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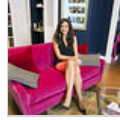
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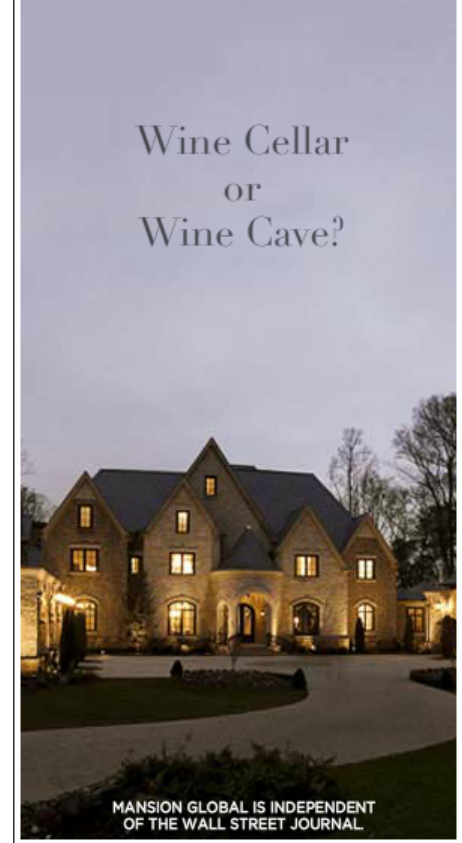
Jennifer Hyman, Rent the Runway CEO — Rent the Runway

Are traditional department stores becoming irrelevant? Some startup founders are saying it is getting ever easier for fashion brands to reach consumers directly, through business models like subscription, as well as mobile apps where consumers discover trends and items.

Consumers are getting accustomed to new ways of shopping, such as subscribing to getting items monthly, said Jennifer Hyman co-founder and chief executive of **Rent the Runway**. The New York startup rents designer dresses and has about 5 million customers, according to the CEO, speaking during a panel discussion at the TechCrunch Disrupt conference in New York on Monday.

"A huge part of our business is subscription," Ms. Hyman said. Rent the Runway, which started in 2009, launched its subscription service last year. But numerous subscription businesses have been paving the way, including companies like Netflix for movies, **Birchbox** for beauty items, and **ClassPass** for workouts, Ms. Hyman said.

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About Venture Capital Dispatch

Produced by the editors of **Dow Jones VentureWire**, Venture Capital Dispatch tracks the fast-moving developments at the intersection of high-tech innovation and venture capital finance. Featuring the VentureWire reporting team in the Silicon Valley, New York, Boston and Shanghai tech centers, Venture Capital Dispatch provides insight into the newest start-ups and latest trends in venture capital investing. Write

“A broad education is happening in the market, new ways of buying things and new ways of getting them delivered to you,” said panelist David Tisch, a prolific startup investor and co-founder of a startup behind the mobile app **Spring**, which allows hundreds of fashion brands to display and sell their wares within the app. All of these methods are making big multibrand retailers less necessary, the startup founders said.

The increased use of physical stores in combination with subscription and online models is also helping new brands reach consumers directly, obviating the need to share margins with malls and other multibrand stores.

Rent the Runway, for example, has several physical stores, which it opened after launching its e-commerce platform and after seeing successful deployment of physical stores by other brands like eyeglass startup Warby Parker. Ms. Hyman said that she expects to enable customers that have a Rent the Runway subscription to come into a store and “steal two things,” by which she means that they can exchange what they already received from the company for other items without paying more.

Another aspect that long made big department stores necessary, the exposure they offer to brands, is becoming less relevant in today’s technologically connected world, the panelists said.

“A huge portion of discovery of new products is now happening on Instagram and Pinterest for women,” Ms. Hyman said. “Pinterest and Instagram serve as virtual malls or virtual cataloging for every woman across the globe,” Ms. Hyman said.

Mr. Tisch’s mobile app Spring similarly helps consumers discover products from multiple brands, with the added bonus that brands manage the shopping experience, including the packaging and shipment of their items, which is impossible in a department store, Mr. Tisch said.

Julie Frederickson, co-founder and chief executive of startup **Stowaway Cosmetics**, said that the new business models are causing “the end of wholesale.” By being able to reach consumers directly, companies can avoid the inefficiencies built into wholesale fashion businesses. In Stowaway’s case that is the industry’s method of selling makeup, such as lipstick, in large sizes that consumers can never finish.

Asked by the panel moderator whether this means she would turn down an offer from a company like Sephora to distribute her cosmetics at a multitude of stores, Ms. Frederickson said she would refuse.

For brands that do manage to use new business models to reach consumers directly they are saving “half their margin,” Mr. Tisch said.



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