring out right now what is the pricing model that makes sense for people when they see the value and they are not

confused when they pay for a month and do not receive new toys that month. But we did adjust our pricing in response to that customer feedback. Another thing we have tested is home pickup. We have a prepaid membership where people can join for 12 months a rental with us and they will get free home pickup so they do not have to go drop off a box, they will get it picked up from their door. That was also in response to customers saying that it is a pain point for them to deal with the returns.

**LF: And customers were happy about that option?**

CB: Yes, it has led some people to join for 12 months.

**LF: Then, what are the main challenges for the company? The ones the company faced during the implementation of the business model and that the company is still facing today.**

CB: I think there are two biggest challenges in rental. Those have to do with money. One is that it is very inventory intensive, you have to buy a lot of inventory. Then two, it is labour intensive, you have to clean each item one at a time and you have to inspect it to make sure it is still safe, clean, fun and that it has everything in it, all the pieces. A puzzle that has 99 pieces instead of 100 is not a fun puzzle, you need the 100 pieces. I think the amount of money that is required to do rental is very high. So, there is a high barrier to entry for competitors, but also it requires a lot of investment from either founders or outside investors to have all the inventory that you need to serve customers, because customers do not buy the toys, you have to buy the toys. They pay you over time as they rent, so you need a bunch of money up front to get the toys and then you need the money to clean them along the way and ship them back and forth. So, there are high costs of toys, shipping, and labour. It is just a very capital-intensive business.

**LF: And regarding the age of the children, did it cause some challenges, as they might break, damage, or lose pieces of the toys easier?**

CB: As long as just one piece or so is missing, or that something is broken unintentionally, it is included in the cost of the membership. If it is totally destroyed due to a dog chewing it up or most of the pieces are lost, then we charge the customer for the replacement of the toy.

**LF: So, people were not scared to rent because of this high possibility of damage or losses from their kids?**

CB: Some people do worry about that but we overcome it by telling them that they will not be charged if they just lose a piece, but some people do worry about that.

**LF: More related to the inventory, how do you manage the inventory, meaning that sometimes you might have to buy new products because of trends happening?**

CB: Fortunately, there are not big trends in wooden toys, locks are here to stay. And there is only so much that a small baby can do, like rattle. If they're less than four months old, all they can do is lay there and look at things. So, trends are not a big factor. There are a couple things that are more popular, more recent that we have, and so we do add new products. It is important to customers to have more options, so important to often add new products but there is not a major trend factor to worry about with inventory.

**LF: How has the company overcome the challenges in the past and how does it still continue to address them?**

CB: Some we have overcome them. We have taken institutional capital, so we have investors. We have raised money from outside investors who help fund our growth. Then how we have dealt with the other challenges, we tested out some different things to make things cheaper. We automated some of the processes for cleaning the toys; we have added a conveyance system, conveyor belt, and we now use steam cleaning for some of the toys. It is just a burst of steam versus a need to spray and the high-speed steam does clean the toys really effectively. Then, also developing our technology, so we call it EarthOS, our internal technologies, to identify which pieces does each toy need to have and what are the watch outs on this toy for potential broken parts.

**LF: Did you also notice if people were not used of accessing toys rather than owning them? Is that an important challenge that you face with the customers?**

CB: I think for some people buying still works better for them, and I think for some people, rental does not feel worth it. Paying for something that you don't get to keep is still something that is hard for some people. However, for a lot of people, millennials, Gen Z, they care more about the experience than about items and so rental fits really nicely with that trend.

**LF: For those clients, they might even prefer to only access them.**

CB: They can buy it if they like it. If their child is not willing to give up the item or if they think it would be great for their next kid to have, then they can buy it from us at a discount.

