

India's furniture rental industry on the upswing

October 2021





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Foreword

Furniture rentals have been prevalent for decades, however, the recent spate in attention is owing to the consumers' renewed interest in the functionality and easy options to set up their homes.

Our new thought leadership on the emergence and growth of furniture rentals in India comes on the heels of a global shift in consumer behaviour and ideologies. Consumer views on the expenses towards discretionary heads and modified modes of purchasing were the two notable changes in times of unprecedented challenges and looming uncertainty. This change can be attributed to savvy manufacturers and marketers who introduced different ways to address the changing consumer needs and establishing distinct niches.

Furniture rentals have been prevalent for decades, however, the recent spate in attention is owing to the consumers' renewed interest in the functionality and easy options to set up their homes. Grant Thornton Bharat's research indicates that the furniture rental market was valued at around USD 4 billion in 2020; and with increasing digital accessibility, the share of organised segment is expected to keep growing from the current estimated ~3%. This could spell exponential demand in the coming years and will widen the scope of possibilities.

Several factors continue to contribute to the growth of the segment, a rising millennial population, aspirations combined with an increased interest in home sprucing and the addition of smart cities in India, which will continue to provide long-term sustainable demand for these solutions. We foresee the market getting more organised with the entry of new players in the rental space for furniture and household appliances.

Key success factors in the industry would be in establishing efficient logistical frameworks and value integration in the respective processes. Grant Thornton Bharat also expects increased consolidation and synergies within various players to give rise to even larger set-ups within the industry.

In this report, we present the following:

- Global furniture industry trends with a special view on furniture rentals
- Brief profiling of a few global furniture rental firms which have stayed relevant until now and witnessed substantial growth
- Analysis of the growth drivers for the furniture rental sector in India
- Brief profiling of the key players shaping the market
- Contributors for future growth and success



Rahul Kapur
Partner, Growth



Vicky Bahl
Partner, Growth

Executive summary



The report analyses the scope and opportunities in furniture and appliance rentals in India. It has been concluded through extensive internal discussions, expert engagements, reports, and database analysis, and a survey conducted in over 18 cities over the past two months.

India ranked fifth in International Monetary Fund's (IMF)¹ global growth projections for 2021, a study on 193 nations and their expected gross domestic product growth. This augurs well with industries looking at sustained growth and addressing the fast-growing internal demand. On the heels of the resilience of the economy despite the outbreak of the pandemic in 2020, we were the largest consumers of furniture in the Asia Pacific region after China. The Indian furniture industry contributes around USD 40 billion to the national GDP each year, making it one of the important indicators of economic health.

Indian furniture rental industry is around USD 4 billion and is growing

With businesses going digital and increased internet penetration, there is a tangible shift in the Indian consumer's perceptions around ownership of assets. The COVID-19 pandemic has encouraged consumers to switch established norms and routine habits with new formats of accessibility. The increased demand was an outcome of behavioural changes in purchasing and increased preference for lower liability options through rentals.

With more time spent at home, upgrading home became commonplace and sprucing up was a trend witnessed across segments; this is an attitudinal shift that is likely to stay. Furniture companies that displayed forethought and agility in responding to the changing demands, niche requirements for quick home upgrades, understood the trend around living well in the present reaped phenomenal success in 2020.

India's demographics make it a viable investment destination

India is a young country with 65% of its population under 35 years.² On the back of its rising working population, India has an opportunity to drive its economic growth; and is expected to add around 10 to 12 million people to its active workforce (between 15 and 64 years) by 2030.²

The young working population is exploring new career opportunities to move up the income curve and thus translating into an emerging middle class which is constantly on the move or looking to upgrade themselves.

As per estimates of NCAER, 42% or 570 million Indians are expected to be in the emerging middle class income bracket of around USD 2,145 to 4,285 (INR 1.5 to 3 lakh) in 2021³. This change in India's economic power is expected to drive purchasing behaviours towards a better lifestyle and give a continuous impetus to the shared economy of furniture and appliance rentals.

Bright prospects for the industry

With support from the regulators and the government's focus on the growth agenda, we believe organisations can continue to grow by being more productive, understanding consumer demand and addressing it better.

The competitive edge will evolve from an efficient supply chain network and by providing avant-garde services to the well-heeled Indian consumers. With shifting attitudes, access to smartphones, aspirations to live better lives and the advantages of the rental model, we believe the future for the furniture and appliance rental industry is bright.

USD 4.1 billion

Estimated size of Indian furniture rental industry in 2020⁴

~ 26% CAGR

Estimated rate of growth for the Indian furniture rental market between 2020-2025⁴

~USD 13 billion

Estimated size of Indian furniture rental industry by 2025⁴

USD 163 million

Total investments made in India in 2021 till Q2 in the furniture rental space⁴

~ 36% CAGR

Expected growth rate of organised Indian players till 2025⁴

~ 28%

More revenue was generated in Q2 of 2021 as compared to Q2 of 2020 in India⁴

Source:

1. IMF, 2. IndiaStat, 3. NCAER, 4. GT Analysis

Global furniture market



Boost for the growing rental furniture as more consumers look for alternative solutions

The global furniture rental market comprises companies providing commercial and household furniture and appliances on rent or lease. The market was valued at around USD 27 billion in 2020 and is estimated to grow up to USD 34 billion

by 2025, at a CAGR of around 13% from 2020 – 2025.¹ The pandemic has accelerated growth in the rental economy, with a global transitioning from an 'ownership' to a 'shared' economy format.

