

# ONLINE RENTAL INDUSTRY REPORT

**2019 - 2023**



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# Executive Summary

When eBay was first launched in 1995, the market saw how goods were being produced and exchanged. After which the continuous advancement in technology led to the rapid distribution of goods and services. The growth was at a tremendous pace which is why a new industry was needed to keep up with it. Human instinct is to concentrate solely on their self-interest when it comes to using and acquiring resources. In this whole scenario, due to technology and growing demand of users, the supply was low and demand kept increasing.

The change in market needs, called for a new type of industry, thus came into being the rental industry. The concept of rental is not new, the earliest form of human transaction happened with the exchange of goods and services when money was not involved. Technology has taken this forward and given the opportunity in the hands of entrepreneurs to allow individuals to monetize their unused items.



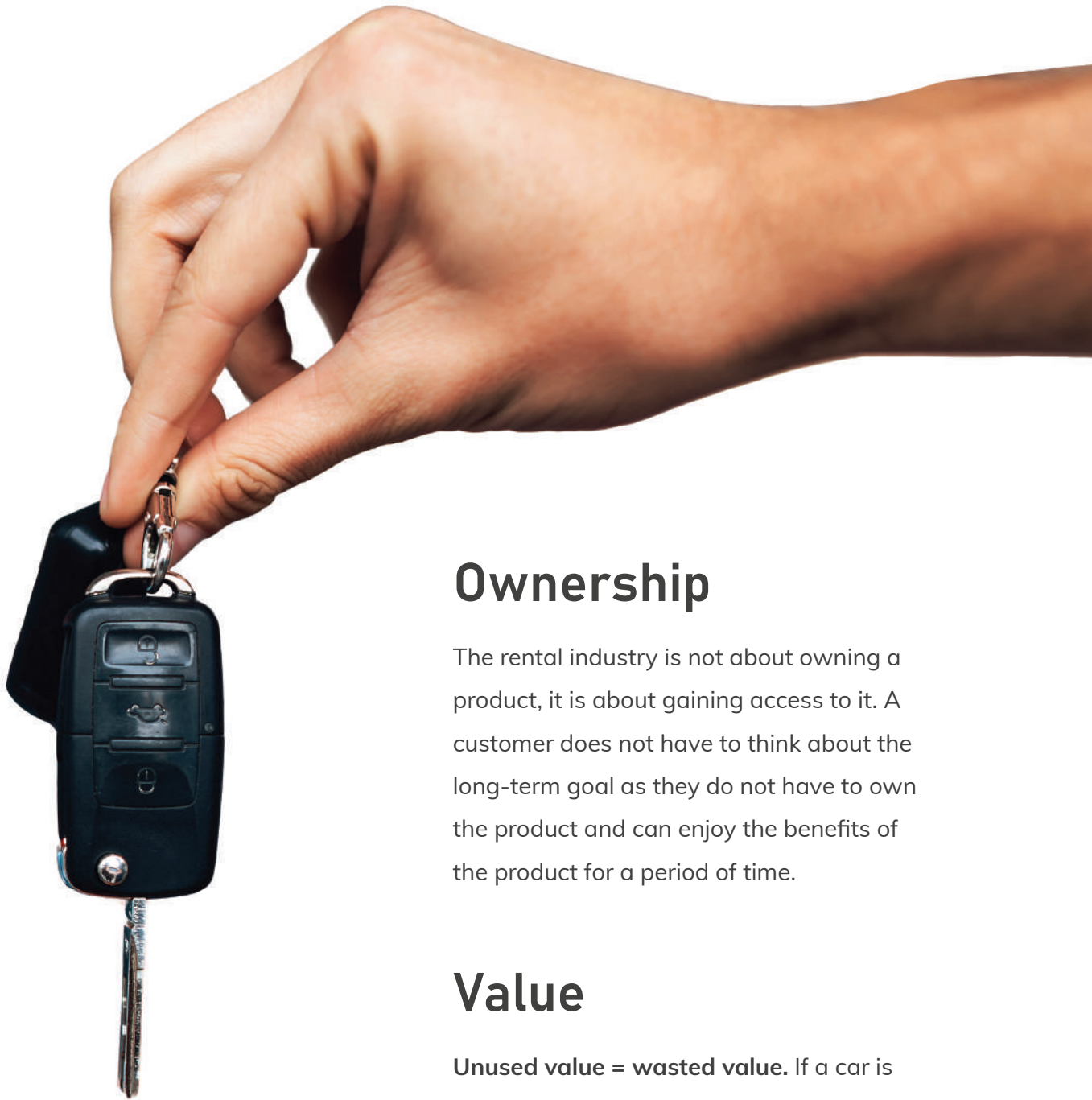


# Principles Governing The Rental Industry

## Trust

For an exchange to be successful, the parties performing the transaction must be trustworthy. The product owner has to trust the rentee that the product will be kept in good condition and returned within the time-span. Whereas the rentee has to trust the product owner that the product is in working/mint condition when delivered.





## Ownership

The rental industry is not about owning a product, it is about gaining access to it. A customer does not have to think about the long-term goal as they do not have to own the product and can enjoy the benefits of the product for a period of time.

## Value

**Unused value = wasted value.** If a car is used only 1 day a week, it is only being used for 14.28% and the rest 85.72% is being wasted. Though the car needs regular service and maintenance even if it is not being used. In the rental industry, this principle is being utilized to derive value from products.



# Transparency

Openness to data, making the information available to a large audience who are looking for rental products. Only when all the information is transparent and in the open, the consumer will connect with the product owner and rent the product.

# The Growth Of Rental Industry

The emergence of the rental industry has changed traditional industries like travel, transportation, accommodation, food and beverage, and several other industries to reconsider their business model. The rental industry has positive implications, some of them include increased convenience, resource utilization, job creation, digital, and many more.

