

TECHONOMY NYC

The Future of Jobs in a Gig-Centric World, and What It Means for Cities

Speaker:

Bastian Lehmann, CEO, Postmates

Interviewer:

David Kirkpatrick, Techonomy

(Transcription by [RA Fisher Ink](#))

Kirkpatrick: Bastian Lehmann is the CEO of Postmates, which is a delivery company and many of you may think of it as a company—

Lehmann: Delivering goods.

Kirkpatrick: —that has people going around delivering stuff, which is accurate. But I think what you're going to learn by listening to Bastian is that there is a method that is more thoroughly conceived than you might guess for what is really going on, when Postmates deploys a network of people who can basically deliver anything for you from anywhere in your community, which is what they can do. They'll basically go anywhere and get something for you, right? So, why don't you start by summarizing why you think that's important.

Lehmann: Right. First of all, thanks for having me and thanks for listening. We're trying to make this somewhat entertaining. We have the agreement. We'll make it fun, we'll make it entertaining.

Kirkpatrick: It better be funny and good. But he's also a major San Francisco startup, so even though we're very New York-oriented, we like to, at least, have a little affirmative action.

Lehmann: New York is our second-largest market. So, if that counts for anything, then—

Kirkpatrick: Okay, New York is the second largest, but he is a big time startup in San Francisco, no doubt.

Lehmann: Look, to put it in the simplest way possible, Postmates gives you a super power. You can have any item that's available in your city, delivered to you within a couple of minutes. That's the easiest way to describe it. And on the flip side of that is our premise, and that is that we're helping local retailers compete with big box retailers and companies like Amazon.

Kirkpatrick: Right. So, it's really a local economy tool, in a sense. A local economy support tool that is both pro-consumer and pro-small business.

Lehmann: Absolutely.

Kirkpatrick: That's a nice combination, I have to say. And when we talked on the phone, I had a number of epiphanies, which I'm hoping we will bequeath to the audience here. But one of the things that I think is a good way to start; we were talking about magical experiences. I think that was your phrase. What do you mean by that?

Lehmann: Well, I think it's—before Postmates came around, it was pretty unheard of that you can press a button and you have an item in your hand a couple of minutes later. Postmates helped unlock local inventory. If you think about local inventory and one of the challenges that you have in retail is that a lot of inventory is locked. That means it's only available and visible to you when you walk in a store or you call that store. It's a huge challenge. Companies all over the world are working on trying to write software that understands local inventory. Because if you can understand where is what in your city, you can then have an infrastructure like Postmates deliver these goods. And then, as a retailer, you have a blueprint that you can follow. You have a tool that allows you to compete, especially because we're living in a world where consumer expectations rapidly change.

On demand is not a gimmicky thing anymore, that it was six years ago, when you could get a pizza delivered from a place that usually does not deliver. It has arrived. Postmates has partnerships with Apple, with Walmart. We're looking at changing commerce. And local retailers have an absolute advantage here, and that is that they can distribute the goods that they have in-store extremely fast. But today, they, most of them, don't offer any of these services. But that will change.

Kirkpatrick: And so, do you—I don't even know the answer, even though we spent half an hour on the phone—do you guys actually maintain inventory? Do you actually list the inventory of specific local retailers? Or, is that something you want to go towards?

Lehmann: Yes, we do both. We do list it, from the ones that are our partners, or where we can find information about these inventories online.

Kirkpatrick: But this is something that you'd want to grow, clearly.

Lehmann: Absolutely. But we also are agnostic to the fact, if we have the inventory or not. Imagine a world where you know that a store exists. Let's say it's a hardware store, and you need an item from that hardware store, and you know that item is available. You can literally select that store in the Postmates app. Without us having inventory, you write a shopping list, and we get that thing to you within 38 minutes. That's the average time it takes us to complete a delivery in New York.

Kirkpatrick: That's pretty good. When we were talking about the magical experiences, I was talking about my own, pedestrian enthusiasm for using the Starbucks app. I don't know how many of you like the—I find it's so cool. You're just walking from 43rd Street to 14th Street, and I can order my latte on 34th and Fifth, and it's just waiting there when I get there, and I carry it out. To me, that's kind of cool. But you're sort of trying to bring that sort of simplicity and seamlessness and magic to all commerce in a local community.