Key trends that dominated the global furniture rental market:

Sharp increase in home remodelling



With nearly 60% of the world's population forced to work from home in 2020,² home renovation and remodelling became a top priority. The US saw investments rising to USD 350 billion³ in home improvement related activities including increased demand for rented furniture. Key players saw a spurt in demand for rental furniture from the young working professionals. It is expected to sustain as a long-term buying behaviour owing to hybrid work plans.

Companies switching to online formats



Many key players shifted focus to an omnichannel format by adding online as a major channel for making requests for rentals. Most offline furniture rental firms established more robust e-commerce channels for distribution as they had temporarily shut down physical store. The market saw an increased spotlight on the new age rental businesses that were in the offing to disrupt the existing landscape.

Sustainability and multi-functionality



Work from home also gave rise to the demand for multi functional furniture pieces and home office requirements such as stand-up desks and chairs. A visible empathy for the environment and an aspiration to help reset the planet also sub-consciously drove the rental demand.

Asia-Pacific drives global demand



Despite worldwide lockdowns and its impact on global trade, Asia and specifically the Asia Pacific region continued to provide a market for furniture rentals, driven by domestic consumption and an increased number of people working from home. Asia Pacific managed to keep its share at around 47% in the global furniture rental market¹.

Source:

1. Bloomberg 2. CNBC 3. UNCTAD (United Nation Conference on Trade and Development)

A photograph of two men in business suits shaking hands over a document. The man on the left is a white male with short, graying hair, wearing a dark pinstripe suit and a striped tie. The man on the right is an Asian male with short black hair and glasses, wearing a light blue suit and a light blue tie. They are both smiling. The background is blurred, suggesting an office or meeting environment.

New businesses aim to be part of the growth story

Key players across the world are looking at transforming the industry by way of innovative growth strategies to capitalise on the rising demand for rental furniture. In 2021, the global furniture rental market saw an influx of funding in excess of around USD 1.5 billion.

Grant Thornton Bharat profiled a few newcomers in the industry who seem to be promising contenders to the long-standing legacy of rental firms.

CasaOne

Background: Founded in 2017 in the US, CasaOne is a home furniture rental company offering a wide variety of products ranging from household decor to outdoor furniture.

Funding: Raised a total of USD 77.5 million over six rounds. The last round was series B amounting to USD 50 million by Credit Suisse in August, 2020.

Revenue: ~USD 40 million in 2020

Customer base and growth: The company attracts more than 65,000 unique visitors each month to its website.

CasaOne is dedicated to a complete implementation of the 'circular' philosophy in all their processes.

Feather

Background: Founded in 2017, Feather offers high quality home décor and furniture through effective monthly packages with an option of adding, swapping, buying or returning as per the customers' requirements.

Funding: Five rounds of funding since its inception and raised a total of USD 76 million until date.

In August 2020, Credit Suisse funded an additional USD 30 million to the business.

Revenue: ~USD 12 million in 2020

Customer base and growth: Feather saw a 400% increase in year-over-year customer growth in 2019 and a 300% increase in the number of pieces of New businesses that aim to be a part of the growth story furniture rented.



Nickson

Background: Nickson, founded in 2017, fully furnishes apartments on demand. The firm has a style quiz for users to attempt and accordingly suggests pieces that will suit their palate.

Funding: Raised USD 12 million as series A in 2017 through pendulum Holdings.

Revenue: ~USD 6 million in 2020

Customer base and growth : Nickson saw its customer base grow by 700% in 2020 compared to the previous year owing to a robust demand from the growing subscription economy.

The firm provides end-to-end turnkey furnishing solutions.

Conjure

Background: Founded in 2017, Conjure was previously called Mobely, the firm was renamed in 2020.

Funding: Raised close to USD 9 million over three rounds of funding.

The last funding raised USD 4 million in September 2020.

Revenue: ~USD 5 million in 2020

Customer base and growth: The company saw revenue growth in excess of 7.6X since 2018 due to its affordable and flexible pricing plans.

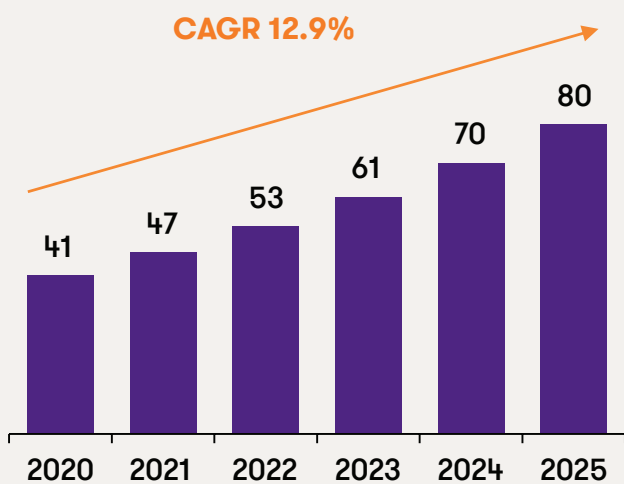
Conjure has announced its plans to launch its digital marketplace, Bazaar, to offer décor and accessories.

