

Is Walmart's tech investment in San Diego a sign of bigger things to come?

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A technology company moving from a dated 9,000 square-foot office to a modern 30,000 square-foot space usually doesn't portend a major shift in San Diego's corporate dynamics. But when that company is the nation's largest retailer and its motivation is rooted in out-recruiting its biggest rival, both of which previously ignored the region, then a sea change seems in the works.

Such are the talent wars brewing behind the scenes in San Diego with Walmart pumping money into growing its local Walmart Labs [office](#) as it combats the threat of employee attrition to seemingly sexier technology outfits in town, namely Amazon.

Walmart Labs is the company's technology arm; the under-the-radar San Diego outpost is responsible for a number of processes critical to the retailer's online operations. That includes testing any changes to the website, creating a link between the company's in-store and digital assets, and managing a wealth of data.

"I tell people, if our Carlsbad office goes down, so does Walmart.com and some of the critical store systems," said Claude Jones, site lead and senior director of engineering. "We are the teams behind the scene that keep the site running."

Come October, Walmart Labs' current San Diego team of 70 will take over a custom-built venue at Carlsbad's premier business address: the Make campus at 5600 Avenida Encinas. Though relocating just three

miles southwest, Walmart Lab's move smacks of inter-dimensional office travel designed to give the firm an edge over its peers in the recruiting department.

Whereas the current office feels dreary and antiquated with corporate stabs at flavor—like the so-called game room that has become the room for everything that doesn't fit into the main space—the new venue encapsulates the work-hard, play-harder millennial mindset.

So familiar tech office amenities such as a supersized kitchen, large game room, lounge areas and dedicated room for new moms will, of course, be included. But beyond those features, the broader Make campus greets workers with an expansive indoor-outdoor gym that accommodates functional fitness enthusiasts and yogis alike. It also boasts a central coffee shop (housed in a shipping container), outdoor amphitheater, surfboard storage area, on-site bikes (for quick jaunts to the beach) and electric car charging stations. There's even live music and food trucks present on a regular basis.

Walmart declined to disclose the cost of the relocation, but it is a substantial undertaking considering that the company plans to grow the lab's headcount to 180 people locally.

"Amazon's out here knocking on our door," Jones said, explaining Walmart Lab's rationale for the move.

Last year, Amazon leased office space in University City with room for more than 500 employees. Since then, the e-commerce giant has been on a hiring spree, scouting for area pros in game development, software engineering and data science. In the process, Walmart Labs, said Jones, lost a few workers to its digital foe.

Jones took the losses as an opportunity to sell the higher ups on a much

larger, state-of-art office. A pitch deck highlighting the San Diego presence of other power-players—Google, ViaSat, ServiceNow, GoDaddy, Evernote—successfully demonstrated to execs that "San Diego is the real deal" as far as talent goes, he said.

"I think (the tech talent pool in San Diego) has been undervalued for a long time," said Robert Lowell, who runs the Carlsbad site alongside Jones and is focused on the company's data systems.

San Diego ranks 16th in the nation on CBRE's 2018 tech talent score card, still well behind the No. 1 Bay Area region but also noticeably higher than our neighbor to the north, Los Angeles, which ranked 26th.

Heavy-hitters are starting to take notice.

In the last five years, San Diego has seen big names in tech put a small team here or turn a local acquisition into a SoCal branch, said Mark Cafferty, the president and chief executive officer for San Diego's Regional Economic Development Corporation.

Why? In part because local agencies and startup groups have aligned in getting the word out about the talent pool, he said. His organization is in the midst of a regional branding campaign called "San Diego: Life. Changing." for instance.

But the other, arguably more important, part is personal.

"Nate (Wiger, who runs Amazon Fresh in San Diego) had to work very hard ... to convince Amazon to be here," Cafferty said.

"The persona of San Diego is very laid back."

It was an even harder and longer sell for Walmart Labs' Jones and

Lowell.

The story, as they tell it, goes that Jones and Lowell were approached by Walmart six years ago as it sought to establish a stronger foundation in e-commerce. They were asked to join the new entity Walmart Labs—with the condition that they relocate to the Bay Area.

Instead, the pair was able to negotiate a trade: Find eight like-minded people in San Diego and they could run their own outpost down south. Lowell and Jones assembled a team of 13 people, many of whom came from a former Yahoo office in town. And so they all stayed put.

Six years later, a far more substantial office is on the horizon.

It's this micro- to medium-sized office progress that seems to foreshadow an attitude shift, giving hope to large developers that technology unicorns of Facebook's caliber are headed to town.

Real estate investment firm Stockdale Capital Partners is in escrow to purchase Horton Plaza and transform the 900,000-square-foot shopping center into a modern tech campus. And, right next door, Bosa Development plans to erect a 162,000 square-foot creative office building to court tech companies.

"I truly feel the trajectory we're on is the right one," Cafferty said, noting that the region is getting better at singing its own praises.

One tune getting airtime sounds like this: San Diego software workers stay with companies longer than their Bay Area counterparts, according to EDC data. And science, technology, engineering and math jobs are 34 percent more concentrated in San Diego than the U.S. average, the agency says.

Plus, once companies like Amazon and Walmart open up shop, they find that tech talent is readily available, Cafferty said. That's thanks to the region's proximity to UCSD and its abundance of life science companies, which have seeded the market with the type of data scientists also coveted by consumer tech companies.

And so begins the recruiting wars, with trendy office environments the weapon of choice.

Of course, an appeal to the ego doesn't hurt either.

In that vein, Walmart Labs' Carlsbad office likes to tout very large numbers. Jones, the site lead, says, for instance, that the merchant tools his team works on process half a billion requests a day.

"We're trying to connect e-commerce and physical stores to provide a more streamlined customer experience; that's where our focus is," he said. "Amazon is trying to catch up to us to do that."

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