**The rental industry is shrouded in several misconceptions:**

- It is a playground for millennials who will outgrow their fascination and eventually prefer to buy rather than rent.
- It is irrelevant for most industries except transportation and hospitality industry.
- When the sharing economy becomes relevant, it will be a threat in the industry it takes root in.

The rental industry is real, relevant and offer tangible opportunities for entrepreneurs, not a temporary distraction or passing fad. It has created a new revenue stream and market opportunity. By understanding the economic and rationale of the rental industry, incumbents can shape the future to their benefits.

The rental industry is rapidly growing as a platform that provides temporary access to various assets. This industry which was valued at \$19 billion in 2017 is expected \$59.4 billion by 2022. In areas where the rental industry is an already established business, growth in rental services is exceeding both Gross Domestic Product (GDP) and construction growth. This is particularly true in the US, where rental has been expanding at annual rates of between 5-7% for the past few years and is forecast to stay at the 5% level for the coming few years. The number of adults (in the U.S) using the increasingly popular renting economy is 73.7 million in 2019 and is likely to increase to 86.5 million by 2021.

The Rental industry has gathered a venture capital of approx

**\$24 billion** since 2010

In Europe, where economic growth levels are lower, rental has still been expanding at around 3% each year, and more in some countries – the highest growth in European countries occurred in France (5.7%), the Netherlands (5.2%) and Spain (5.1%). Based on figures published by the American Rental Association (ARA) and the European Rental Association (ERA) – the two largest rental industry bodies – the global rental growth rate in both 2018 and 2019 will be between 4.5% and 5.0%. That's for a market that is valued globally between US\$90-100 billion, with approximately 80% of that generated in Europe and North America.



A close-up photograph of a hand balancing a stack of four light-colored wooden blocks. The hand is positioned at the top, with the thumb and index finger supporting the top block. The blocks are stacked vertically, and the hand is steady, suggesting a delicate balance. The background is plain white.

