

BOOH FOOD (A): THE LAUNCH¹

"How many riders do you think we will need for next week if the government declares a state of alarm? I have to provide a figure shortly but, given how uncertain the situation is, we might fall short or go over the top."

On March 12th, 2020, Daniel Bueno, CEO and operations manager of Booh Food, and Tomás Alegre, also CEO and business development manager, were conversing. Since opening to the public, they had managed to bring 8 brands onboard progressively. They were in the midst of launching and adjusting the business and, although all signs were that they would be able to continue operating even in the worst-case scenario, they were, without a doubt, entering uncharted territory.

Booh Food was a digital catering business that offered food take-away and delivery. Its facilities functioned as a shopping center of independent kitchens with different culinary specialties by different brands. The business was inspired by the concept of dark kitchen², albeit located in a busy street of a highly populated neighborhood in Malaga instead of a warehouse in the city outskirts. Its eye-catching two-story premises had ample windows that showed the take-away and order pick-up area and boasted a large logo on the main façade, which attracted passers-by and drivers and were also meant to build trust.

Booh had managed to create a buzz in Malaga before the launch with bus advertisement, online marketing, and local media. Before they opened to the public, they already had 2,000 registered users.

¹ This is a case of the Research Division of San Telmo Business School, Spain. It has been written by professor Marisa Martínez Jiménez in collaboration with research assistant Alfonso Abad Briales, and is intended as a basis for class discussion only and not to illustrate any judgment on the effective or ineffective management of a specific situation.

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² Unlike restaurants, dark or ghost kitchens worked only for home delivery and relied on delivery platforms to bring the product to their customers.

THE INCEPTION OF THE PROJECT

Booh was born on July 19th, 2018, at Demium (<https://demium.com/>), a business incubator connecting disruptive ideas with people with entrepreneurial drive. Daniel Bueno was the one who came up with the idea. He was a computer scientist by profession and a born entrepreneur. He felt comfortable in the fields of operation design and information processing.

Booh came to the jury as a Digital Restaurant Logistics Platform and made it through to the incubation program. Angelo, who was a marketing expert, soon joined. They had a lot in common and were fully in tune with the project. The last one to join was Tomás, who came from the world of retail. He was a person of action and a natural manager.

"The truth is we all fit in very quickly, and in just over a month, we were working at full capacity on the business plan," said Angelo.

THE MARKET OF FOOD DELIVERY AND DARK KITCHENS

The food delivery market had experienced a progressive double-digit growth every year since 2010, reaching a turnover of more than 2.4 billion EUR in Spain alone in 2018.

With 25% of the total business volume (it was expected to reach 50% by 2020), the Internet led growth in this sector³. Platforms like Deliveroo, Uber Eats, Glovo, and Just Eat were excellent examples. In terms of employment, the delivery business was expected to create and maintain around 50,700 jobs across the value chain of the hospitality and retail industry in Spain.

However, despite the quick penetration rate of recent years, this business model was not as relevant in Spain as it was in other European countries. The United Kingdom held the leading position in Europe.

Since 2018, the sector coincided that the unstoppable growth and use of Big Data to digitize and streamline processes and control all customer iterations was key. The aim was to improve user experience and gain agility to adjust its offer.

The trend for the dark kitchen model was gaining ground within the food delivery business. Dark kitchens were hidden or closed-door kitchens with no tables, chairs, or waiters that did not need a premium location (critical for conventional restaurants), as they were usually located on back streets, basements, outskirts, and premises without public access. They were native to food delivery companies.

Anyone selling take-away food from a non-restaurant location could be considered a dark kitchen. In recent years, the market had become more professionalized, with new

³ 92% of the Spanish population has a mobile connection (Digital Economy and Society Index5 2018).

companies that rented restaurant kitchens and provided them with the necessary infrastructure to get them up and running in less time than a traditional business.

The dark kitchen concept arrived in Spain in 2018 when the company Glovo (Cook Room) chose Barcelona to establish its first shop. Glovo planned to open three or four additional locations in Madrid to serve any point in the city within a maximum delivery time of 20 minutes.

Keatz, a German digital restaurant company, had also landed in Spain in mid-2018 after closing a 6 million EUR investment round. During 2019, Keatz became a benchmark in the dark kitchen business. However, poor internal management dragged the Spanish subsidiary to closure at the end of 2019.

Consumer behavior and legal regulations limited this business model in Spain. On the one hand, not everyone was willing to trust a kitchen "of unknown location," and on the other, food safety and hygiene were hard to control in these facilities. The competent authorities and some consumer associations focused on these aspects and demanded that companies meet specific requirements to offer this type of service.

CLIENTS AND HABITS

The typical home-delivery customer was a young individual, between 25 and 35, who was employed and lived with their partner or family and ordered from home. The main reasons for using this service were convenience and time-saving. Regarding the moments of consumption, there was a very high correlation between audiovisual content consumption, especially movies and series (78%)⁴, and food delivery.

In Spain, the most popular cuisines for delivery included, in this order, Chinese, Italian, American, Japanese, Turkish, Spanish, and Indian, although it varied from one region to another (Exhibit 1. Most popular food types in the delivery segment by region).

In the last two years, users were attaching more value to variety, and there was a great deal of interest in discovering new dishes. For this reason, types of cuisine such as Hawaiian (poke), vegan, and healthy trends were experiencing remarkable growth.

THE COMPETITION

The national leader in the food delivery market was Just Eat⁵. Unlike other delivery companies such as Glovo and Deliveroo, which had a wider product offer, Just Eat

⁴ Basically, on-demand platforms (66%), followed by television (30%).

⁵ Just Eat was an online platform (web and app) founded in Denmark and headquartered in the United Kingdom that connected consumers and restaurants willing to deliver their food home. In Spain, Just Eat started operating in 2010, and by 2019 it had 2 million users, 5 million downloads of its app, and 10,000 partner restaurants. It was present in over 1,000 Spanish towns and served over one million orders.