



Rent, Return, Repeat: The impact of Clothing as a Service (CaaS) on the U.S. Economy

Pragya Dhoot, Cypress College

Mentor: Professor Parwinder Sidhu, Ph.D
Social Sciences Division- Department of Economics

Introduction

Clothing as a Service (CaaS) allows retailers to offer a subscription clothing rental business. A CaaS model offers consumers the opportunity to experiment with clothing retail brands not only through ownership, but also by rotating a collection of garments every month. This research analyzes the impact of CaaS on retailers and its effect on the U.S. economy. It also highlights the secondary clothing market created consequently by determining the sustainability of the business model while highlighting questions pertaining to the strategy around the duration of circulation of clothes.

Methodology

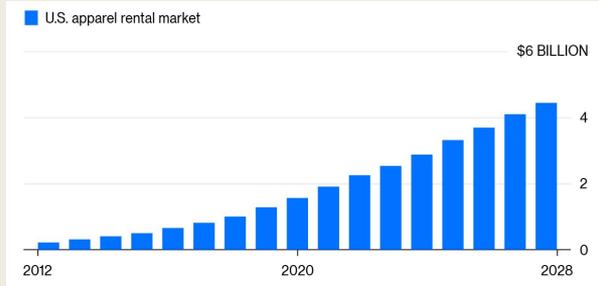
In order to illustrate the growing impact of CaaS on the U.S. Economy, along with strategic operational cost implications retailers encountered in their sales:

- Monetary information -growth scores- was retrieved from companies with 'Clothing as a Service' models, by using their publicly available financial data, through analysis tools such as MatterMark.
- A predictive model was found on company websites, and was based on a cost-effectiveness analysis to forecast a possible circular flow model for CaaS.
- Non-rental clothing markets and CaaS markets were compared to observe the impact of rental clothing services on the U.S. Economy.
- A chart was created to depict the circular, servitization, and sufficiency model flow for retail companies with CaaS models, further explaining the overall method of operations CaaS uses.

Results

According to CaaSStle.com, subscription rental businesses are expected to fulfill sustainability, however require higher investments in operational infrastructure.

A CaaS model generates a new revenue stream with margins operating at 20-30% with a 100% expectancy of increase in total brand plans, as demonstrated by this graph made by compiling data from MatterMark:

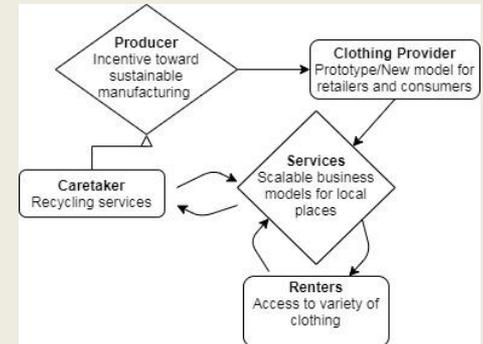


According to Bloomberg.com, the graph above is the predicted growth for the CaaS fashion industry in terms of cumulative revenue.

Significance

The Economic drivers for CaaS promote reduced amounts of consumption and production in the fashion industry. They not only bring additional revenue streams from the second-hand activity, but also bring increased control over the second-hand service products. This concept can open more fashion CaaS markets to increase and improve company competitiveness, further looming the number of fashion rental startups.

The largest impact on the U.S. GDP and economic growth is the consumer spending. Since consumers are spending more on these services, as derived from the graph, businesses are able to invest in capital and labor to try to expand to meet consumer demand. This prevents an economic slowdown and unemployment.



Additionally, according to the UK-based group WRAP, extending the circulation of garments by approximately 9 months, fashion retailers can reduce harmful chemical emissions associated with carbon and waste by 20-30%.