Omni’s ‘closets in the cloud’ turn into a new way to make money online

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Omni Operations Manager Anthony Monroe delivers a trove of party supplies to Tiffany Zhong, a client of the S.F. rental company.

Photo: Photos by Santiago Mejia / The Chronicle

It’s always surprising to see the new ways people dig up to make money online.

Some entrepreneurs are starting with their closets — closets they don’t even own.

Ugly Christmas sweaters, wheelchairs, strollers, car seats, bikes, hair dryers, tents, vacuum cleaners, guitars, surfboards, skis, poker chips, a Chewbacca costume, clothes galore.

That’s all stuff Bay Area people cleaned out of their garages and closets to store at Omni, a “closet in the cloud” on-demand storage company. But the twist is it’s also stuff those people are offering to

rent to others, with Omni delivering and picking up the rental items and processing the payments, in exchange for a 50 percent cut of the cost.

The San Francisco company started out trying to get consumers to store items in its warehouses, rather than self-storage facilities, offering to pick up and drop off items as needed for a small fee, on top of monthly rentals. But now some Omni clients are using that physical-storage service to launch rental businesses.

Cyan Banister, for instance, started off using Omni for storage, so she can indulge her love for things without overwhelming her San Francisco Victorian. “I’m a maximalist living a minimalist life,” she said.

Then she started renting out her stuff, like Christmas sweaters. That gave her an idea. “I’m obsessed with costumes and wish I owned a bunch,” she said. “What if I create a separate store for renting them?” So she’s been buying outfits on eBay to create Costume Town, a rental store on Omni.

So far, she hasn’t rented any costumes, but she’s hoping Halloween will prove profitable. Meanwhile, she’s renting her personal wardrobe of couture pieces to friends.

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Banister already had rented camping gear and a wheelchair through Omni. She bought two more wheelchairs, which she said have paid for themselves through rentals. She sees the rentals as a hobby to help teach her kids about business.

A venture capitalist, Banister was so enthused about Omni that she's invested $100,000 in it. "I have a feeling all sorts of businesses will flock to Omni for rentals," she said.

Lots of companies have tried to create on-demand rental of stuff, and many have failed, because it's tricky to balance supply and demand. A market needs enough goods to draw renters, and enough renters to justify investing in a lot of wares. But by having its thousands of storage customers provide the stuff, Omni said, it has solved that chicken-and-egg dilemma.

"The storage business was a Trojan Horse," said Ryan Delk, Omni chief operating officer. "We invested 2½ years in building out the supply side of the marketplace and honing the details of a same-day last-mile logistics business." It started rentals last fall.

For storage, Omni sends staffers in its bright red trucks or vans to customers' homes to pick up their items, then photographs, catalogs and stashes them at one of its two Bay Area warehouses. Big items like bikes cost $3 a month to store; closed bins are $7.50, and smaller things like a toaster are 50 cents.

Omni, which has raised $37 million from investors, currently serves San Francisco and other parts of the Bay Area but plans to expand to a second market this year and many more in 2019, Delk said. The company has 57 employees, evenly split between operations (drivers, warehouse) and headquarters (engineering, product management).

Delk wouldn't reveal financials, but said storage provides solid ongoing revenue. Other on-demand companies like food delivery firms need customers to continually submit new orders, whereas storage customers pay Omni every month and rarely leave, he said.

While Omni's path has echoes of eBay and Etsy — marketplaces that first catered to consumers and hobbyists and gradually got bigger in their ambitions — Delk compares it to vacation-rental marketplace Airbnb, which lets people make money by renting out extra space in their homes.

"Omni lets people unlock the value of spare things, like a bike when they don't use it," he said.

And just as Airbnb doesn't have to invest in its own real estate to rent out, Omni doesn't have to buy any of the stuff it rents.

So far, most of the Omni-enabled rental businesses are pretty small potatoes. It's hard to see how Omni will make money if it has to send out a worker and a truck to deliver and pick up an alarm clock that rents for $1 a day. Even bigger-ticket items like bikes go for only $10 to $30 a day.

Omni said the average rental order in the past 30 days was $44.86, meaning its cut was $22.43. Most orders contain several items booked for more than a day, which drives up the total.

“We’re profitable on the logistics of every rental order,” Delk said. “We also have new product features in the pipeline to make renting multiple items in kits super simple for renters, which will continue to drive these numbers up.”

Still, some observers questioned the model’s long-term viability.

“They’re making some really big bets on volume,” said April Rinne, a consultant to on-demand companies who is not involved with Omni. “It’s not clear to me it will work to get a critical mass of unrelated assets for successful rentals. And it gets messy really fast to try to be the sharing aggregator for everything.”

Nicolas Grenie, a French expat living in San Francisco, used Omni to start SF Cheese Party, based on a French wintertime get-together tradition. He rents out a raclette grill for partygoers to grill cheese together, which they then eat with charcuterie. Omni delivers the grill, which rents for $5 a day, while grocery-delivery service Instacart brings the comestibles from Mollie Stone’s.

“It was amazingly easy to kick-start the business, since Omni and Instacart take care of all the logistics,” he said.

But he acknowledges that it can’t be a good deal for Omni to deliver and pick up a raclette grill for $2.50.

Some businesses piggybacking on Omni’s service don’t see rentals as their central endeavor.

Hong Quan, whose Karmic Bikes does direct online sales of e-bikes, uses Omni to rent bikes to potential buyers so they can try them out for $25 to $30 a day before plunking down $2,500 to $3,000 for one.

“My goal is to get people to try my bikes,” he said. “Omni is doing all the heavy lifting of shuttling bikes back-and-forth and storing them. Before, I was doing that myself.”

One analogy to Omni’s rental business is Loanables.com in Austin, Texas. Candace Lake co-founded the company, whose main business is putting together party-supply rentals.

But as a community service, it developed a Craigslist-like marketplace for peer-to-peer rentals of stuff. Unlike Omni, it doesn’t handle the logistics.

“We created it out of a passion to be environmentally conscious,” Lake said. “Our goal is to make it as easy to rent as to buy on sites like Amazon, so people will stop overconsuming.”

While Loanables doesn’t seek to make money from the rentals, she said it would be a slog to do so. “It’s hard to make the unit economics work,” she said.

Omni also sees its business as helping the planet, and tapping into the trend of Millennials wanting to live with fewer things.

“We’re building a world where people think about access over ownership,” Delk said.

Tom Feeley, a Boston freelance graphic designer and developer, stumbled across tweets about Omni’s rental market and decided to try it as a side hustle, blogging about his experience of running rentals long distance.

In January, he spent $472 on Amazon to buy a wheelchair, baby stroller, portable crib and bouncy house, picking items he hoped would prove popular with renters.

“With just a few clicks, I could send an item from Amazon right to Omni,” he said. “They do all the work to check it in, unpack, take photos and allow me to access it from their Web app.” Then he wrote up descriptions and set rental prices.

The wheelchair, which cost $112 and rents for $6 a day, soon paid for itself. But to his chagrin, the baby items have barely been rented although he hopes that will change in summer.

While not lucrative, the project met his goal of generating some passive income.

“I literally do no work,” he said. “It’s looking like I will at least break even, or maybe walk away with a few hundred for the year. But there’s always Year 2.”

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