**LF: Can you explain how the whole process works, about all the operations of the business model such as the return, the reconditioning of products, and their disposal in case of a break?**

CB: Customers receive a return label in their shipment. Then, after they receive a new set of toys, they have seven days to drop off their previous set at FedEx, the shipper, and they use the return label that we have included and put it on the box. They drop it off and that box comes back to us. We open it. We scan all the items that have arrived to note that this customer returned his toys and these are the toys he returned. If there is a major issue with one of the toys, we flag that to reach out to that customer. Then each item is unboxed and it is sent through, either our conveyor belt process to quickly clean it, inspect it, re-box it, or if some toys have like a beeswax finish on them, those ones might need some sanding and then might need some beeswax reapplied. So that is done in more of a small batch area. The toys are re-boxed. Each one has a barcode on the box, everything is serialized so we know that this toy has been to six different families for example, and we can track if there is a problem with a batch of toys at some point. We know which toys have an issue and we know which family has each of the toys. Then, toys are re-boxed. If they did not come back in their original box that we sent them out in, we replace the box and we put them back into stock to be sent out.

**LF: Do you also have to throw away some toys sometimes?**

CB: We recycle the ones that cannot be refurbished. Well, first, if they are not good enough to continue in our rental program, then we try to sell them to customers directly. If they are worse than that, then we recycle them.

**LF: Are all the toys made in a way that you can easily just replace one piece of the toy or if it breaks you have to throw away or recycle everything?**

CB: We have 300 different toys, so it depends. Most of them, you can replace a piece, but an occasional item, if it is broken, or damaged, then it would need to be entirely replaced.

**LF: Did you collaborate with other partners regarding the different services that you offer, namely reconditioning, cleaning, manufacturing, etc.? Or was everything implemented internally?**

CB: All the toys are manufactured by our partners. We do not manufacture them in the first place. We buy them from great toy manufacturers that make safe, great, high-quality toys. So, these people manufacture the toys, but we handle all of the shipping of toys, all the fulfilment and all of the toy reconditioning. All of that is internal.

**LF: Did you feel the need to ask advice from experts in the sector?**

CB: So, we figured out how to clean the toys but initially we started with a cleaning product that was FDA approved, really approved by the government to kill Covid, because we launched during the pandemic. It was a top priority to overcome concerns from customers that potentially toys would not be clean and that they might infect their children. So, the cleaning solution that we got is non-toxic and kills Covid among everything else. It is an activated vinegar solution called Force of Nature. So, we bought that and another thing that we did to research about it was to find out how museums clean their toys and they often spray it with a disinfectant like that one. Then from there, we have done some trial and error to figure out the best ways to handle the toys.

**LF: More related to the toys, what are the toy's characteristics you consider when purchasing them from the manufacturers to ensure that they are high-quality?**

CB: Yes, we have educators who we work with who assess the toys for what they add to a family's home. We assess them for what skills are being developed, how open-ended they are, and how many ways you can play with the toy because that is good for children's brains, but it is also good for a toy being more interesting for a longer period of time. We also evaluate toys for their quality, they need to be really high quality to withstand many families being rotated through. And then they need to be safe, so they need to be tested for safety. You have water-based paints, non-toxic.

**LF: Do you focus on sustainability during the process, other than recycling and reusing?**

CB: The cleaning materials that we use are non-toxic. They have a low environmental impact. Steam cleaning is just water. We don't want to use chemicals that would be toxic for children or have a negative impact on the environment. We clean, so we have some fabric toys and we clean those with environmentally friendly detergent. Another thing we do for sustainability is that we have carbon negative shipping, so we offset our carbon from shipping the toys.

**LF: Okay, you are shipping all over the United States?**

CB: Not Alaska or Hawaii, but the lower 48.

**LF: Are there a lot of companies active in the toy rental industry in the United States?**

CB: Toy rental? No. We are the only toy rental company in the U.S. There are short-term rentals through BabyQuip that people will do when they are on vacation. There is a company called Tribu in Germany that does toy rental. Have you come across them? And there is one in the UK but I cannot remember the name.

**LF: Yes, I came across those during my research, but I did not know you were the only one in the US.**

CB: There are some local versions but nothing national like this.

**LF: As a follow-up question, how do you differ from the other toy rental companies?**

CB: We are mostly competing against purchasing toys or buying toy subscriptions that you buy, or like Love Every, or toys that are purchased new, or toys that are purchased used, or toys given as gifts.

**LF: To differentiate yourself, you tell the customers about all the benefits of the rental model?**

CB: Yes, rental is a differentiator. The toy curation being for their child specifically instead of just for the age of their child as well, like it is not just that it is good for a six-month-old child, this is good for your child. We have a recommendation engine that we have been developing which will recommend specific toys based on their skills. That will be released in the next few weeks.