## Rental Industry Drivers

The rise of the sharing economy has always been attributed to culture and ideology. Consumer research shows the economic factors are responsible behind the growth of rental industry as users tend to enjoy the value, quality, and variety at a less cost. Among millennials a huge concern was to reduce the amount of carbon footprint, the rental economy was an answer for it. Sharing of goods is sustainable and desirable for the environment as more and more products are not being used by people.

Nonusers of the rental industry have cited three main reasons: the convenience of ownership, reliability of sharing products, and sharing the payment information. These are the same reason why the rental industry was criticized before it started and believed that it will not be able to sustain the ever growing market.

While ridesharing and property sharing are the two ventures gaining maximum capital, investors are also funding other asset renting ventures. Startups offering shared workspaces, storage, delivery, and logistics platforms rank third, with nearly \$2 billion in funding, followed by vehicle sharing, **with nearly \$810 million in funding**, and fashion with more than \$240 million. Aside from physical assets, investors have poured \$5.7 billion into peer-to-peer lending ventures.

# Opportunities In Rental Business Model

The leading players in the rental industry are: Airbnb, Uber and Rent the Runway. If we check the business model of each of these businesses, it is quite different from each other. This point further explains the different business models which come under the category of the rental industry.

## Decentralized Model

The product owner sets the price and terms for renting the product. The platform owner allows the product owner to list, matches the lessor and lessee and facilitates the transaction. This is the business model of Airbnb where the house owners list their property according to their price/terms. The tenant finds and rent the property through the platform.

## Centralized Model

The platform itself has the inventory of all the products and sets the price/terms on their own. The quality, delivery time, availability, and standardization is way better than the decentralized model. The platform owner earns a large share of the transaction cost, but the cost to scale is also higher. The business model requires high upfront capital and utilization to be viable.





## Hybrid Model

The asset owner provides a service, the price and terms are decided by the platform. Ownership and risks are decentralized whereas the standardization and service quality is centralized. The upfront cost is low and the platform owner has to take special care of the providers and their recruitment process. This is the business model of Uber and Lyft.

# Challenges Faced By Entrepreneurs In Rental Industry

## Encouraging Trend Of Disintermediation

Keeping in mind the decentralized model, once the provider finds the consumer, they are more likely to cut out the middleman from the equation, in this case, the platform owner. One of the biggest reasons to cut the platform owner from the deal is to reduce the cost of the commodity.

### For example

When travelers visit a particular property through a platform, next time they might connect with the property owner directly.

### Solution

Airbnb provides superior experiences with activities and the most recent Luxe, where the company offers premium places to stay like castles and villas. Airbnb is trying to provide all that a traveler needs in the platform itself.



# Competing In The Winner Take It All Market

The rental industry is one of those industries where there are a lot of big players. Investors and customers both trust industry giants with their money.



## For example

If you are planning to travel to a particular destination, your first option would be booking a rental home from Airbnb or traveling around by Uber.

## Solution

While this might be the scenario for venture capitals who provide funding to startups, this is not the case for customers.

Customers usually prefer the platform which provides the asset at minimum cost and has social proof. Providers and riders alike can easily switch between Uber and Lyft. Do not try and monopolize the market by insisting exclusive partnership with the provider, this will turn them to your competitors thus leaving you with very less options.

## Quality Of Service/ Product Provided

Keeping in consideration the decentralized model, there are a lot of complaints about the quality of the product or the service provided. When the provider is connected with the consumer through a platform, the owner cannot take guarantee of the quality provided.



### For example

A lodger booked a property through Airbnb and the owner forgot to mention that he owned 2 cats. The lodger is allergic to cats and was not aware of the same.

### Solution

Rental website should have a quality-assurance process in place and timely refund the money if the product was not in the condition as mentioned by the provider. Airbnb checks the background and trains the owner to be the perfect host.

