Problems and Solutions about the Closet-sharing Online Platforms in China

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Abstract. As a member of sharing economy, clothes rental, so called closet-sharing economy has become quite mature in several countries; but the development of closet-sharing platforms in China is still in the initial stage. What kind of weakness do Chinese closet-sharing companies have in their running mode? What can they learn from their foreign counterparts? This paper analyses the business mode of some closet-sharing platforms in China, compares them with successful foreign closet-sharing platforms, points out the problems and gives some advice to these closet-sharing companies in China. The analyses show that closet-sharing platforms in China have difficulties to keep clothes clean, to offer enough clothes types, to deliver them to customers in time, and to protect the rights of customers. To solve these problems, several actions such as setting up their own washing center could be taken.

Introduction

In recent years, the traditional business mode in the apparel retail industry has been depressed, with the rapid spread of sharing economy, closet-sharing online platform has gradually entered the public vision. The nature of a closet-sharing is to replace the garment purchasing by renting, pay a sum of money to closet-sharing monthly, quarterly, semiannually or annually in order to become a member of it, then rent the ideal clothes on these closet-sharing platform, finally receive different clothes every month by express delivery. Speaking of the business mode, most of the closet-sharing platforms chose the B2C mode, which means the platforms buy garments by themselves, then rent the garments to consumers. The Closet-sharing business model has been quite developed in the United States, Japan and other countries. The entire industry has been into the integration stage, and each closet-sharing platform enterprise has different develop planning and focuses on its segment market to enhance its market share, such as Rent the runway, which focuses on couture dress rental; Gwynnie Bee, focus on large-size garments rental; The black Tux, only the men's suit rental, and so on. The development of closet-sharing in China is relatively slower, but from the beginning of 2015, several closet-sharing enterprises appeared in China, such as Ycloset, MsParis, Dora’s Dream and so on. These enterprises have changed the traditional Chinese clothes rental marketing mode to a large extent, but their marketing modes still need to be improved.

The Analysis of Development of Online Closet-sharing Platforms outside China

Rent the Runway

Rent the Runway was founded in New York, USA in 2009, and now has more than 60 thousand members in the United states. Its subscription service, members pay monthly fee for renting designer clothes infinitely, mainly contributes to the success of this company. With the development of the company, Rent the runway has introduced an “unlimited” service in 2015 for day-to-day clothes rental, and opened 7 offline stores. In the nearly future, Rent the Runway will consider of the introduction of additional services which will collect the customers’ preferences and dressing style,
then estimate customers’ ideal garments available on the platform; and improve one-to-one communications with customers, arrange style analysis services for customers and guide them to rent clothes.

**Gwynnie Bee**

Most closet-sharing platform only provides customers clothes in normal size, but the platform called Gwynnie Bee is the exception. It provides only large size female clothes from 10 to 32 sizes. Large-size clothes market has a large number of customers, and they are in high demand which has not been responded. As a result, at the end of 2014, Gwynnie Bee has passed the Macy’s, a specialized offline clothes store, and become the first choice for large-size women customers. The influence of Gwynnie Bee also has made some offline clothing brands to add more large-sizes for their clothes. To guarantee the quality of clothes, Gwynnie Bee set cleaning, drying, ironing and other steps in its clothes quality control process, and clothes would be inspected for at least three times before they are boxed and delivered to customers.

**The Analysis on the Development of Online Closet-sharing Platforms in China**

**MsParis**

The development paths and the original operation of MsParis are similar to Rent the Runway. Clothes has been bought from designers before they are available on MsParis, and most clothes are provided by agents of overseas brands like Vera Wang, Kate Spade, Valentino, Lanvin, Ralph Lauren, etc. Different from other closet-sharing online platforms in Chinese market, MsParis’ main group of targets is people with high income, and MsParis specializes in luxury evening dress rental. Owing to the huge social gatherings are not so common in China as they are in other western countries, Chinese people don’t have many chances to wear fancy evening dress, so there are not so many customers to rent evening dress on MsParis as estimated by operator before. Therefore, we cannot copy the marketing model of foreign countries blindly, and make appropriate adjustments in combination with the actual market demand.

**Ycloset**

Ycloset provides daily apparel rental services, all their garments are directly bought from the brands or retailers. Customers can enjoy clothing rental subscription service after paying 499 yuan every month. This closet-sharing platform has already had clothes designed from more than 100 brands, and the average price of clothes is approximately 1500 yuan. The customers of Ycloset are mainly people from the Internet, advertising, finance, media industry, and there are also some 22-29-year-old students. Ycloset intends to provide clothes of various styles to expand the daily dressing scenes, in order to increase the users and the frequency of consumption. However, because of apparel (especially women) is extremely non-standard, together with different seasons and stages have different trends and popular fabrics, the golden period of garments-selling is very short, also because of the cost of time and logistics, the utilization efficiency of each clothes is very low.