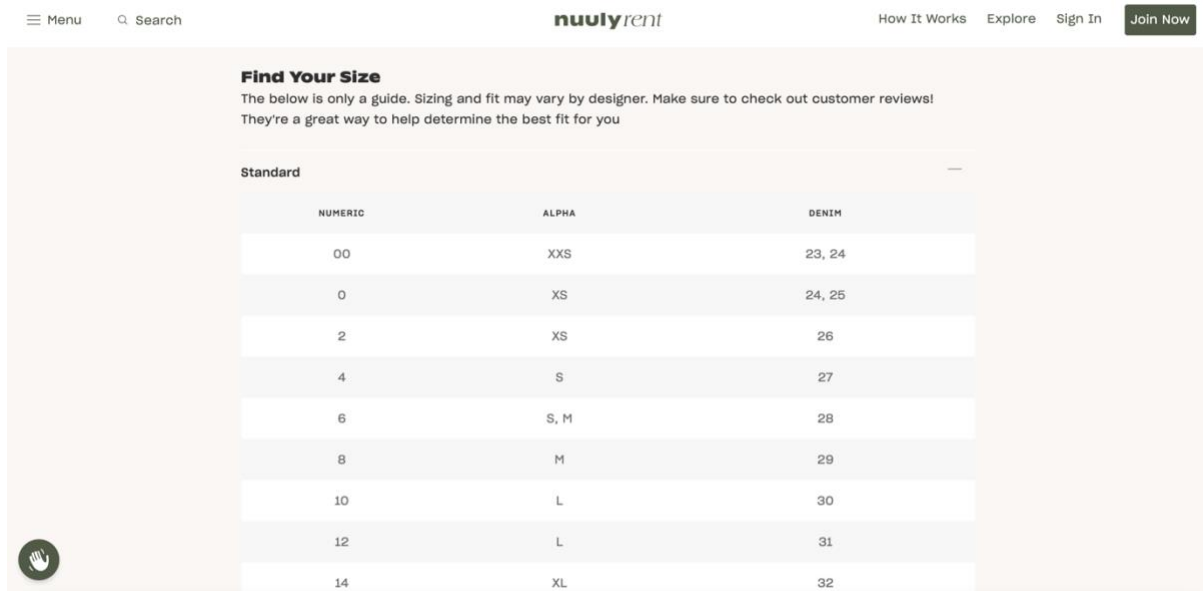
**LF: As the service you offer is targeting kids until five years old, do you also have customers interested in the service for older children?**

CB: Some will stay with us a little bit longer, and then some will age out and say these are not interesting anymore because they have played with all of them. There are possibilities to expand in the future to older ages.