Lehmann: That's correct. Yes. I think the phrase that I used on the phone last year; we are helping local retailers have the same abilities that Starbucks has with mobile order and pay. You can have it delivered, you can walk in and the item is ready for you. We call that 'pick up,' obviously. That is not anything revolutionary. It's been around forever. But, we'll have some neat software that helps retailers manage the lines in their store.

Kirkpatrick: Well, and to take it to the next level—if you'll allow me to speak for you—you said that by the end of this year, you're going to have, basically, a system that allows you in pretty much any—I don't know how many stores, how it will work, but maybe you can talk about that—which allows you not to even have to pay, in the same manner that Amazon has that store in Seattle that they're prototyping, right?

Lehmann: So, this is a good moment, I think, to give a little bit of background, why we're doing all this. And I tried to attempt it earlier, but I'm doing it again.

Kirkpatrick: Do it again.

Lehmann: If we look at local commerce in the United States, it's a huge market but it's very fragmented and it's underserved. We all spend around \$1.4 trillion a year in our local economies. Most of our discretionary income is spent locally. But, only around 3 percent of all the transactions that happen locally are actually captured online. And that means, that's Seamless, that's Postmates, that's all the apps that you use to do transactions locally.

Now, we believe this market is growing 30-40 percent, year-over-year, will have a dramatic impact on how we interact with the stores and services in our cities. At Postmates, we believe that we can create software that will funnel a lot of these transactions that will come online eventually, through the Postmates app in one way or another.

Now, we started in delivery. Now you can have access to all the goods in New York with the tap of a button. We launched a pick-up product, and we will launch a payment product that allows you to interact with the same retailers, the same restaurants that you use Postmates to get a pizza delivered. You walk in that same restaurant; they know who you are. They probably know better who you are than if you were a regular customer. They see your dietary restrictions; they see your allergies. You can order your food and you walk away from that place. There's a beacon in the tablet that connects your iPhone or your Android, your smartphone, to the merchant and you can have the same great experience without that, "Can I please have the check?"

So, all of this, to wrap that up, is because consumer expectations are changing dramatically in the world that we live in. We expect from every vendor we interact with, an omnichannel experience, anywhere, anytime, delivery or pick up, a look into the inventory, and that is an exciting world.

Kirkpatrick: And you also offer a subscription à la Amazon Prime. Just quickly talk about that.

Lehmann: Oh, it's cooler than Amazon Prime.

Kirkpatrick: Of course.

Lehmann: Because we call it Unlimited. So, first of all, it has a better name. And second of all, it allows you to have unlimited free deliveries from a basket size over \$20 from over 25,000 in-network merchants. Food, retail, you name it, in the Postmates app.

Kirkpatrick: And that's \$60 a year?

Lehmann: \$79. Pretty sure we can get it to \$60 eventually.

Kirkpatrick: I think you just raised it. But anyway—

Lehmann: No, we didn't. We dropped the price on it. It used to be \$100.

Kirkpatrick: Oh, it used to be \$100?

Lehmann: Yes.

Kirkpatrick: Oh, okay. I could have sworn you told me a different price on the phone. But anyway, let's go straight to the Amazon thing, though. Because, if there's one thing that local merchants worry about, starting with book stores but increasingly all, it's the Amazon threat, right?

Lehmann: Right.

Kirkpatrick: And you kind of represent for them an alternative, a way to fight back. Is that a fair summary?

Lehmann: I would phrase it slightly differently, and I would say, I don't think that local retailers are afraid of Amazon. That may be the thing that they channel their energy towards. But I think we all are, to a certain degree, afraid of change. And sometimes it's difficult to see the pace of change that is happening, and it can be very numbing if you don't have tools. If you don't know what to do in a changing world.

So, we can translate that simply to Amazon, but I think there's more to be said to that than just that one company. That one company does one thing very well, in that is, it understands the future. It works towards the future and it wants to make sure that you purchase most things through them.

Kirkpatrick: And it manages inventory really well.

Lehmann: And it manages inventory really well. It does a really good job. Now, that's a little bit—and I'm not saying this is happening—but it's a little bit like the internet and like the AOL/CompuServe world. You have this one place where you go to and it's all-you-can-eat, and you get your news through it, and you get most of your things through it.

Kirkpatrick: Huh. Interesting analogy.

Lehmann: And it's very centralized and it's powerful.

