



# Lease everything

**Rising sustainability imperatives and increasing cost of ownership shift the balance from ownership to access and we prefer to rent than buy.**

The concept of ownership is core to many cultures, but not all. It has also been seen to apply in different ways to different things. Owning your own home rather than renting it has, for example, been higher on the agenda in the US and the UK than in, say, Germany where renting is more widely accepted and housing is seen less as an investment. That said, even in the US, the rich have traditionally had the luxury of home ownership but the poor have had to lease. While the sub-prime bubble in the US temporarily gave an inflated perception of ownership, as Michael Lewis quotes in his recent book *The Big Short*, 'A home without equity is just a rental without debt'. With declining values and increasing mortgage defaults, the ambition of owning our own homes has become less important to many in the developed world, just as it is becoming an increasingly possible option for the growing middle classes in the developing world. Overall, many see that, given the alternatives, with such a high-value, high-cost item as property, a shift is now taking place towards more widespread leasing of flats and houses. This move is, however, not restricted to property and is becoming increasingly prevalent in other areas.

In the transport arena, the alternative of leasing rather than buying a car has been a widespread option for many years. The known monthly cost of having use of a car for, say, three years is more attractive than buying the vehicle – to both the customer and the financial

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services companies facilitating this arrangement. Equally, for short-term use, the option of renting a vehicle is a long-standing need and a successful business model for companies such as Avis, Hertz and their like. What has also been notable in recent years has been the success of short-term, hour-by-hour, rental of vehicles from companies such as Zipcar.com and streetcar.co.uk. Especially in developed urban environments, the ability to have access to a vehicle when you need to make a journey that you can't easily do on public transport, or when you need to transport furniture etc, has been increasingly popular. Going forward, many companies are keen to see how this model can be applied to other urban centres such as Mumbai, Shanghai and Lagos, where the aspiration for car ownership can potentially be better met for some by the ability to have temporary access. The same principles are being increasingly widely adopted for bicycle rental. With headline moves starting off in cities such as Paris, the movement has quickly spread to London, Bucharest, San Francisco, Marrakech and Mexico City, and is now on the to-do lists of many major cities' administrations.

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Many can argue that cars are like houses in that they are high-value items that lend themselves to leasing models, where customers see the benefit from a cost of capital perspective. However, what is becoming more evident is how, as we shift from ownership to access, renting is growing as an alternative to buying even for low-cost items. Although, in consumer product areas, ownership has become increasingly important throughout many nations, leasing is gaining traction. The music industry has, somewhat unwillingly, clearly been at the forefront of this, as Napster, iTunes and Spotify have all variously shifted our perception of ownership from having physical product to having temporary or more long-term access to digital versions. Equally, in the mobile communications sector, for many customers ownership of the phone itself has become a by-product of a monthly contract to provide the service.

With these as a reference points, more and more industries are making moves to shift from ownership to access. Jewellery and fashion accessories are frequently leased for the night or a special occasion. Within the home environment, furniture and domestic appliance rental is on the increase for significant sections of the population who may only be in need of temporary use. Students, urban migrants, newly married couples and professionals

on international secondment are increasingly being offered the option to lease, not buy, kit such as washing machines, sofas and beds. While some see this as a return to the days of the hire purchase agreements prevalent in the post-WWII years, the difference is that the intention of ultimate ownership is not there. This is about temporary access for a limited period with the recognition that, as you move on, the product can be returned.

A significant driver in this movement is the sustainability agenda. Reducing waste is clearly a high priority for many industries and local governments so the encouragement of new practices to encourage reuse of products that involve high resource use is an increasing imperative. Voluntary networks such as Freecycle have a role but more fundamental shifts in how products are made available to customers are also in play. Again the automotive industry is playing a leading role here. As lifecycle management has extended into product reuse, the introduction of cars such as the new 95% recyclable Renault Twingo has made increasingly feasible the possibility of key components and materials being leased from, not sold by, the source manufacturer. If the economics work, then it would be possible to lease, not sell, say, an air conditioning unit or even the steel for a car that will be in use for ten years. As long as the components return back to their original source for recycling, a ten-year rental arrangement is increasingly practical.

Taking the same principles into other areas, the concept of leasing, not buying, clothing is also

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gaining traction for two key reasons. Firstly, given the resources used in manufacture, the ability to recycle is highly attractive. Given the amount of cotton involved, 11,000 litres of water are used in the production of the average pair of jeans, so being able to reuse cotton is therefore just as attractive for the fashion industry as recycling aluminium cans is for the drinks industry. Secondly, in this industry, fashion clearly changes and the products go out of style long before they are worn out. So, expect to see developments where key brands offer customers the option of, say, a three month lease for their clothes. Equally, the same reuse principles apply to computers where, for example, Samsung sees the 'PC becoming a commodity item': given the forthcoming regulations on electronic waste, expect also to be offered PC rental instead of purchase.

By 2020, expect to see that the concept of ownership in sectors such as housing, cars, white goods and clothing has been replaced by that of access. In the end, perhaps it will only be items such as gifts and souvenirs that are kept for a lifetime.



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