**LF: Thank you very much.**

### 3. Additional information on Nuuly's offer

#### 3.1. The different categories of sizing proposed by Nuuly

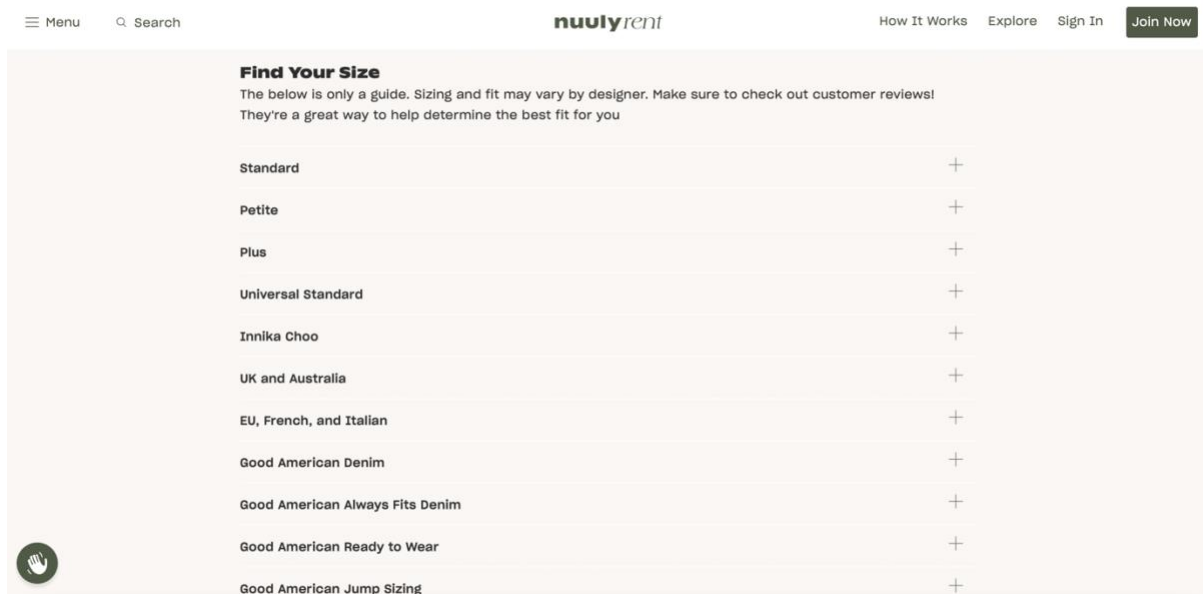


Menu Search nuulyrent How It Works Explore Sign In Join Now

**Find Your Size**  
The below is only a guide. Sizing and fit may vary by designer. Make sure to check out customer reviews! They're a great way to help determine the best fit for you

NUMERIC	ALPHA	DENIM