Market landscape: India



Indian furniture industry is growing at a steady pace, indicating a sustained progress

Indian furniture market size (in USD billion)¹



2020 saw a paradigm shift in market forces and several aspects defining the furniture economy; the most important ones were

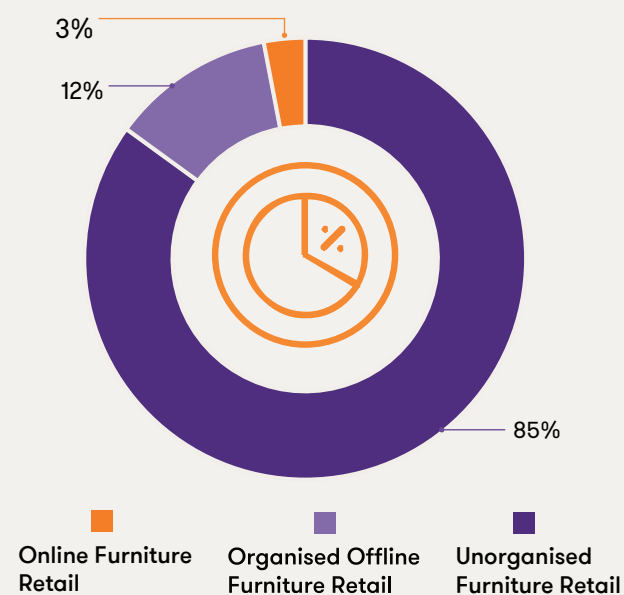
Growth in the share of online sales

The share of the online furniture segment grew from USD 300 million (2017) to USD 920 million (2020) recording a CAGR of 32%. This trend is expected to continue with an estimated growth of the segment at around 60 to 65% CAGR to reach nearly USD 9.5 billion by 2025.²

Wallet spend on furniture increased

The per customer wallet spending on furnishing and home appliances improved significantly in 2021; showing an increase of over 38% from the annual 2020 figure to reach upwards of ~USD 205 (INR 14,262) within the first six months of 2021,³ owing to a shift towards purchasing through online channels and expense realignment towards functional and value-based buying.

Market share by category % (2020)²



Increased preference for rental furniture and household appliances

The already robust rental furniture market, started to witness exponential growth towards Q2 of 2020. The main drivers for this were an increased focus on home sprucing and a tendency to move away from traditional purchasing of furniture and household products to enable customers to work with reduced liability options.



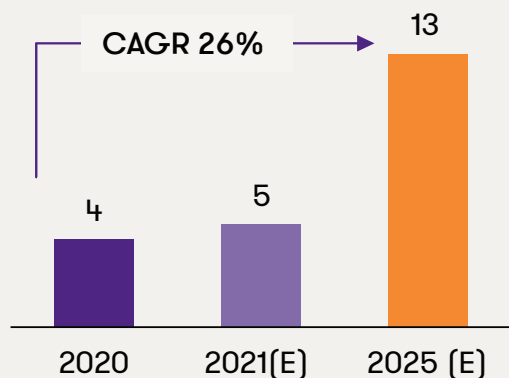
Market definition

The Indian furniture market constitutes of all furniture sales within commercial, household and institutional segments each year. This also includes the value of imported furniture along with the domestic production. India's furniture segment is witnessing high demand across categories such as flexible workspaces, commercial redesigning and household furniture.

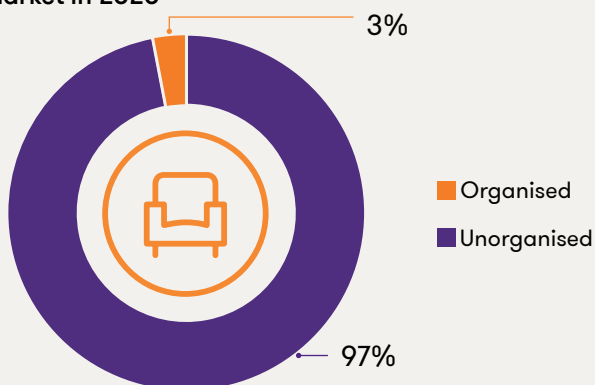
Source:
1. Invest India 2. Financial Express 3. GT Survey

Furniture rentals in India is emerging as a lucrative alternative to conventional purchases

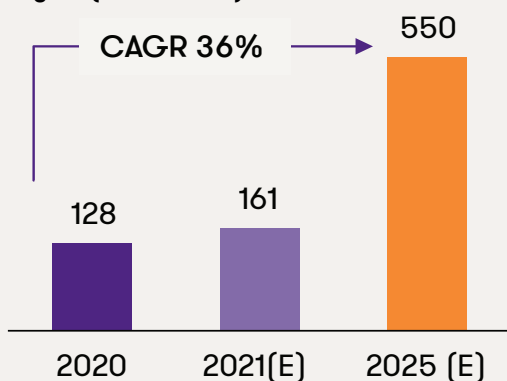
Indian furniture rental market size (USD billion)



Segmentation of Indian rental furniture market in 2020



Overall revenue generated by organised players (USD million)



With increased access to online channels of purchasing and a mindset towards fulfilling aspirations despite uncertain times, Indian consumers found a viable alternative in furniture and appliance rentals to address their desires with minimal commitments such as:

- **Spurt in demand due to home upgrades:** With executives spending more time at home, there was an increased demand to upgrade homes and create home offices.
- **Employees moving back to their hometowns:** This gave rise to a boost in rental demand in Tier II and Tier III cities which came up as strong contributors to the growth in these segments.
- **The shift in Indian consumers mindset towards renting:** Traditionally the Indian consumer preferred ownership as a cultural norm, but aspirations to upgrade lifestyles have emerged as a major driving force for the rental furniture industry.
- **Increased adoption of e-commerce:** With lockdowns and time at home, consumers adopted online shopping with a renewed enthusiasm. The e-commerce segment in India registered a CAGR of over 35% to reach around USD 25 billion in FY20. The Indian e-retail industry is projected to exceed ~300 to ~350 million shoppers, enabling transactions worth USD 100-120 billion by 2025.