# Online Niche-based Rental Ideas

## Property/Apartment Rental

Property rental has been the oldest type of rental in the industry, started offline by real estate brokers being the mediator between the property owner and the tenant. As technology became an active part of people's lives, the property rental scenario also changed. The broker became the online platform while the tenants and property owner introduced themselves through the platform.

The market is booming and there is a lot of opportunity for young entrepreneurs who want to make it big in the online world. Coming with an idea which is unique and out of the box is important to sustain among the 3378 businesses that work in only rental apartment. Some of the marketplayer who made it large in the industry are - Airbnb, Homeaway, and housing.

## Market Research Stats



Apartmental rental is growing tremendously and has accounted

- for a total revenue of **\$446 million by 2019.**

The global online home rental services market size will grow to

- almost **USD 22 billion by 2022.**

In the vacation rentals segment, the number of users is expected

- to increase to **38.4 million by 2023.**

# Vehicle Rental

While this is a fairly new concept, it has grown tremendously over the past few years. Vehicle rental can be categorized into two models - decentralized and hybrid model. The decentralized model is where the platform owner is the mediator between the vehicle owner and renter. All the transactions happen through the platform. The hybrid model is when the renter does not actually rent a product. The renter accepts service from the platform owner. Similar to the business model of Uber.

If we talk about the vehicle rental industry is still in its nascent stage, some businesses have established their stand in the industry but there's still place for startups in this industry. Businesses serving the local market are needed in this industry. Starting as a local business with unique offerings will help make the business grow profitable.



## Market Research Stats



- Revenue in the car rental segment amounts to **US\$26,873 million in 2019**. In global comparison, most revenue is generated in the United States (US\$10,289 million in 2019).
- Revenue is expected to show an annual growth rate (**CAGR 2019-2023**) of **3.4%**, resulting in a market volume of US\$30,686 million by 2023.
- User penetration is 1.7% in 2019 and is expected to hit **1.8% by 2023**.
- The average revenue per user (ARPU) currently amounts to **US\$213.42**.



# Equipment Rental

Equipment rental grew as a prominent business due to customers needs and a huge market that it is catering to. Still in its nascent stage, Equipment rental has an opportunity to grow bigger and bigger. Due to the popular belief of less storage space, platforms providing various equipment have become a communication bridge between equipment owners and renters.



## Market Research Stats



According to the American Rental Association, the forecast for the increase in revenue of the equipment rental industry still stands strong. The revenue forecast predicts a **5.6 percent growth in revenue to \$47.9 billion in 2016**. Revenue was projected to grow another 4.9 percent in 2017 and reach a record **\$55.6 billion in 2019**. The industry's growth forecast is double that of the overall economy.

The equipment rental industry continues to grow at a fast pace with strong equipment rental demand within all markets," says Christine Wehrman, ARA's executive vice president and CEO.

# Interior Decoration Rental

Short time use and lower costing is the biggest reason for the popularity of interior decoration rental. For millennials who are always on the move and want to keep themselves as light as possible, renting furniture where they are based is the best option. Decoration for wedding and events can be rented for a few days by several platforms on the internet. Due to the increasing approach of minimalistic living, interior decoration rental has become a viable option for startup owners.

## Market Research Stats



- The total revenue in 2019 for furniture rental is: **\$723 million.**
- **895 business** are currently operating in the furniture rental.

Interior Decoration Rental

**\$723  
Million**

Total Revenue 2019

## Clothes Rental

People always want to look nice on special events and occasions but do not necessarily have the budget to buy designer clothes very often. With increasing trends in the rental industry, entrepreneurs have also moved towards clothes rental. Providing designer clothing and special occasion clothing to people for a fixed amount of days. While most of the businesses working in this niche are on the centralized model but there are few entrepreneurs who are exploring the other models too.

**\$1,013**  
million in  
2017



## Market Research Stats



Online Clothing Rental Market is Expected to Reach \$1,856 million, Globally, by 2023.

