

Finding new routes to enter homes

Online rental companies continue to experiment with business templates in their quest to keep costs low and quality under check

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With the rise of sharing economy, India has seen a boom in rental start-ups over the last few years. Rental furniture service, in particular, has witnessed an uptake in the country with many young professionals and students opting to 'rent' assets rather than 'buy' as they move from one city to another.

According to industry estimates, furniture rental market in India is estimated to be worth \$3 billion. Even as rentals online provide easy access to product and services at an attractive price-point to consumers, it continues to be a capital intensive business. Unsurprisingly, steep customer acquisition costs and inability to raise fresh capital has seen many rental start-ups shut shop.

Challenges notwithstanding, there are handful of players who continue to stand tall and scale-up their business. Many of these are taking inspiration from hyper-local grocery and food-delivery business to go full stack. Such a model allows them better quality control over every part of the business value chain right from sourcing to delivery. At the same time, there are a few players who are following marketplace model to keep their capital costs low.

Neerav Jain, founder and chief executive officer, Cityfurnish says that furniture rental business works best in a hyper local model. The company has embraced a full stack model which gives it complete control over designing, sourcing and

the delivery of products. Furniture rental business is akin to hotel bookings where one has to provision for no shows and last minute cancellations. Therefore, forecasting demand accurately is one of the most important parts of running a successful rental business.

According to Vineet Chawala, co-founder, Rentickle, "Demand forecasting is a variable of historical sales data, availability of raw material in a particular city, seasonality in demand for products, warehousing space utilisation, product pickups planned from clients on tenure completion and working capital management."

Rentickle takes into account all these variables and works on a minimum order quantity-based sourcing model to run its furniture rental business. The company has furniture contract manufacturing facilities in Gurgaon, Noida, Hyderabad and Bengaluru. From supply chain efficiency and logistics costs perspective, it is most efficient to manage supply chain from the city being served.

Equally, timely deliveries of products with exact specifications are other important aspects of running a successful rental online business. Cityfurnish, for one, utilises its fulfillment centre located at the outskirts to supply to its key markets. The company has a fleet of its own trucks to transport products from warehouses to clients. It follows reverse logistics and picks up furniture en route from clients whose tenure has ended. This helps company save significant costs on logistics.

Unlike other online rental companies,



GAME PLAN

Rentickle
Demand forecasting and a minimum order quantity-based sourcing model

RentMojo
Offering customers the flexibility of buying the rented items

Cityfurnish
Stack model which gives them complete control over designing, sourcing and delivery

RentoMojo, apart from providing customers furniture and electronic items on rent, also offers customers the flexibility of buying the rented items.

"Offering such flexibility is important to acquire customers who may be interested in owning the asset in the long-term," says Geetansh Bamania, chief executive officer and founder, RentoMojo.

He also states that RentoMojo is not a rental company. Rather it is an alternate lending company which offers goods on RMI (rental monthly

instalments) with a buy option.

Listing out one or two things that are key to running a profitable online furniture rental business, Jones Mathew, professor, marketing, Great Lakes Institute of Management, Gurgaon, says, "Online rental players need to have a price proposition that can beat second hand online furniture sellers like Gozefo who also rent furniture. The economics of renting may work out to be less attractive than buying high quality refurbished furniture."

For example, on a pre-owned furniture site, the cost of rental for 24 months for a 6 seater solid wood dining table is ₹30,000 compared to a straight buy at ₹24,000. Online rental companies would need to beat this, says Mathew.

He also adds that players have to make sure that the furniture that is being rented out does not look or feel "second hand" and technology should be harnessed to make the owning experience for the user a memorable one (consumer data should be used to profile the user and suggest best fit).

Online rental companies are innovating all the time with their business models to stay on course and in-the long run become profitable.

The case in point is RentoMojo's business template.

For example, when it comes to sourcing furniture, the company has a tie-up with a reputed furniture selling company. Such a partnership helps RentoMojo sidestep the hassle of sourcing raw material and designing furniture. The company does not manufacture or design the product as long as it is able to estimate the value of asset and source it from the open market with quality assurance.

For Bamania and team, raising equity is important to stay in business and leverage the funds to buy assets (products) and deploy it with the customers.

As an industry online rental business as opposed to their offline counterparts are more at risk of accumulating bad assets with untraceable clients. In offline space, most of the times the client is known to the furniture supplier since it is a neighbourhood shop. However, online shoppers can come from anywhere in the city/country and hence the default risks can be much higher.

To counter the challenge, online rental companies follow robust mechanism for credit checks to minimise default rates. Going forward, online rental furniture companies have to also contend with growing competition in the segment from players like Pepperfry and Urban Ladder. These companies are offering buy back arrangements after a fixed number of years at an assured price. Online furniture rental companies need to factor this lower cost of ownership and the added benefit for consumers of being able to switch to new furniture in a few years into their costing to do well, says Mathew.