Market definition

The Indian furniture rental market includes all revenue received annually through the renting of furniture (in homes, offices, hotels, etc.) and electrical appliances (all white goods).

Source:
GT Survey

Trends that led to value creation for furniture and appliance rental firms

The Indian furniture rental industry is still evolving and presents immense opportunities for future growth. First movers have had to go through a phase of customer education to address the latent demand for furniture rentals in the country, as with any

firm entering a new market would. But as the rental segment grows, in the last five years India has seen a steady rise in demand for furniture and appliance rentals.

Last year witnessed a range of events, the trends that had a major impact and made furniture rental firms relook at value optimisation



Evolving requirements of the Indian consumer (in Tier I and Tier II cities)*

After COVID-19, employees were either working from home or were given the option of a hybrid workplan through rotating shifts and roster-based attendance. An increased demand came from employees looking at setting up a well-furnished workspace at home and also upgrading their current homes.



Millennials and Gen-Zs moving to cities for better opportunities

India has about 500 million people under the age of 25 years¹ filled with aspirations for a better life. The Gen-Z and millennials drive the demand for rental furniture as they offer a hassle-free option to enable them to relocate, shift cities and frequently change jobs, and also get access to trendy designs



Businesses added online formats to utilise the spurt in e-commerce users

In the last eight years, Indian consumers have shifted their preference from offline to online shopping; a trend that was intensified in 2020. With internet penetration reaching its historical highest at 35% in 2020, the share of online furniture retail grew by 32% last year.²



Continued inflow of investments as a recognition for long-term growth potential of the market

India's unique demography made it an attractive destination for companies to invest in various categories including furniture rentals. Foreign venture capital (VC) and private equity (PE) firms have invested a total of USD 268 million (equity + debt) in the Indian furniture rental space since 2017.

*Grant Thornton Bharat follows the Government of India's classifications of tiers; cities with a population of above 100,000 as tier 1 cities; cities with a population between 50,000 to 100,000 as tier 2 cities; and cities with population between 20,000-50,000 as tier 3 cities

Source:

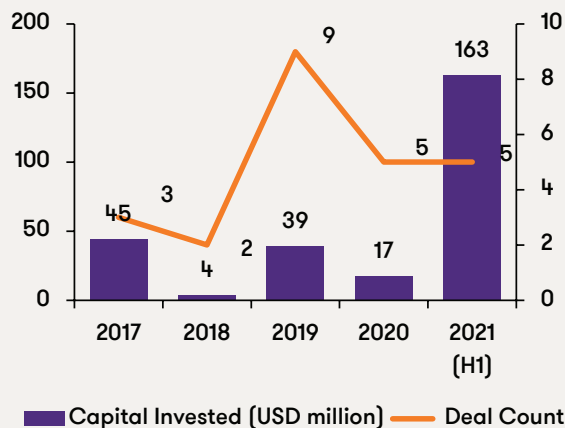
1. India Stat 2. GT thought leadership Current opportunity, key trends and outlook for e-commerce sector in India April 2021 3. GT Analysis

Constant inflow of investments is an indicator of growing potential and aggregate demand

The furniture rental industry has seen a growing interest from investors which shows an optimism in the overall growth prospects of the industry. VC and PE firms have invested a total

of USD 268 million in the Indian furniture rental market since 2016, an indicator of long-term potential growth prospects.

Investments by VCs in the Indian furniture rental space



Major investments (2019-2021)

Furlenco
USD 178 million

RentoMojo
USD 35 million

CityFurnish
USD 5 million

Fabrento
USD 0.8 million

Key investors in the Indian furniture rental industry

Lightbox	Zinnia	Brand Capital
Leapfrog Ambition	Bain Capital	Ventures
Y Combinator	Accel	Blacksoil
Unicorn India	Ventures	Trade Cred

Industry investment snippet

- Of the total USD 163 million raised in 2021, Furlenco raised around USD 162 million in multiple Series D rounds; this comprises almost ~USD 100 million of debt. This itself indicates the dominance of the company in the Indian furniture rental market and the trust bestowed by the investors on the company going forward. These rounds were mainly led by Zinnia Global Fund, CE-Ventures and Lightbox Ventures.
- Bengaluru-based RentoMojo raised USD 1.3 million in early 2021 as Series C. The round was led by the company's existing investors Accel and Chiratae Ventures (formerly IDG Ventures India).
- The investments made in the segment within the first half of the FY 2021 have already exceeded the total funding value that has happened in the industry in any year till now.

The market is buoyant and is expected to continue growing

It is estimated that there are over 400 operational furniture rental firms in India out of which around 12 organised players have a pan-India presence. The industry witnessed an influx of new entrants in recent times. From two key players in 2014, the number rose to 25 in 2020 increasing competition and offering consumers more choices. This is also a strong indicator of the growing demand in the segment and augurs well with the optimistic projections for the future.



The new generation wants to invest in experiences more than spend on things. Especially in the last couple of years, living light has become the better way to live for them. So naturally, they find furniture rentals and subscriptions the more intelligent choice to stay flexible while also being a conscious consumer. And, the day isn't far away when this will become the norm.

Ajith Karimpana

Founder and CEO, House of Kieraya



The spending youth, especially millennials and Gen-Zs, prefer staying light, desire flexibility, and are value-conscious. They are willing to experiment with the latest trends across categories that make life simpler and enjoyable. They are also sensitive to our planet and other environmental concerns. Together, all these position rental as the solution of the future.