**Problems of Closet-sharing Online Platforms in China**

**Unclean Clothes**

As a big number of garments are worn next to the skin, so the cleanliness of garments is the most important thing for closet-sharing online platforms to guarantee their services. Although closet-sharing online platforms in China have claimed in public that can offer ”Five-star cleaning services”, some of which claim to use the imported cleaning equipment, while the others asserted that they have multi steps in their cleaning process to guarantee the clothes clean and odor-free, many consumers still find that the garments they receive are either have obvious stains on the collars or have
bad smell. Furthermore, some of the monthly unlimited clothing has high turnover rate, so it is very
difficult to control what the last person who rented the clothes would do to that clothes. The online
platform enterprises need to ensure the cleanliness of clothes and also to speed up the turnover rate of
the clothes at the same time, so these two points are hard to balance. At present, the closet-sharing
online platforms haven’t given a convincing and satisfying expression about their cleaning and
disinfection procedures. The cleanliness of clothes for rent is worrying.

**Few Choices, Unsatisfying Styles and Sizes**

Take Ycloset as an example. In its App interface, we chose two dimensions of clothes: Down jacket /
cotton padded jacket, winter. There were only 15 pieces of clothes appeared to be available. Next, we
chose "Life" from "Work", "Social", "Life", there were only 8 pieces of available clothes that fit this
situation. It’s hard to convince customers to pay 499 yuan to get monthly service with so few options.
What’s more, many consumers often find that their clothes are different from the imagination, and the
size is not appropriate. Each time they receive three pieces of clothes, there is often only one clothes is
in proper size, and sometimes considering the effect after putting on the clothes. even the clothes in
right size is not satisfying enough to wear. Although these platforms have very beautiful and of novel
design clothes, due to the different clothing size of different brands, the different occasions for
customers to wear clothes and the inconvenience of changing clothes, customers cannot be sure what
kind of clothes they can receive, as a result, they would not be willing to pay for this kind of service.

**High Cost of Clothes Transportation**

According to the rules of some closet-sharing platforms, consumers should send clothes back to the
platform before they can get new clothes. The logistics needs at least one day, which means customers
cannot get their new clothes in time. That is to say, apart from spending time to choose and renting
clothes from the closet-sharing platforms, customers still need to buy enough clothes to ensure their
daily wearing. The closet-sharing online platform business mode is to pay for the delivery cost, which
is an important expenditure in running cost for a closet-sharing online platform. If a customer keeps
renting new clothes and sending the worn ones back every 30 days in a month, only the cost of
delivery will be more than 200 yuan, the platform will hardly afford that cost without raising the
monthly fee, then it is more difficult to guarantee the quality of service.

**Lack of Supervision**

Since closet-sharing economy is a brand-new emerging industry based on the internet, complete
rules and regulations haven’t been issued to supervise closet-sharing platform enterprises in China.
Consumers of these platforms can hardly complain about the services and get compensation after their
unpleasant consumption experience. What’s more, the sales model of closet-sharing platforms is
mainly about second-hand clothes rental, after repeated washing, used to the clothing is also very
difficult to define the quality. Also, consumers can not determine the online platform provided by the
so-called big clothing is genuine or imitation, the relevant departments in the purchase products and
also the lack of shared wardrobe online platform operation of the supervision, to ensure that the
interests of consumers.

**Measures to Solve the Problem of Closet-sharing Online Platform in China**

**Set Strict Laundry Standards**

The basic requirement for clothes leasing industry is to provide clean clothes for consumers. Currently,
most closet-sharing platforms choose to outsource the washing step to laundry companies, but the quality of
laundry companies varies. More clothes were broken during washing step rather than wearing step. Closet-sharing platform enterprises can choose to build their own washing centers
which can set strict standards to ensure the quality of laundry, to improve the efficiency of operation,
and to reduce costs. One of the byproducts of the Rent the Runway business model is to make its
laundry company become almost the largest in the world. Provide clean clothes to customers sustainably can not only dispel customers’ concerns about sanitary, but also improve customer stickiness and satisfaction.

**Open Entity Shops**

In order to avoid the differences between online pictures and real clothes sent to consumers, the closet-sharing enterprises should set offline showrooms or workshops in cities they mainly open their business, so that customers can see and try on these clothes for lease personally in the store rather than just watch the pictures on the online platforms. For some clothes with high value, platform enterprises could also send staffs carrying the dress to customers’ home to try on these clothes, and exchange misfit clothes on the same day. This method could improve consumption experience and attract more customers to their online platforms.

**Reasonably Manage Stock**

According to the rules made on a number of closet-sharing online platforms, customers can lease a single piece of clothes or rent their clothes freely within the membership term without paying the freight. So, the more frequently customers exchange the clothes they rent, the more freight platform enterprises have to pay for the logistics cost. In order to control the recycling cost of clothes, closet-sharing online platforms could specify the return time and number of clothes to make the inventory predictable, thus managing and planning the stock reasonably; online platform companies also need to establish a ERP system to manage the storage scientifically and effectively. What’s more, these enterprises could cooperate with some reliable logistics companies, and set up clothes transfer warehouses in cities whose citizens have high demand with clothes rental so as to improve logistics efficiency and reduce logistics cost.

**Form an Identification Team**

In order to prevent the sent clothes to get swapped for counterfeits, the closet-sharing online platform enterprises could recruit experts to verify the authenticity of the clothes on the platforms, and special anti-counterfeiting chip could be inserted in clothes. In addition, we can also cooperate with the insurance company to prevent the loss of clothes and other accidents.

**References**