Kirkpatrick: Most people here are too young to know what that means, but—

Lehmann: We're old.

Kirkpatrick: CompuServe used to be the way we got all of our email and such.

Lehmann: Yes. So, it was this very confined place. And you know what? If it's centralized, it works very well. And I'm sure that history won't repeat itself step-by-step, but there is an analogy that there are now companies like Postmates, who are trying to give tools to all the retailers so that they can act in a similar way. Because if you can give your customers access to goods extremely fast, if you understand who they are, if you offer great technology in-store and via delivery, if your inventory is known and can be distributed, then there is the idea that there could be a decentralized approach to commerce, rather than one that is controlled by one or two companies.

Kirkpatrick: Yes. I think when we were on the phone, I threw out the idea, it's sort of like SEO for the online-offline world, which I think, that's a phrase you used, the online-offline world.

Lehmann: Right.

Kirkpatrick: But it's a very powerful idea and I confess that I haven't used it. Certainly, I use Prime a disturbingly large amount of the time. But certainly—and there are retailers like the dry cleaners. They're not worried about Amazon, particularly, but they do need tools to cater to the instantaneity of the customer's experience that's required today. I think you—what did you talk about? You had some also nice ways of talking about the expectations that customers and consumers have now.

Lehmann: Right. I mentioned it before, I think they're changing dramatically. I'll give you an example. A different way to look at the world through a different lens. Amazon won e-commerce. They won add to cart. A lot of us grew up during that time and the go-to thing for us is Amazon. Now, there are generational shifts that are happening. And if we look at the millennials, predominantly our customer base, around 80 percent of them, it is not clear to me that Amazon will also be the brand where, in the future, millennials, and when they have young families, they predominantly interact with. Because they grew up in world where they press a

button and their car arrives. They press a button and whatever they like to have access to, arrives. They are surrounded by these apps that give them superpowers, like Postmates. Their expectations are completely different ones.

So, I think for everybody who is a millennial or younger; you don't have any real association to Amazon as a brand. You're looking to different companies that you trust, your whole lifestyle changes on top of that. So, it's an interesting idea that there is an opportunity here to capture these customers and to have them as long-term customers.

Kirkpatrick: Another possibility, I would speculate, is that millennials might start to really care about local commerce. I mean, it's amazing how many storefronts are empty in New York City right now, and it's increasing by the day. And your local retail is really, really hurting and people who are thinking about the future of their communities are going to start caring about that. Millennials are just a little more attuned to change, so maybe that will be a contrast to my own soporific generation.

What about some questions from the audience? The lights seem to be turning themselves on and off, so maybe they'll illuminate the room.

Lehmann: There's an app for that, I think.

Kirkpatrick: Who has a question or a comment for Bastian?

Attendee 1: So, Amazon isn't really well-known for being focused on sustainability or basically anything related to philanthropy. Are you looking to differentiate there to attract more millennials as customers, etcetera?

Lehmann: So, I'm not sure if we're doing it simply because Amazon is not doing it or is not known for it. I actually don't know that in all details. At Postmates, we have, for quite some time now, what we call Postmates Civics Labs. It is basically, call it, a volunteer/philanthropic arm that we have inside the company where we do many things. We work with organizations, restaurants, Vice Media to collect wasted food, food that is left over in restaurants and we bring it to homeless shelters.

We work with veteran organizations, when it comes to being participants in our fleet, or helping us pilot our autonomous vehicles. We donate our own time by cleaning beaches, by working in homeless shelters, by preparing meals. And internally, as a company, we have a plan on where we like to see our own footprint. We're trying to reduce waste as much as we can. We have meatless Mondays because we believe even in the small things, where you can help reduce carbon emissions.

So, it is not something that we do because we want someone to be impressed by it. We do it because we believe it's important for us to give back to local economies. We employ 250 people in Nashville. Our customer success team is there. Our sales teams are there; they're very active.

San Francisco, L.A. But we love local communities. We believe it's our responsibility as a company that is successful because we leverage local communities that we have to give back.

Adam: Great. Thank you.

Kirkpatrick: Anybody else have a comment or question? Okay, here.

Smolan: Hi, Rick Smolan, Against All Odds Productions. I'm curious how you work out the revenue split with the company selling the pizza or the product from a hardware store. If you're delivering it for free, at some point doesn't that cut into your revenue stream? Someone's ordering a lot of things, do you just pay the company the full price?