According to a new report published by Allied Market Research, titled, Online Clothing Rental Market by End User and Clothes Style: Global Opportunity Analysis and Industry Forecast, 2017-2023, the global online clothing rental market was valued at \$1,013 million in 2017, and is estimated to reach **\$ 1,856 million by 2023**, registering a CAGR of 10.6% from 2017 to 2023.

In 2017, the number of women online clothing rental and ethnic wear segments dominated the global market share. While, men end user segment and western clothing style segments are anticipated to grow at a robust rate in terms of market share.

## Online Clothing Rental Market

# \$1856 Million

Globally by 2023

The key players profiled in this report include Bag Borrow Steal (U.S.), Dress & Go (Brazil), Glam Corner Pty Ltd (Australia), Gwynnie Bee (U.S.), Le Tote (U.S.), Lending Luxury (U.S.), Rent the Runway (U.S.), Secoo Holdings Limited (China), Secret Wardrobe (India), and Share Wardrobe (India).

- North America leads the online clothing rental market, followed by the Asia-Pacific region.
- Asia-Pacific which is still in its latent phase of adopting the rental clothing trend, is expected to grow at the highest CAGR of **11.4% mainly led by India and China.**
- Women end-user segment accounts for the highest market share accounting for nearly 58%, however, the men end user segment is projected to witness the highest demand during the forecast period.
- Overall, the ethnic wear segment possess higher market share and is expected to witness a considerable growth, owing to their frequent use in festivals, higher cost of rental, and greater maintenance costs.



## Market Research Stats



Total Revenue in 2019  
**\$6 billion**

Number of business  
**12,644**

Annual growth 2014 -2019  
**3.1%**

## Accessory Rental

Renting products that are needed for a shorter duration of time is the new ideology of millennials. During special occasions and holiday season, people rent various items that they would need specifically during that time.



Accessory Rental

# \$6 Billion

Total Revenue 2019

## Other Rental Items

When the rental industry grew, people started to realise different commodities that can be rented. New items available for renting came up as the technology grew. People rent caskets, animal/pet rental, portable toilet rental, cake rental, baby toy rental, and more. Any item or product which is not needed for a longer time and can serve the purpose in a shorter duration, people prefer to rent it. Entrepreneurs in this area can first identify the needs of the market and then venture into it.



## Market Research Stats



In 2018, the German video rental market generated revenues of roughly **190 million euros**, according to the Society for Consumer Research (GfK).

# What Industry Leaders Have To Say About The Growing Trends Of Rental Industry



**Brian Chesky**  
CEO, Airbnb

*With the advent of technology, the ideology of people towards short-term renting has changed tremendously. Airbnb Homes has been a success, now from almost 3 years we have been venturing out to Airbnb "Experience". Something I also cannot believe is, Airbnb Experience is growing at a faster rate as compared to Airbnb Homes.*

## - During the initial phase, what was your research or analysis?

When we first launched Airbnb, the market for us was completely unknown and the revenue or growth limit was also not stated. Now with growing trend in the travel industry, we are also growing.

## - Do you have similar marketing strategy for different countries, now that you have become a global brand?

For every country, the marketing strategy has to be different, we are facing different problems in different countries. Like in the US, Regulatory and Hotel Taxes is an issue. Here I would like to talk about China. Many companies have failed miserably in China, so when we were expanding to this country, we devised a different strategy all together. We have kept a management team dedicatedly for China market.

## - Tell us more about your community of hosts in different geographical area?

We are a global brand and have our footprints in 81000 communities. Our biggest profits are derived from our hosts, for them we have a lot of USPs. We have communities of local hosts and they can interact with each other for their own growth.