Geetansh Bamania

Founder and CEO, RentoMojo



Firms redefining the market landscape



I. Furlenco: On its way to becoming the market leader

Year of Incorporation	2012
Headquarter	Bengaluru
Total subscriber base (2021)	Over 500,000
Sales channels	• Online • Furlenco app
Revenue (FY 20)	USD 13.2 million
Funding rounds	18
Total funding raised	USD 218 million (till 2021)
Key investors	Lightbox ventures, Zinnia Global Fund, BlackSoil, Aditya Burman, Rangoli Resorts, Chowdry Associates
Presence across India	15 cities

Additional details

A part of the parent company - the House of Kieraya, Furlenco, since its inception has been a growth story because of its core philosophy of providing the customer with the most stylish and up to date furniture pieces which are exclusively designed by them.

The firm prides itself in the award-winning designs that has become a trademark of the brand. Furlenco has already achieved an annualised revenue run rate of USD 23 million by August 2021 and is expected to reach around USD 72-75 million by end of FY 2021-22.



Company overview

Furlenco offers a range of household furniture and appliances including beds, sofas, chairs, dining tables, washing machines, refrigerators etc., on rental across 15 cities in India. They were among the first movers in the market and are currently the largest player in the country by both revenue and market share.

Infrastructure and set up

- The company has a sprawling state of the art infrastructure set up in Bengaluru for furniture remanufacturing, refurbishment, cleaning services and upgradation of products.
- One of the first companies in India to work on a 'circular' concept which means no product goes waste, discarded furniture and other products are reutilised and introduced into the value chain.

Furlenco X

Another disruptive concept from the firm, which enables other furniture companies to advertise their inventory on rent through the Furlenco marketplace.

Unlmtd

The company recently launched their subscription-based offering called UNLMTD, where customers can rent 15 pieces of furniture for a two-bedroom house at a monthly subscription of INR 4,999.

Key attributes

One of the few companies that offers complementary trial prior to renting.

Guaranteed delivery within 72 hours anywhere in India.

In-house designing, flat packable, easily installable, cleaning friendly furniture.

Free deep cleaning and a damage waiver of up to INR 10,000 to customers.

Free product swaps and free relocation services within India.

Customisable combo packages that offer various furniture and appliances options specific to each room according to customer requirements.

II. RentoMojo: The multi-product rental company

Year of Operation	2014
Headquarter	Bengaluru
Total subscriber base (2021)	296,000
Sales channels	<ul style="list-style-type: none">• Online• Rentomojo App
Revenue (FY 20)	USD 20.5 million
Funding rounds	14
Total funding raised	~USD 80 million (till 2021)
Key investors	Chiratae Ventures, Accel, IDG Capital, Bain Capital
Presence across India	16 cities

Additional details

Rentomojo recently announced their aggressive expansion plans to establish presence in Tier II and Tier III cities

The firm is also looking at diversifying into additional product categories and is expecting to be EBITDA positive over the end of financial year 2021.



Company overview

RentoMojo is a Bengaluru-based start-up that offers a range of household furniture, appliances and electronics including mobiles and laptops on a monthly rental basis. Since its establishment in 2014, RentoMojo has become one of the most well-known brands for furniture rentals in the country.

Targeting young millennials and Gen-Zs

RentoMojo targets young tech-savvy professionals who are a part of the Gen-Z and millennial generation and spend a considerable amount of time online. The company's major marketing efforts are directed towards social media platforms like YouTube, Facebook and Instagram. Along with this, they also focus on Google Ads, brand collaborations with influencers and video channels of wide interest of the target consumers.

Key attributes

Known for a wide variety in household furniture and electronic appliances.

Annual cleaning, damage waiver up to INR 1,000, free maintenance and free delivery.

Easy product swaps, free re-location within the country, possibility to extend or cancel subscription at any given time and the ability to transfer one's subscription to another user, be it a flat-mate or a relative.

Subscription-based monthly payment options are available for customers so that they can pay only after using the products. Its 'advance rental payment' option helps customers save up to 15% on monthly rentals.

Individuals can place multiple orders without repeating the verification process.

III: Rentickle: Flexible models for rentals

Year of Incorporation	2015
Headquarter	Gurgaon
Total subscriber base (2020)	Over 100,000 customers
Sales channels	• Online
Revenue (FY 20)	USD 2.3 million
Funding rounds	3
Total funding raised	USD 4.3 million (till 2021)
Key investors	Ajay Relan, ThinkKuvate, DMI Finance
Presence across India	6 cities

Additional details

The firm intends to diversify its product lines to include a wider range of electronics and also explore apparel renting.

They aim to achieve a turnover of USD 71.5 million (INR 500 crore) and expand their customer base to 1 million by 2023



Company overview

Rentickle identifies itself as a one-stop solution for renting furniture, appliances and other home furnishing necessities. They provide a wide range of products, for a customised tenure to suit the need of their customers. The company caters to a diverse range of customers ranging from students, young professionals, newly-married couples and expats to even large corporate houses.

Customer centricity

The company recently changed its rental model from 'pay-per-day' to a 'monthly subscription' model. The company always aims to provide the best value proposition for the customers in terms of pricing, quality and the most flexible rental duration anywhere from one day to 36 months. It also provides additional services like free delivery and installation, free maintenance and easy return to keep their customer delighted. The hybrid business model has enabled the company to offer an optimal mix of high margin products like fitness equipment and DSLRs and high scalability driving categories like furniture and appliances.

Key attributes

A wide variety of furniture, appliances and other home furnishing necessities.

