

Rent the Runway unsteady on the catwalk

Article

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A mixed bag: Rent the Runway increased its revenues 64% in the second quarter to \$76.5 million but ended with a lower active subscriber count than expected.

- Acquisition numbers started strong in April and May but slowed mid-June due to increased subscriber pauses and decreased retention.
- Co-founder and CEO Jennifer Hyman said August and September **are back on track**.

What's behind this?

- **Seasonality.** Shoppers in the summer tend to dress more casually as they take vacations or visit the beach.
- **Remote work.** In 2019, over a third of subscriber activity was related or closely related to office wear, but in the first half of 2022, only 20% of clothing worn was work-related.

Making changes: Rent the Runway announced it was cutting nearly a quarter of corporate employees, reorganizing some functions, and reallocating resources to focus on customer experience and growth initiatives.

A sticky ecosystem: Hyman said current initiatives focused on turning one-time renters into habitual customers:

- Testing a loyalty program that enables customers to order one additional item of clothing a month;
- Adding fit tags on product pages to give customers a better idea of items that are likely to fit them;
- Introducing a home pickup option to the app to reduce friction on returns; and
- Partnering with Saks Off 5th to sell pre-worn clothing.

Looking ahead: Shifting consumer behavior makes it difficult to predict how the rest of the year will go.

- Rent the Runway remains cautious: It lowered its full-year guidance, expecting revenues in the range of \$285 million to \$290 million.
- Coming out of a slow season to a historically more busy one (back to school, winter holiday occasions) may boost sales.

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