00	XXS	23, 24
0	XS	24, 25
2	XS	26
4	S	27
6	S, M	28
8	M	29
10	L	30
12	L	31
14	XL	32

Source: Nuuly (2023e)



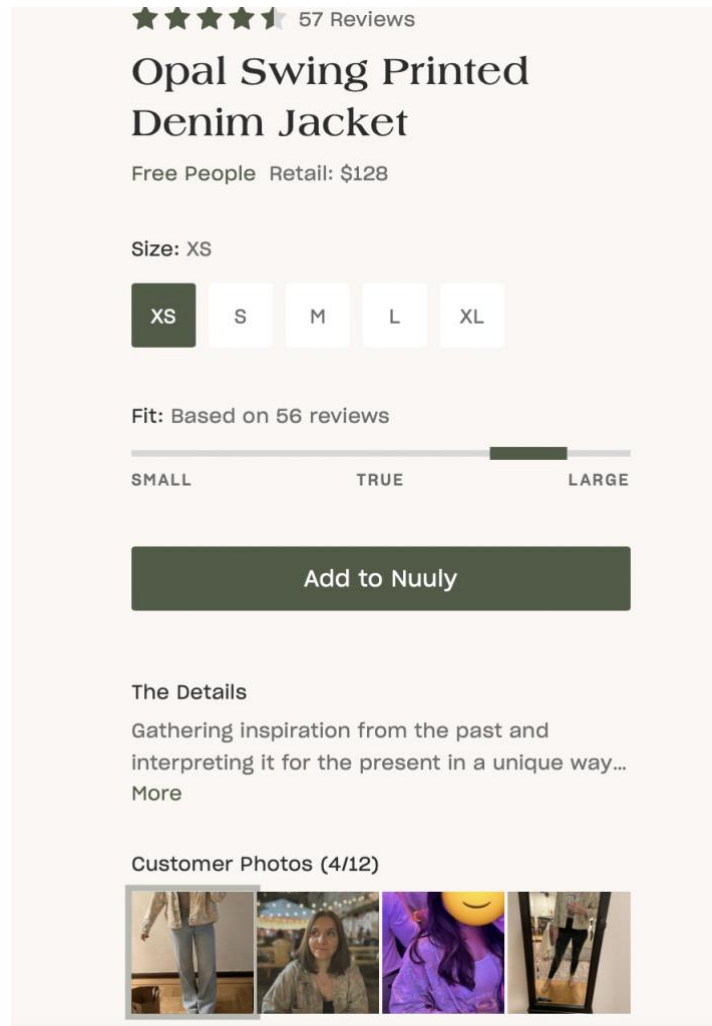
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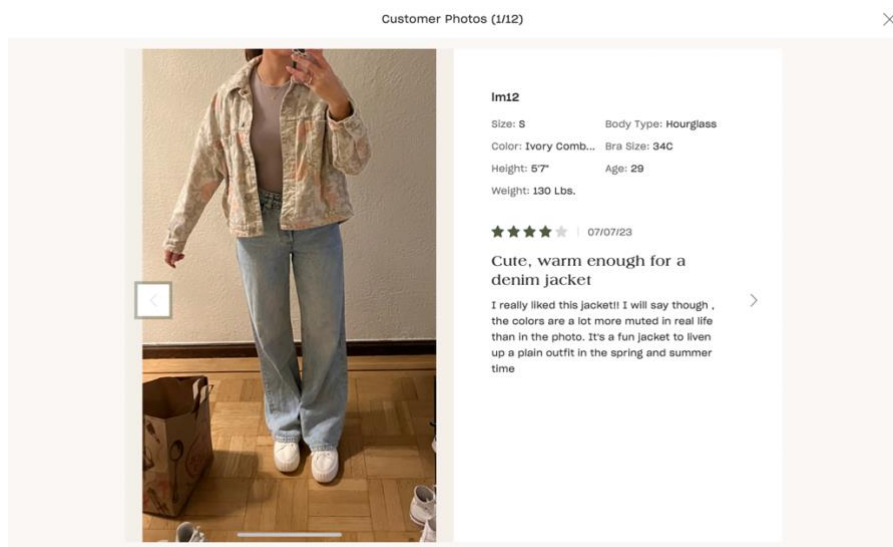
Standard	+
Petite	+
Plus	+
Universal Standard	+
Innika Choo	+
UK and Australia	+
EU, French, and Italian	+
Good American Denim	+
Good American Always Fits Denim	+
Good American Ready to Wear	+
Good American Jump Sizing	+

