

**case 1-429-292**  
**January 23, 2013**

## REI Rentals

Kirk Myers, REI's Manager of Corporate Social Responsibility (CSR), twirled his pen around his thumb and forefinger. Staring out the window toward misty Mt. Rainier, Myers thought hard, recalling a conference call with his boss, CSR Director Margot Wang, and Retail Operations Manager Teresa Mueller several weeks before. At the end of the conversation, Myers was tasked with an assignment outside his usual realm of responsibility—find a way to optimize the rental program across REI retail locations to maximize financial benefits while minimizing environmental impacts.

Myers supposed it wasn't such a long shot that he had been tapped to assist with REI's rentals program. He had a well-known soft spot for rentals. Early in his REI career, Myers had worked as the rental manager in the Salt Lake City store. He viewed the rental program as financially and environmentally important to the company: rentals provided a unique revenue stream, and enabled REI to reach an extended population. In addition, Myers believed that a robust rentals program could keep customers satisfied without producing excess product that could end up spending long periods sitting unused in garages—or worse, landfills. Passionate about environmental responsibility, he wanted to avoid the waste generated by unnecessary purchases, and he was intrigued by the idea of sharing products across customers.

Mueller sensed an opportunity to improve rental operations, a view that was reinforced by her conversations with store managers. Many were concerned about their ability to keep up with demand for rental products. As one manager described:

It's frustrating because, on the one hand, customers love the ability to use products without committing to purchase, but many are giving up on renting after encountering long waits. Nobody wants to wait until next weekend to rent skis when all their friends are hitting the mountains this weekend.

Improving REI's popular rental business had the potential to boost customer satisfaction as well as REI revenues, but it was not clear how best to do so. REI's various stores had managed their rental operations locally, with numerous disparate approaches developed over the years for key tasks like setting inventory levels. Mueller thought Myers would be ideally situated to find best practices that could be rolled out across

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