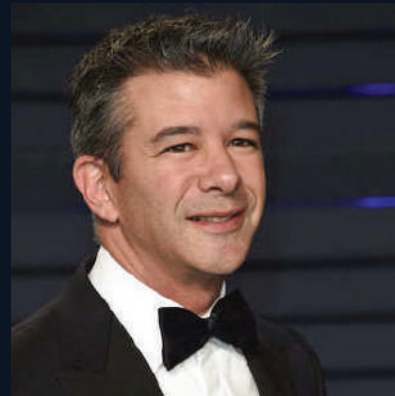
We also have unique inventory - What I mean by unique inventory is that, we have 50 million hosts out of which around 30 million hosts list their property with only Airbnb. This is our achievement and we are proud of it.

## - What are your plans for Airbnb in the future?

Till now, we have not focused on creating travel content. With the latest analysis, there is a huge market of people who want to read about travel experiences and plans. We will build an ecosystem where a traveler can book home, experience and read the latest content.

- **According to popular believes, Uber is killing the Cab industry. What are your thoughts?**

Taxi driver pay around \$40,000 for renting a car. The car should be a Bentley, Right? No! The money goes to the car owner. In the Uber world, we are changing the dynamics completely. In Uber you can use your own car, you don't need to pay a hefty amount of rent to the car owner. You make more dollars per hour and the entire plan for driver is flexible. The driver does not have fixed working hours, they can turn the app on and off.



**Travis Kalanick,**  
CEO, Uber

- **Is Surge pricing one of your strategies to gather more revenue. This feature has received the most backlash. What do you have to say about it?**

It is a simple demand and supply theory, when demand outstrips the supply, the price increases. When in a particular area of a city, the demand is very high - the drivers have to be informed to be there. What better way to lure the drivers to a place than to offer them more money. We have received backlash as some cities were having some emergency when the surge price was allocated. We have an option now to turn off surge in these special cases.





**Jennifer Hyman**  
CEO, Rent the Runway

- **With the changing technology and innovation, what are the changes that you bring to your brand?**

We have launched a subscription program for \$89/ month. Where a

customer can pick any four items keep them for a month and get new items next month. If we do the math - \$89 divided by 4 comes to \$22.50 which puts us in square competition with walmart, amazon, H & M, Target, etc.

- **What is your opinion about Cloth rental industry?**

I think if things work out according to plan, wardrobe will be a thing of the past like CDs were.

# What's Next For The Rental Industry?

Many entrepreneurs and investors are struggling to understand the reach of the rental industry. Some of the trends which are clear for the marketers are sharing has definitely moved beyond rides and rooms. Startups are now offering shared workspace, storage, clothes, and jewellery on rent have become very popular in the rental industry. Vehicle sharing, which includes peer-to-peer car rentals, centralized car rentals, and bicycle rentals, is the fourth most active group, with **nearly \$810 billion in investments**. Next come **fashion startups, with more than \$240 million in funding**.

If we expand forward towards b2b industry, there is a lot of growth in the rental industry. With approximately \$150 million invested in new startup ventures, such as the construction-equipment rental business Yard Club.





## Shaping Consumer Behaviour

Entrepreneurs have to understand that they need not just have economic sense but also derive a common sense when planning to open a venture. Products which have an emotional connect or long history will need different tactics and will take longer time to come into the market. For consumers it is hard to imagine renting out their jewelry (like engagement ring) or their pets.



## Product Design

Rental industry has the potential to reshape the product design. Keeping the vehicle rental in mind. When the car rental became popular, people did not have to fit the same vehicle for every need. They can rent a sedan for a family trip, a mini-van for a car pool day and a luxury car for romantic dates. The Rental industry has changed how cars were perceived in the mind of users.





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# About The Company

We enable startups, SMBs, and billion-dollar entities across the globe to drive-real innovation with digital solutions. By partnering with our clients, we transform their ideas into reality and deliver an experience designed for a mobile-first world. Our portfolio spans over a decade with over 5000 projects delivered and clientele spread over 50 countries.



## How can we help?

Our experts keep a close eye on the rental industry and its changing trends. To enable startups and SMBs decrease the time and effort required to launch an online rental business, we provide market-ready solution - **Yo!Rent**.

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