

Monday, October 16, 2017

# Co-working space operator questions tactics of rival

By Mark Armao

As the number of shared office providers in San Diego continues to grow, so does the level of competition between companies hoping to attract new members.

In downtown, the hunt for members is so fierce that the operator of one co-working space is alleging a rival company is using questionable tactics to poach clientele.

Wolf Bielas, co-founder of Downtown Works, said employees from co-working giant WeWork posed as prospective members of Downtown Works to gain information on its clients before targeting them with phone calls and emails offering incentives to join WeWork.

In addition to the alleged espionage, WeWork employees recently set up living-room furniture and games outside the Downtown Works location — at the corner of India Street and B Street, where a collection of food trucks amass on Wednesdays — offering free lunches to Downtown Works members and other lunchgoers while promoting WeWork's services, Bielas said.

While the attendants at the WeWork installation told Bielas they were there only to "spread the love," the Downtown Works co-founder said both the pop-up promotion and the systematic targeting of his customers was ethically dubious and detrimental to the local co-working community at large.

"None of these things are illegal but they are very shady, especially when they're doing this to local businesses" Bielas said.

A spokesperson for WeWork told The Daily Transcript in an interview that she had no knowledge of WeWork employees entering Downtown Works, but that the pop-up lounge is a promotional strategy the company has employed in other cities.

While Bielas cannot prove WeWork operatives infiltrated Downtown Works, he said some of the information the company used to target its members could only have been gathered while on site.

WeWork, which has 230 locations worldwide and is valued at \$20 billion, was recently accused of similar behavior in other cities.

In New York City, the CEO of on-demand headquarters provider Knotel claims WeWork employees committed "corporate espionage" by posing as prospective tenants, gathering information about Knotel tenants and targeting them with aggressive marketing materials, according to Crain's New York Business.

Bielas has first-hand knowledge that WeWork employees emailed solicitations to occupants of Downtown Works because they sent one to him.

In an email provided to The Daily Transcript by Downtown Works, a senior associate from WeWork's "new member development" team offered Bielas a year of free rent at WeWork with a two-year commitment.

The WeWork associate, who ostensibly assumed Bielas was a Downtown Works member — not a partner and co-founder — offered to help him break his lease so he could take advantage of the offer.

And Downtown Works is not the only flexible workspace company in San Diego that has been targeted by WeWork.

Members of DeskHub, a Little Italy-based workspace provider, also received calls and emails trying to coax them into switching to WeWork, according Felena Hanson, co-founder of the San Diego Coworking Alliance (SDCA).

Hanson said the SDCA is "doing some digging" to find out how WeWork obtained the tenant rosters of both Downtown Works and DeskHub. She suspects that WeWork, a company known for its use of technology and data collection to add efficiency to its operations, is using alternative means to obtain the information.

"They send in secret shoppers and take pictures of who's in the space and target them, but I think obviously they're getting that data in more depth because they're calling personal cell phone numbers ... and numbers that aren't even publicly available online," said Hanson who founded Hera Hub, a co-working space and business accelerator for women.

The SDCA, of which neither Downtown Works nor WeWork is a member, also is looking into what kind of permit WeWork obtained, or needed to obtain, from the city to install the outdoor lounge outside Downtown Works. (The segment of B Street between India and Columbia streets is regularly closed to make way for the food-truck roundup.)

The WeWork spokesperson, who requested that she not be quoted directly, said the company chose the location because it is a popular lunchtime spot, and that the decision had nothing to do with the fact that the locale was directly adjacent to Downtown Works.

"I don't buy it," Bielas said. "They're doing this kind of thing nationwide."

While the line between competitive-intelligence gathering and corporate espionage can be murky, many experts say the distinction hinges on the level of deception employed by those seeking the information.

Richard E. Custin, a clinical professor of business law and ethics with the University of San Diego, said that market-research practices, such as gathering publicly available information online or "mystery shopping" at a competitor's location, are usually accepted as ethical behavior.

"Competitive intelligence is acting ethically and within the bounds of the law in obtaining information ... without fraud, trespassing or misrepresentation," Custin said. "But, if you're making misrepresentations when you're trying to obtain a competitive advantage, I would consider that unethical."

Although it is unclear whether WeWork employees breeched any ethical boundaries in obtaining information on their local competition, the company's discounted offer raised eyebrows on its own.

WeWork has been known to undercut the prices of competitors in other markets, but the deal — which equates to a 50 percent discount on rent — seemed too good to be true to some.

Allwork, an online publication that covers the flexible workspace industry, recently posted an article that details the account of a mystery shopper who approached WeWork to take advantage of the offer.

According to the article, the shopper was told via email that the "free rent deal would be discussed after you become a member."

The local co-working community is concerned that WeWork's tactics detract from the sense of collaboration and inclusiveness that many of the workspace centers are trying to foster in San Diego.

Noting that Downtown Works invests in some of the startups it houses, Bielas said WeWork is sabotaging the startup ecosystem that he has worked to nurture since Downtown Works opened last year.

"We were very excited that [WeWork opened a location] here, and we thought that they would help to promote and make the ecosystem bigger, but basically they just came to destroy the ecosystem," he said. "It's not very healthy for the co-working community and the startup community."