Free delivery, installation and maintenance are all part of Rentickle's subscription plan. It also enables customers to make modifications to their orders 24 hours after placing them

The company offers customisable and pre-chosen combos like work from home (WFH) combo, bedroom combo, etc. They also offer packages for sports, trekking and fitness.

Rentickle extends a warranty for all self-manufactured furniture with no additional cost to the customer, during the period of contract. However, for electronics, the warranty is dependent on the manufacturer.

IV. CityFurnish: The multi-industry furnishing provider

Year of Incorporation	2015
Headquarter	Gurgaon
Total subscriber base (2020)	Over 70,000
Sales channels	<ul style="list-style-type: none">• Online• CityFurnish App
Revenue (FY 20)	USD 0.75 million
Funding rounds	4
Total funding raised	USD 5.2 million (till 2021)
Key investors	Steve Chen, Paul Buchheit, Y combinator, Brand Capital
Presence across India	8 cities

Additional details

The firm recently announced its plans to aggressively target and increase its customer base within the age group of 24-38 and expansion of its operations across Tier II cities in India.

International expansion and product portfolio enhancement by adding kids' furniture and additional equipment.



Company overview

CityFurnish offers products ranging from furniture, furnishings, consumer appliances and fitness equipment on rental subscription across eight cities in India. Besides offering high quality rental products for residential purposes, the company also has a dominant presence in the commercial and hospitality segments.

Source:
Company websites and GT n Analysis

Subscription based model

- The company recently changed its rental model from 'pay-per-day model' to 'monthly subscription model'. Initially, customers had to enter a start and an end date for their rental tenure, but now they can rent the furniture on a monthly subscription without worrying about the start and end dates. This has significantly improved the customer retention of the company from 35% to 52%.
- CityFurnish provides its customers end-to-end services. Apart from designing and manufacturing its own premium furniture, the company also controls the end-to-end value chain from product sourcing to fulfillment and delivery. There is no third party involved in any part of the value chain and they control the entire user experience. The company even facilitates installation and maintenance requests of custom.

Key attributes

One of the few firms providing a vast variety of furniture, furnishings, consumer appliances and fitness equipment.

Free relocation charges after six months of tenure as well as free delivery, repair, replacement, upgrade and maintenance.

Customisable combo packages.

The firm manufactures furniture from high quality wood including Sheesham at their manufacturing facility in Rajasthan.

Growth drivers and industry challenges



Favourable population composition and increasing dispensable incomes will continue to drive the growth of furniture rentals in India

India's long-term growth potential is largely driven by its unique demography which includes the largest young working population in the world and the growing base of millennials and Gen-Zs. The continual evolution of double-income households,

nuclear families, easier access to funding, and the increasing number of aspirational consumers will be critical factors that will drive the growth of the furniture rental industry.

Growing Gen-Z and millennials workforce

India has a population of 1.36 billion, of which 27% are Gen-Zs (born after 1996), and 24% are millennials (born 1981-1996). There are about 500 million people in India under 25 who are independent, aspirational and believe in spending to maintain a good lifestyle. The combined total economic power of these categories of customers who are frequently moving in search of opportunities and are constantly looking forward to upgrading their lifestyles will continue to drive demand for rentals.

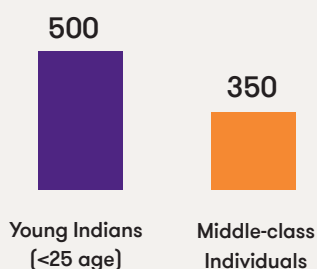
Ambitious middle class

The middle class in India is the largest demographic segment with nearly 300 million individuals living in around 75 million households². With increased internet penetration, growing adoption of social media, and access to entertainment content from across the world, the Indian middle class has demonstrated growing aspirations for a better life and a desire to spend more on getting access to trendy products and gadgets.

Urbanisation

At present, 1/3rd of India's population lives in urban areas and contributes to 2/3rd of the total economic output every year. By 2025, around 36.25% of the total population of India will be living in urban cities and agglomerates¹. By 2030, almost 590 million people will be living in cities in nuclear set-ups which would mean manifold individual household units being set up adding to an aggressive demand for household furnishing.

Young Indians and middle-class population in 2020 (Million)¹



100 million
Number of middle-class households by 2030²



27%
Gen-Z in India in 2021¹



24%
Millennials in India in 2021¹

Source:
1. IndiaStat 2. NCAER; GT Analysis



Urbanisation will be integral to the growth story of the furniture rental industry

India's long-term growth potential is largely driven by its unique demography which includes the largest young working population in the world and the growing base of millennials and Gen-Zs. The continual evolution of double-income households,

nuclear families, easier access to funding, and the increasing number of aspirational consumers will be critical factors that will drive the growth of the furniture rental industry.



India going digital

Presently, the internet penetration in the country is at 34.4% and it is estimated to increase to 45% by the end of 2025; which would mean 900 million active internet users by 2025¹. Each month six million first-time online shoppers are added to the e-commerce market in the country, and this will tremendously add to the prospects of furniture rental firms operating in the online space². It will also give rise to a noticeable shift from the traditional mindset of offline and high street purchasing habits of the Indian consumer who will realise the value and comfort of online shopping.



Increased work opportunities in Tier II and Tier III cities

By 2025 the Indian skilled workforce is expected to grow nine times which will mean active migration and setting up of households in all parts of the country.

With India fast becoming the data capital of the world; at last count, there are 35 data centres across 13 cities in India that are expected to receive investments of over USD 4.9 Billion until 2025. This would create over 300,000 new jobs until 2025, giving rise to sustained demand for rental furniture and appliances³ for the new household units which the working class would be setting up.

