

E-Commerce

The Airbnb Of Warehousing

- ▶ **Flexe pitches itself to Amazon foes as a shipping space alternative**
- ▶ **“Our customers want to buy from Casper and not from Amazon”**

Amazon.com Inc.'s network of more than 100 warehouses offers online startups and other merchants a way to have products delivered in two days to most U.S. customers, with a few catches. Amazon tends to insist that buyers order through its website, giving it their data. And it's likely to brand the packaging with its logo, which rankles startups trying to build their own brands. A Seattle startup has come out of nowhere to offer a faster alternative without the need for expensive air freight.

In about four years, **Flexe Inc.** has created an online marketplace of spare storage in 550 warehouses, giving clients better geographic coverage than they can get with Amazon's network. The company has access to 25 million square feet, about a quarter of Amazon's capacity. Now it's begun offering delivery; starting May 15 its overnight ground service has given e-commerce companies a new option.

“You can get goods to your customers as fast or faster than you can through Amazon Prime at a competitive price,” co-founder Karl Siebrecht says.

With Flexe, merchants book storage

online, and the network's broad footprint means packages can be delivered by truck. Flexe doesn't insist on running orders through its own website or packing system, either. “Our customers want to buy from **Casper** and not from Amazon,” says Philip Krim, chief executive officer of the online mattress seller and a Flexe client.

Siebrecht, who previously ran the advertising marketplace AdReady, and his co-founders began offering overflow services to retailers and wholesalers in 2013, inspired by complaints from a friend who owns a small business. Flexe added online ordering last year and has raised about \$21 million

25
million

Square footage of Flexe's storage network, about one-quarter of Amazon's total

in venture capital. “On-demand warehouse and fulfillment space is a game changer,” says Ryan Sarver, a partner at Flexe investor **Redpoint Ventures**. “Startups don't know how much space they'll

need, because it's hard to predict where they'll be in a year or two.” Flexe declined to share financial data beyond saying sales rose 400 percent last year.

While vacant U.S. warehouse space has hit a 17-year low, the company is tapping a shadow inventory of space that's tied up in long-term contracts but may sit empty for months. Beverage and home improvement companies build warehouses with extra capacity for summers, so they usually have left-over space. Halloween costume wholesalers' warehouses empty out just as the Christmas shopping season hits. Flexe is managing the mismatch between supply and demand, taking an undisclosed commission on each transaction and relaying a portion to the warehouse operator.

The company says it expects to add 10 million square feet to its network this year. To prosper long term, it will have to keep adding capacity and prove it can deliver space for its clients during the high-pressure holiday season. “Being second fiddle in a bunch of warehouses is great 11 months out of the year,” says Jarrett

Streebin, CEO of **EasyPost**, which helps retailers coordinate with delivery companies. “But when you consider one month drives most e-commerce sales, that could be a problem.” —*Spencer Soper*

The bottom line Flexe's online storage marketplace offers e-commerce companies next-day shipping, a faster alternative to Amazon.