Source: Nuuly (2023e)

3.2. The customers' reviews on product's sizing on Nuuly's website



Source: Nuuly (2023c)



Source: Nuuly (2023c)

**Ratings + Reviews**  
63 Reviews

Rating: 4.2 Stars Fit: Based on 62 reviews

1 STAR   2 STARS   3 STARS   4 STARS   5 STARS   SMALL   TRUE   LARGE

★★★★★ 08/05/23

**So worn out and so large**

My sister described this as our grandmothers wallpaper. Mine was so faded, it didn't resemble the pictures. Also is large so size down at least one size maybe two. Flowy back

More

★★★★★ 08/03/23

**Cute & Simple**

Fits just how I'd expect, looks like the picture, matches with everything! Soft denim, with a bit more swing in the back than I expected -- more of a loose fit!

More

★★★★★ 08/02/23

**Cute/Fun Jacket!**

I ordered a M for the oversized look, guessing I could have just stuck with a S - the medium is pretty big but still cute on!

More

View All

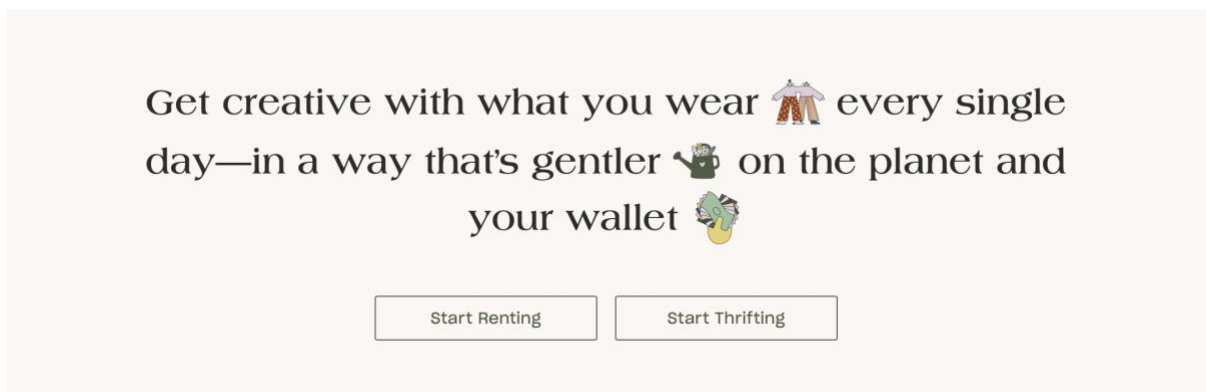
*Source: Nuuly (2023c)*

### 3.3. Packaging



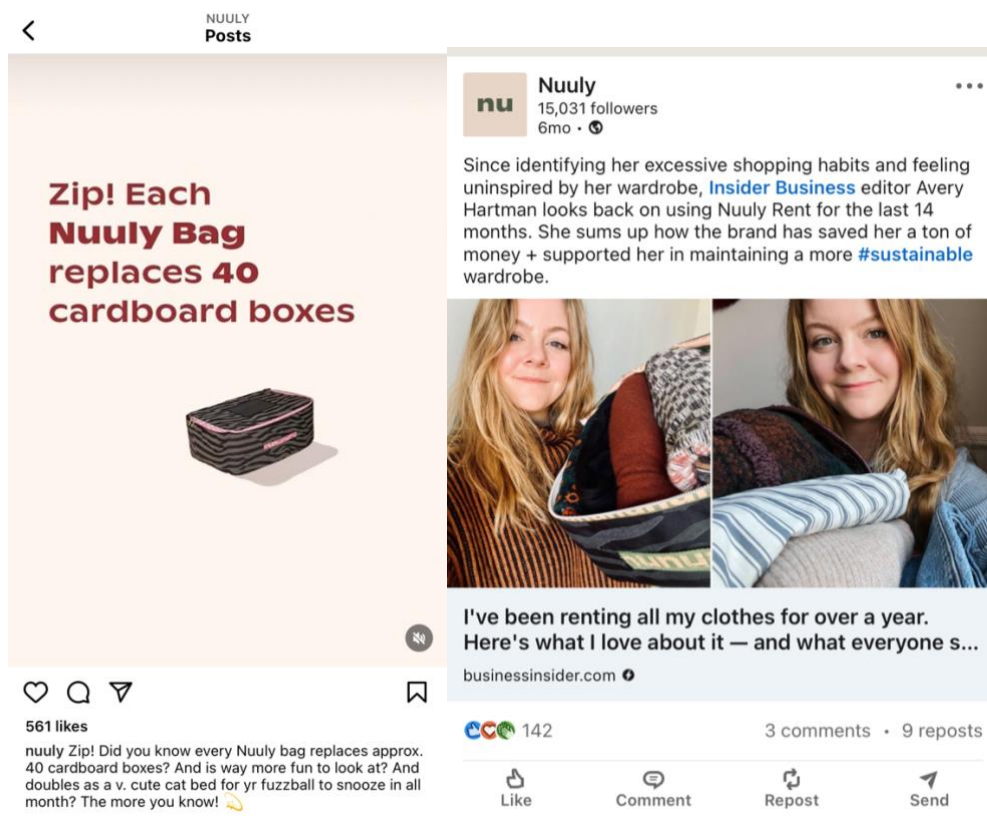
Source: Johnson (2023)

### 3.4. Communication on the benefits of the rental model via the website



Source: Nuuly (2023b)