As per World bank, an urban centre has a minimum of 50,000 inhabitants living with a density of more than 1,500 people per square km.

Source:

1. World Bank 2. IBEF 3. Anarock

Firms will have to come up with innovative solutions to challenges to stay ahead of the competition

Multiple operational complexities including timely transportation of sizeable inventory, provisioning of labour at every step of the subscription lifecycle and the threat of defaults from customers are a few challenges that could force businesses to rethink systems and processes. With a constantly

evolving ecosystem, firms that wish to develop leadership positions will have to focus on staying agile, adaptable and continuously build competitive advantages by addressing challenges.

Challenge 1

Supply chain related issues

Lack of proper infrastructure and accessibility to each potential market can be an impediment to the growth of the industry. Heavy articles in furniture require effort, space and longer transportation times; putting pressure on firms to optimise inventories and delivery cycles. The following supply chain and logistics issues impact the industry:



Planning and forecasting: Management of ideal inventory, operational efficiency, optimal demand and supply all are dependent on the right forecasting and can significantly impact a furniture rental company's performance. Companies face significant challenges in planning and forecasting as they must consider various factors like seasonality, promotions and factors leading to sudden increase or decrease in demand that often leads to stockout or overflow of the inventory.

Quality sourcing: Domestic sourcing in the absence of strict standards and regulations can be a challenge faced by most firms. Imported furniture with high duties might not be the most viable option with a constant threat of global embargoes and import bans.

Challenge 2

Highly fragmented market

Indian consumers are distinct in their attitudes, purchasing drivers, backgrounds and mindsets. The market is extremely heterogeneous in terms of regional preferences as well as varying geographical requirements to cater to.



Value-conscious consumers: Indian consumers are traditionally 'value-conscious' and want products that are well-made, priced fairly and meets all their requirements.

Inherent desire for ownership: A considerable section of the Indian client base is hardwired with the need for purchase and ownership. It will take a fair investment from players in the industry to educate customers and transform such attitudes. The traditional perception around risks related to 'hygiene' around rented furniture also has a significant impact on the attitudes of the end user.

Skilled worker shortage and unorganised competition will continue to impact the realisation of industry potential

Challenge 3

Shortage of skilled workers

Despite being home to one of the largest workforces, the industry lacks a skilled, quality, available workforce.



Lack of skill development: Due to the unorganised nature of the furniture industry, there is an absence of structured skill development and certification for workers. Along with that the investment happening in developing skills for this industry is also scarce.

Poor working conditions: Most workers come to urban centres from rural areas. In the absence of an attractive incentivising system, adequate working conditions, and no regulatory support they are not a dependable task force.

Challenge 4

Largely unorganised market

India is a developing country with a fragmented population giving rise to multiple localised business formats which address a small part of the immediate geography. The furniture industry is almost 95% unorganised.



Low consumer awareness: An organised player will have to spend substantially to educate local customers about their product propositions and capture the market share away from the local unorganised players.

Low point of differentiation: As the market becomes increasingly crowded, increased spend on product differentiation, ability to reach customer quickly and decentralising value chains will add to the complexity of the existing business models of rental firms.

Challenge 5

Growing options for EMI and microcredits

This increasing availability of EMI as an option to purchase furniture might discourage people from renting furniture as they are presented with an equally compelling option to purchase.



The Indian consumer is traditionally 'ownership' driven and with it becoming more convenient to purchase products on easy micro loans and EMIs, it presents a veritable threat to the furniture rental industry overall.

The microfinance market in India is growing and has increased its market share from 8% to 12% of the overall product financing industry from 2019-2020.¹

Source:

1. dbie.rbi.org.in; GT Analysis

Critical success contributors



Innovation will be a key factor in defining success and establishing a competitive edge

The Indian market offers attractive opportunities for firms to tap into the fastest growing millennial population, increasing dispensable incomes and rising aspirations. However, success in the market will be tough owing to the challenges the consumer poses. There would always be a looming fear

for another lockdown or a breakdown in transport systems bringing the supply chain to a complete halt. Firms continually need to invest in innovation, R&D to increase efficiencies and new ways to deal with uncertainty and sudden events.



Product innovation

Subscription lifecycles for furniture rentals will constantly shrink with the availability of more choices, increased competition and price optimisation.

Reduced profit margins can be compensated for only if firms continue to stay focused on innovation to allocate resources to address the specific needs of the consumer, design products that outlive the lifecycle of the consumer and consistently provide the end-user with value.



Customisation

Understanding each customer's specific needs based on regional preferences needs at that stage of their lives and the constraints of their living space will be key defining product aspects.

Firms that intend to stay ahead of the competition will need to offer unique propositions and create a product differentiation for themselves.



Investment in technology

With the increased access to the internet and online shopping, the Indian consumer is gaining access to multiple vendors and the ability to compare offerings at the click of a button.

A key to keeping loyal customers will be continuous investments in technology. Right from the user interface to the handling of a customer complaint online, companies need to focus on providing a seamless experience for the client. The future lies in insights to be gained from customer data to enable businesses to enhance profitability and growth



Hybrid transport models

Innovative solutions around logistics and transportation models will be key in defining the competitive edge for firms.

The limitations on infrastructure in a country like India should not deter companies from expanding; hybrid transport models, multiple distribution networks, including railways, water or air will help firms gain a distinct edge over competitors.



Value chain

Firms should look at diversifying their networks to integrate additional providers at critical value chain capabilities.

Backward and forward integration of processes will define cost reduction and revenue optimisations in the future.

