

## **ConCase Competition. Round 2**

Your client is a shared office space provider – WeShare. WeShare offers office spaces to freelancers, entrepreneurs, and companies in 10 major cities across the U.S. and has 25k members. In 2021 the company generated \$160M in sales but was unprofitable. They hired your team to help them break even in 24 months.

In 2020-21 the severe pandemic-related restrictions moved the vast majority of office workers to their homes, questioning the need for office spaces. The covid-induced economic recession put additional pressure on companies to reduce their expenses on office rent. As a result, the flex office supply in the U.S. fell by ~10% (mid-2020 – mid-2021) after growing for nearly a decade. Flex providers largely stopped acquiring new locations and focused on closing underperforming locations and renegotiating leases, management agreements, or partnerships on others.

Overall, 144 providers collectively reduced their footprint by 10.1 million sq. ft. (gross) in 529 locations across 40 U.S. cities since mid-2020. The leading flex markets of Manhattan, San Francisco, Los Angeles, and Washington, D.C. accounted for 50% of the reduced flex supply.

The rapid spread of the Omicron variant has been pushing more companies to adopt a hybrid work model (in which employees work part of the time from the office and part of the time from their homes), downsize to smaller office space, and even leave the downtown areas after their leases have expired. Less appetite for offices increases vacancy rates and hurts the bottom line of flex space providers like WeShare.

To address unfavorable market conditions, WeShare attempts to rebalance its membership away from freelancers and entrepreneurs towards larger companies willing to take out longer tenancies. It has been increasingly targeting larger companies and offering them an easy way to set up satellite offices and even rent out entire floors in WeShare buildings. Such “enterprise” members accounted for 24% of its member base in 2021, up from 14% in 2020.

WeShare also tries to improve its value proposition and differentiate at the fairly crowded flex-office market with rapidly intensifying competition. In 2020 they launched a design, renovation, and office management service. In 2021 WeShare started offering National Access, allowing clients to use any site in the WeShare network across the U.S. whenever they wanted. The CEO’s vision is to continue expanding their product portfolio and offer a wider variety of accommodations and even financial services.

The CEO has brought your team in to help them navigate the challenging market and design a profitability improvement plan to break even by the end of 2023.