

FAST COMPANY

Related Companies, the real-estate developer behind Manhattan's \$25 billion Hudson Yards, is going after Amazon

With its acquisition of the shipping company behind Away and Bonobos, Related Companies is becoming both landlord and logistics provider for direct-to-consumer brands.

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In the Amazon era, fast delivery reigns supreme. And any brand that wants to exist independently of the online behemoth needs a way get its goods into customers' hands as quickly as possible.

Digitally native brands now have a new—and somewhat unlikely—ally to help them move their merch: Related Fund Management, the private equity arm of the real-estate developer behind New York City's glitzy new Hudson Yards neighborhood. Together with Greenfield Partners, a real-estate investment management firm with experience in the industrial sector, Related has co-acquired Quiet Logistics, a fulfillment center specialist and logistics company specifically designed for digital-first brands with fulfillment centers outside Boston and St. Louis.

Though Quiet is a relatively small player in the logistics space (it ships more than \$1 billion in ecommerce orders annually), it has a strong reputation for working with direct-to-consumer brands. There are 60 such companies on its roster, including Away, Bonobos, Bombfell, Tuft & Needle, and Outdoor Voices—along with M. Gemi and Mack Weldon, which have stores opening in Hudson Yards this week. "Amazon is sort of the only retailer that matters anymore," says Quiet cofounder and

chairman Bruce Wely. “It has captured the hearts and minds of the commodity consumer—but a lot of our clients don’t want to ship through Amazon because they have their own brands.”

Related Companies has a special reputation among real-estate companies. It owns luxury fitness brand Equinox and cult cycling company SoulCycle, and has conjured up mixed-use developments in Chicago, Los Angeles, London, South Florida, and beyond. Its latest project is Hudson Yards, a 28-acre, \$25 billion neighborhood on Manhattan’s West Side. When it opens this week there will be luxury condos, sleek office space, an indoor/outdoor performing arts center, and, of course, retail galore. The retail segment is a heavily curated mix of big department stores (Neiman Marcus will have its first Manhattan store here), fashion houses (Louis Vuitton, Dior, Kenzo), and eclectic boutiques, such as an outpost of the San Francisco-based housewares specialist Batch and a “drug store” from upstart wellness beverage company Dirty Lemon. Direct-to-consumer shoemaker M Gemi and men’s underwear shop Mack Weldon are both making their brick-and-mortar debut there.

In order to make their online shopping experience pop offline, these kinds of digitally native brands need help creating delivery services that replicate the efficiency of their online experience. Speed has been key to the seven-year-old Mack Weldon’s success as a direct-to-consumer brand, says founder and CEO Brian Berger. He reached out to Quiet Logistics before his brand even formally launched: The company had a reputation for designing a system for picking and packing items with precision and speed. He credit Quiet with allowing Mack Weldon to offer, from the beginning, next-day delivery to customers based in the Northeast. Now, as Mack Weldon opens its first store, being able to deliver quickly is still top of mind. “If you don’t have something in the store and a customer wants it, you need to get it to them immediately,” says Berger.

Being able to provide tenants with such logistical support is increasingly important for Related, especially as retail moves away from chain outlets and toward the kinds of pop-up stores and boutique shops that delivery experience (capital E) as much as they sell goods. “We’ve historically tried to take the view that we’re not just a provider of square footage in a certain location, but a partner with our tenants. Because if their businesses don’t do well, they’re not going to be successful within our spaces and our spaces won’t be successful for us,” says Michael Winston, managing director at Related Fund Management. In the age of Amazon, that means making sure stores are stocked and that they can deliver to customers what they want, when they want it.

Related’s acquisition comes at a time when real-estate companies are rethinking the ways in which they can be valuable to their tenants. “Tenants are expecting their landlords to be their host,” says Byron Carlock, real estate leader at PwC. Typically that’s meant building out amenities that lure in shoppers: green space, seating, play areas for kids, restaurants, coffee shops. Hudson Yards has these in abundance.

But direct-to-consumer brands may need more support as they move into physical retail. “The conundrum lies in the cost structure,” says Carlock. “What makes direct-to-consumer brands successful is their ability to find efficiencies in the supply chain.” Physical retail, however, involves a different set of financial burdens, including real estate and human labor.

Related is planning to use Quiet’s relationships with couriers to keep its digitally native tenants stocked in store and offer fast delivery when they aren’t. The campus-style layout of Hudson Yards also allows for more concierge-like services. For example, a person staying at the Equinox Hotel, which is set to open in June, could shop for a set of underwear at Mack Weldon and have it delivered to his room that day. People who work and live at Hudson Yards could also come to expect that level of service. But Related’s ambitions are larger than this single campus. The developer, which has several

other high-profile retail projects in the works (including the Grand in Los Angeles and the 78, a neighborhood in Chicago), has plans to tap into its real-estate prowess to help expand Quiet's national footprint and make second-day shipping its baseline for all orders.

Back in 2009, Welty created a warehouse infrastructure for Quiet that is designed specifically for picking and packing boxes for the direct-to-consumer brands it works with. "It's really hard to take [a] huge supply chain that's all about moving things in bulk—cases, pallets, full truck loads, container ships, and all that—and then somehow open that up and reach in and pull out one shirt and two pairs of socks and a blazer," says Welty. At Quiet, each package is individually branded, and the company's operations are highly automated with customized robots: Welty actually started the robotics company Quiet works with and later spun it out.

The company is expanding its footprint so that 30% of Quiet's shipments could be same-day, with 60% of its volume being next-day. Related and Greenfield plan to reach those numbers by putting Quiet's buildings even closer to consumers. "We have designed this unbelievably efficient prototype that enables us to have enough throughput in our buildings so that we can justify being urban," says Eugene Gorab, President and CEO of Greenfield Partners. Quiet plans to open new fulfillment facilities in Dallas, Chicago, and Los Angeles.

For now Quiet will rely on partnerships it has with DHL and other courier services for delivery, but it's not opposed to exploring more custom options. Gorab says Related is known for developing its own solutions when it can't find the service level or product that it wants. As it deepens its relationships with its tenants, Related may increasingly become the muscle for small brands in an Amazon world.