With an increased focus on environment and sustainability globally, a futuristic firm also benefits by integrating sustainability and circularity ethos at every step.

Conclusion



The Indian furniture rental industry has immense opportunities

The unique demographics of India have been part of many discussions since the era of liberalisation; with many global firms eyeing the subcontinent as a viable market to set up businesses and increase their brand footprint. With access to over a billion consumers, the market offers immense opportunities for firms to establish and grow themselves, provided they have been able to understand the finer nuances of operating in a market as distinct as this one. The strength of India also lies in its growing young population, with higher disposable incomes that are consistently fueling demand for products and services. Increased interest from overseas investors in various 'sunshine sectors' of India, including furniture manufacturing and rentals goes on to strengthen our optimism about the potential for sustained future growth.

Within the furniture rental market, 2020 saw a defining spurt in the number of customers with an even sharper jump in 2021; at this rate of adoption, the market should well go beyond our estimate of ~USD 13 billion by 2025. It was companies like Furlenco and RentoMojo that entered the market in the recent decade and laid the foundation of the furniture rental landscape in India. With increased competition, the consumer has been educated more and with rising awareness levels the market is gearing up for deeply defined demands and expectations.

The sector is attractive for new incumbents to enter and with increasing competition; we feel that for a firm to establish and maintain its leadership position, the following factors should become fundamental aspects of their business philosophy

Consumer is king

The key to being successful in a country like India is to understand that the new age consumer understands what they want, when they want and how they want it. A firm that can differentiate between regional, age, income segmentations of the buyers and are able to develop dynamics to address specific requirements will be able to sustainably grow in the market.

Focus on quality

Quality of product and overall interaction experience from clicking of a button until delivery should be a memorable experience for the customer. In today's times, the Indian consumer is flooded with options and alternatives are easy to come by; it might be worthwhile for firms to implement high-quality experiences for the customers to make sure that they stay and become beacons of publicity for them.

Efficiencies in processes

With expanding markets and reach, firms will need to continue developing process efficiencies to be able to complete with new entrants, price optimisations and all this without having to compromise on the product or experience quality for the end users. Supply chain efficiencies will play an important role in expanding geographical reach to service clients beyond the urban centres of the country and systems to enable quick, timely, cost-efficient deliveries will become important in making sure firms are able to maintain their competitive positions.

Eye on the growing cities

Tier II and Tier III cities will have a very important role in the growth story for the future. Expanded reach, synergistic regional tie-ups and wider consolidation within the industry are going to be the defining trends for the segment in the coming years.

Renting is not a new concept for Indians. For years Indians have rented houses, jewellery, wedding attire, furniture and décor for weddings, etc. However, in today's age of shifting perceptions and shopping habits and raised expectations from

the Indian consumer, the firm which puts innovation at the forefront of its activities will clearly come out as the compelling leader. We see bright future indeed.

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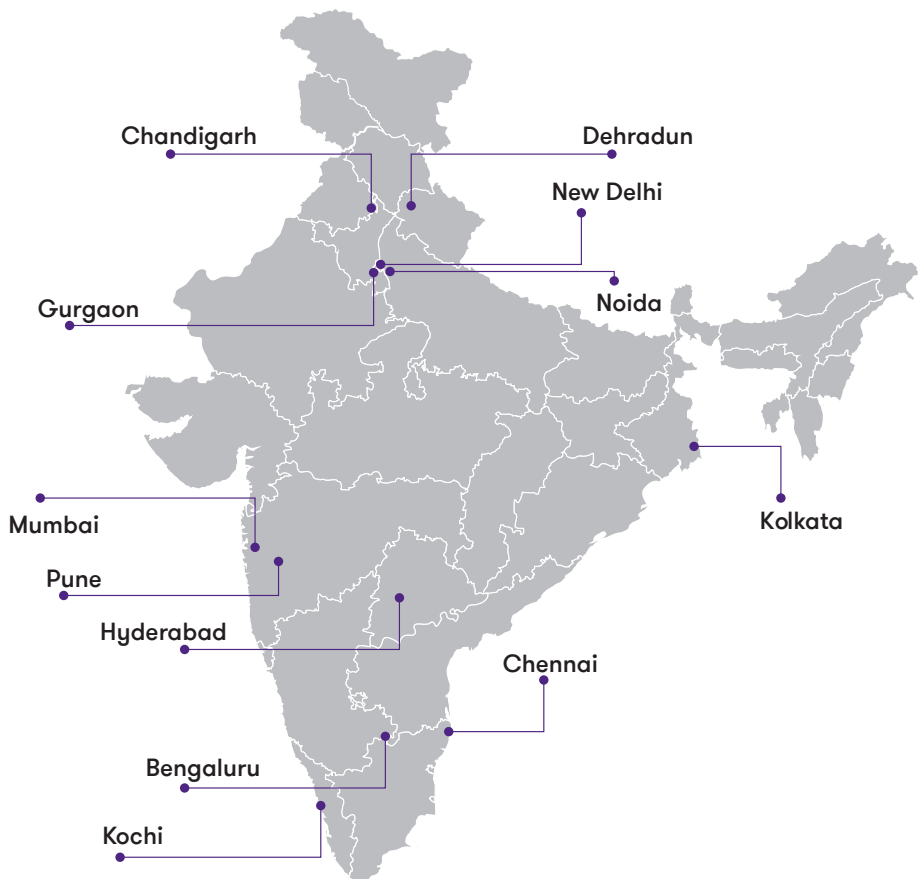
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Primary research discussions were conducted with senior management at

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