Lehmann: Right. So, there's a—

Kirkpatrick: Thank you for asking that. I could have.

Lehmann: Yes, it's a great question. So, that you for asking it. From our in-network merchants—there's 25,000 in-network merchants—there is a revenue share. They pay a commission to be on the platform. We deliver the goods, they pay a commission as a percentage of the basket size.

Kirkpatrick: But for anybody else, you just give your delivery people a credit card and they just buy it and deliver it, right?

Lehmann: And in that case, the customer pays a service fee on the purchase. There is no other way of getting this item. That's our leverage.

Kirkpatrick: You started just by deploying people with credit cards who just bought stuff, right?

Lehmann: [LAUGHS] Yes, with Visa gift cards.

Kirkpatrick: Visa gift cards, is that what it was? Okay.

Lehmann: Five years ago. Crazy. This can fill all two hours of stories, but—

[LAUGHTER]

Kirkpatrick: Anyone else? Well, let me ask a question because one of the interesting things about Amazon, which is the looming giant to be continually compare this to, is that they are increasingly taking this Prime product and piling more and more stuff into it. You have your subscription service. Who are your possible allies there?

Lehmann: Yes, again, for Postmates Unlimited, it's kind of a subscription for your city. So, we talk to traditional—we talk to a range of people on how we—we believe in this. Let me try this again without rambling here. We believe that there is a place for a subscription that gives you

access to local goods and services. That's why we created it. Today, a third of our deliveries come from subscribers, so it's working very well for us.

Now, we're trying to make this subscription more powerful. We talk to traditional media companies, from a Netflix to a Hulu, and see if we can have them part of the subscription service. But we are also trying to figure out if we can move closer to the producers of goods so that we can partner with them. Because if you are a producer of a consumer good today, there is only so much excitement inside of you, that you see just Amazon being the only place where these goods are distributed.

If you are a producer of a fast-moving consumer good, that's actually what you don't like. You want multiple vendors selling your product so that they can compete on price, that you have a say in how your product's presented in the real world. So, we're trying to figure out how the subscription can be more meaningful via discounts, special offers, but also elements of media. Sorry for the long-winded answer.

Kirkpatrick: No, that's not so bad, actually. It was a good answer. And so, in other words, there's a variety of different kinds of partners. To some extent, you could aggregate a subscription that included more than local delivery. But you're saying that there's a considerable number of partners that just want you to succeed because they don't want—well, Walmart is there, too. A lot of companies are increasingly being left with Walmart and Amazon and that's basically it, right?

Lehmann: If you're Procter & Gamble, you will make sure that a lot of—and a large number of vendors carry your products and you can pay them to showcase the products. If you end up with just one place to buy Procter & Gamble products, you're in a pickle. Because if that one place is Amazon, then there is not much leverage you have. And as a result of that, we see companies like Procter & Gamble and others move closer to the consumer. They buy direct-to-consumer companies, they try to explore what they can do to cut out the middleman.

Kirkpatrick: Right. And I assume that helping the retailer understand not just their inventory, but their traffic and the way that people are buying from them more broadly, is a big opportunity for you, too.

Lehmann: It is. But to be very clear, we're at the very beginnings of that. And I also think, when it comes to retail, you want to have a really good look and you want to understand what's worth fighting for and what's not. Because, just because there are stores today, doesn't mean that all of them will, or should, survive in the future. I think it's very important to differentiate as a retail store, and as a local store, one also has to adapt to the consumer demand and to the consumer behavior. So, I believe the future of local and retail is actually highly specialized. Great local offerings that you can't get easily somewhere else, and something that creates an experience when you're visiting the store. So, all of these things come together. The local store that sells the same products that Amazon offers, but more expensive and doesn't offer delivery, will not survive.

Kirkpatrick: So, a lot of your local partners may not actually be stores at all, is another corollary of that.

Lehmann: For example, it could be just direct distribution of products.

Kirkpatrick: Okay. Well, thank you. This was great.

Lehmann: Thank you so much. I hope that was actually great.

[LAUGHTER]

Kirkpatrick: It was really, really, really interesting, and a company that, I think, we're all going to want to watch. So, thank you so much.

Lehmann: Thank you.

[APPLAUSE]