### 3.5. Communication on the benefits of the rental model via social media



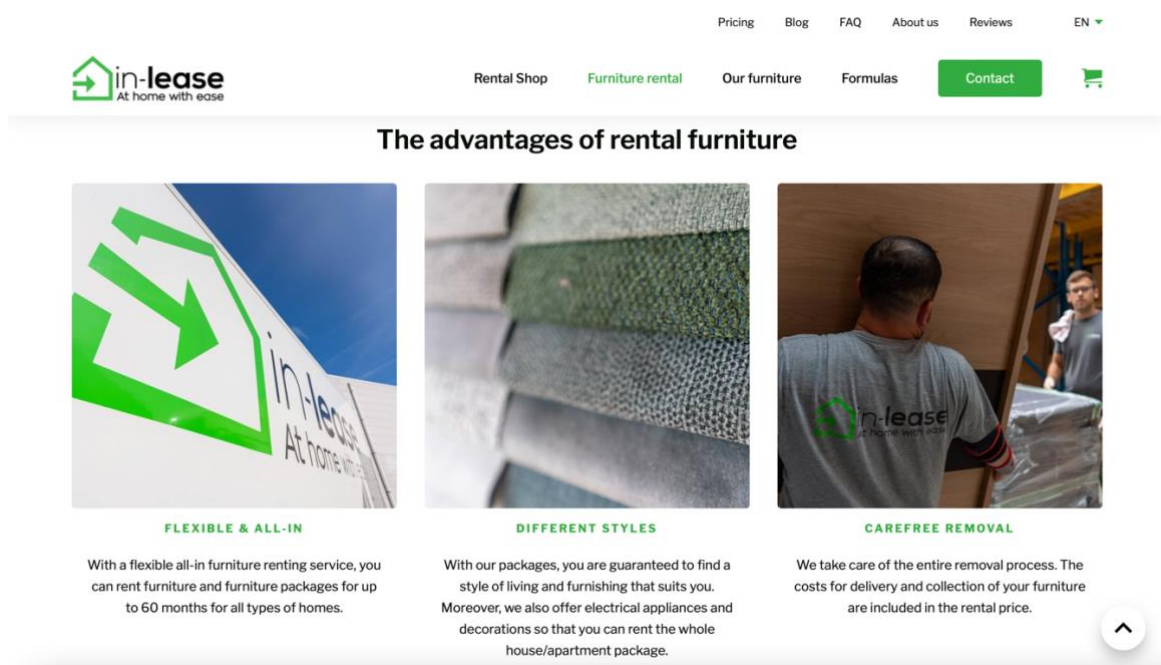
Source: Instagram<sup>1</sup> and LinkedIn pages of Nuuly<sup>2</sup>

<sup>1</sup> <https://www.instagram.com/nuuly/>

<sup>2</sup> <https://www.linkedin.com/company/nuuly/>

## 4. Additional information on Inlease's offer

### 4.1. Communication on the benefits of the rental model communicated via the website



The screenshot shows the Inlease website's navigation bar with links for Pricing, Blog, FAQ, About us, Reviews, and EN. The main content area is titled "The advantages of rental furniture" and features three columns:

- FLEXIBLE & ALL-IN:** With a flexible all-in furniture renting service, you can rent furniture and furniture packages for up to 60 months for all types of homes.
- DIFFERENT STYLES:** With our packages, you are guaranteed to find a style of living and furnishing that suits you. Moreover, we also offer electrical appliances and decorations so that you can rent the whole house/apartment package.
- CAREFREE REMOVAL:** We take care of the entire removal process. The costs for delivery and collection of your furniture are included in the rental price.

Source: Inlease (2023b)

## In which situations is rental furniture recommended?

For whom and under what circumstances can interior rental be the perfect solution? In what follows, you can find a few helpful examples.

**'All my possessions are packed up and will soon be shipped. However, my family and I are arriving much earlier at our destination. So we will have to stay in a hotel or other accommodation.'**

In-Lease and its TEMP formula offers a [temporary rental solution](#) so that you can easily bridge the period until your own things have arrived. This way you can move into your new home immediately!

**'My partner and I have to move abroad temporarily for work. Moving our furniture would be really expensive and the items will likely be damaged in the process.'**

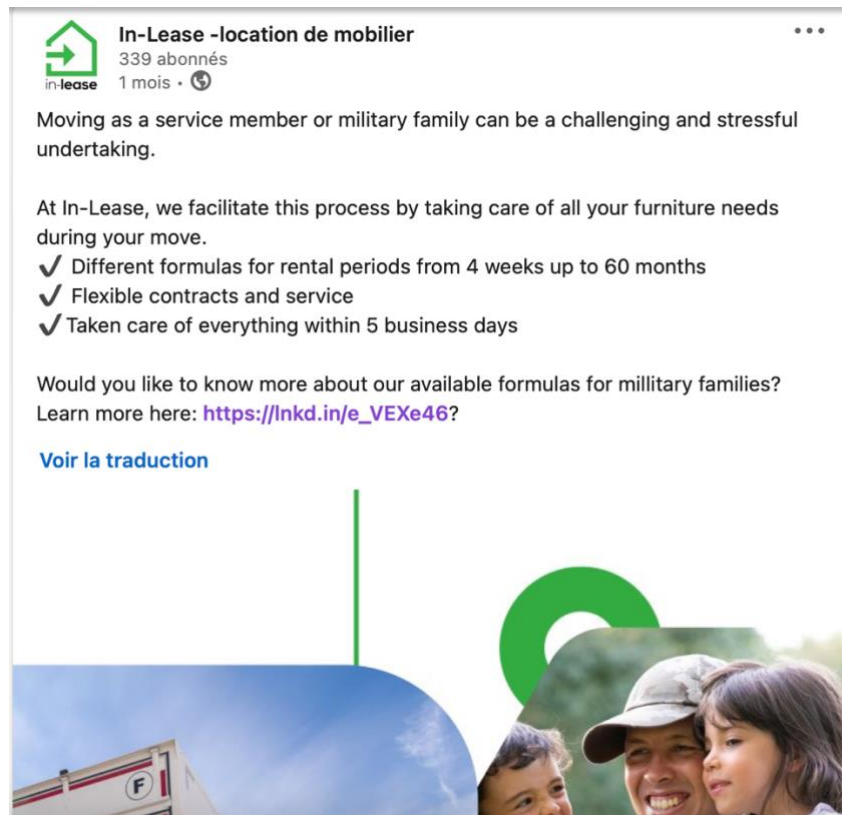
Instead of having all your possessions travel around the world, you can very easily rent furniture and appliances via In-Lease. And tailored to your personal style and available budget.

**'From an environmental point of view, I wonder if it is sensible to move my possessions by sea or air, if I can avoid it. Why don't I give rented furniture a second or third life?'**

In-Lease is active throughout Europe and so is always nearby. Your environmental footprint thus remains limited. Moreover, In-Lease freshens up used furniture so as to be able to reuse them.

Source: Inlease (2023b)

#### 4.2. Communication on the benefits of the rental model communicated via social media




Source: LinkedIn page of Inlease<sup>3</sup>


<sup>3</sup> <https://www.linkedin.com/company/in-lease-furniture/>


## 5. Additional information on Tiny Earth Toys' offer

### 5.1. Communication on the benefits of the rental model communicated via the website


  
**Educator curated**

Our team of early childhood education experts curate a selection of toys that maximize the educational value for your little one at each stage of their development.




  
**Less clutter, less stress**

Having too much stuff has been shown to negatively impact you and your child. We help you cut down on clutter, so you can focus on what is most important... time with your little one!

  
**Gentler on the planet**

Our toys are enjoyed 5x times longer than those purchased outright, reducing your environmental impact.

  
**Flexibility in every step**

We select toys from the best manufacturers in the business. You get access to rent them all for a fraction of the retail cost. Pick and choose your toys, membership type, and shipment frequency.

*Source: Tiny Earth Toys (2023a)*

## **Abstract:**

The rising awareness of the environmental impact of over-consumption and shorter periods of product usage have led to the emergence of innovative sustainable consumption models. Among these, the product-service system is considered as a promising solution to shift from the linear consumption models to sustainable offerings by promoting reuse. One of its sub-categories includes the rental model which has started to emerge in traditional acquisition-based markets such as the clothing, furniture, and toy industries. However, data on the implementation of the rental model in these three sectors, including the hurdles faced by companies and the different benefits this model delivers, on top of its environmental benefit is lacking. Therefore, this research has as objective to fill the gap by studying the benefits and barriers related to the rental business model in the clothing, furniture, and toy industries through a multi-case study analysis of three major businesses in the selected industries, namely Nuuly, Inlease, and Tiny Earth Toys. The companies, their offers, operations, customers, benefits, and barriers are analysed, through the analysis of various online sources and in-depth interviews conducted with the companies. The benefits and barriers identified for each sector were compared with the existing literature, and between each of them to explore their similarities and differences. The research concludes that the rental model delivers a multitude of key benefits to all stakeholders, with many similarities between the three rental industries, although with their own perspectives due to unique offers. Significant common and distinct barriers were identified as well, with some present since the beginning of the business model's implementation, highlighting the importance of forms of collaboration and marketing. From these findings, recommendations have been proposed for further studies into the rental model in these emerging industries and others.

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