

GLOVO: Q-commerce, the evolution of E-commerce¹

"Glovo is the trendy company that people as diverse as Dabiz Muñoz, Carrefour, DIA, CEPSA, Naturgy, Subway, and La Casa del Libro want to work with."

INTRODUCTION

When in 2015, Glovo reached a valuation of more than 2 billion USD in only five years, it was the second Spanish "unicorn" after Cabify. The company had combined technology with the classic concept of "errand boy." Glovo is the fastest-growing delivery player in Europe with the strategy of serving *"everything, and all good, anywhere."*

In 2020, after divesting its business in Latin America, Egypt, and Turkey, the company took a new turn in its strategy to improve profitability: Glovo wanted to lead the so-called "third generation of commerce" or Quick Commerce, which went beyond food delivery and offered under-30-minute product and service deliveries.

In 2021, when the company expected to reach the break-even point, and in the midst of the fight against the pandemic, which had favored an exponential growth of this type of business, Glovo received terrible news in the form of a Decree-Law. The company had to take a moment to consider several matters regarding its future and the size and financial muscle it would need to fight against giants...

¹ Case published by the Research Division of San Telmo Business School, Spain. Prepared by Julio Audicana Arcas and Marisa Martínez Jiménez have prepared this working paper based on interviews with the Glovoapp's. This case is developed only as the basis for class discussion. Cases are not intended to illustrate any judgement on the effective or ineffective management in a specific situation.

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THE BUSINESS MODEL

"If someone else can do it for me, why should I waste my time?"



Under this "not at all innovative" premise, Oscar Pierre, a recently graduated aeronautical engineer, and his partner Sacha Michaud had launched Glovo in 2015 with an investment of 100,000 EUR. Glovo was a mobile application (App) featuring an iconic central button that users could click to "order anything: food, groceries, or a gift, and someone would deliver it to you in no time." This concept was initially inspired by Uber and Postmates and evolved over time (Exhibit 1: Timeline and main milestones in Glovo's history).

Glovo 1.0 Pick-up and delivery

Initially, Glovo was an App that put users who wanted to order/send something that fit in a box and weighed less than 8 kg in contact with couriers (*glovers*²), who would buy or pick up the product in a partner store and deliver it to a given address. The tool they developed provided *"a text box where users could write what they wanted,"* information about the order status, the location of the delivery person, and the means to process payment.

Glovo 2.0 Marketplace

After a successful start, registrations to the Glovo app dwindled in mid-2016, and the company could not stop investing in marketing and opening new locations. To stop this "bleeding," the company evolved its concept and created a marketplace where users no longer told a rider to *"go and pick this up"* but could *"go to the app and choose what they wanted the rider to pick up and deliver."* (Exhibit 2: Glovo Marketplace)

Glovo 3.0 Q-commerce

In mid-2020, Glovo announced a new "revolutionary" concept: urban deliveries within 30 minutes. Consumers demanded "speed and convenience," even more so after the recent lockdown due to the COVID-19 pandemic.

² Glovo delivery people were known as glovers.

Users-Partners³-Glovers

Glovo used aggressive online and offline marketing campaigns to make itself known among potential users, mainly busy people with no time for shopping, people with no motivation to cook, and many young people who wanted to "get things in an easy and convenient way, via a stable and uncomplicated platform." Registered users received loyalty rewards and discounts on bank holidays and days of top soccer games, and Glovo also held campaigns for recurring customers. (Exhibit 3: Marketing, customer acquisition, and loyalty campaigns).

Two were the main reasons for the halt in user registrations and orders of mid-2016: the lack of a comprehensive offer to choose from and the price of the service. Glovo initially charged a fixed 5.50 EUR fee per service (5 EUR for the delivery person and 0.50 EUR for Glovo) plus the price of the product if one had to be purchased. This price became a barrier as Glovo was labeled as a "*service for snobs*."

By 2021, the final price was no longer based on transportation costs only but also on the distance, waiting time, and partner's commission.

Glovo already delivered event tickets, groceries and personal care items, packages, and local logistics services. In an effort to offer an attractive product and service assortment (*anything in your city*), the company gradually added multinational and SMEs partners who could offer their products directly to consumers, increasing their visibility and adding the delivery service for a commission that could range from 30% to 15% for well-known brands and was modulated weekly based on average daily orders. Some were charged an additional 10% for including them in the company's advertising campaigns. Glovo retained the price of the product for one month, and the partners retained the commission for two weeks.

To attract this new type of customer, Glovo created a B2B sales department in charge of identifying, sharing, and negotiating the terms and conditions of the potential agreements. With Glovo, partners would increase their sales scope without additional logistics costs, and Glovo ensured stock maintenance and offered fully comprehensive insurance for the merchandise.

Despite Glovo's diversification efforts, most orders involved food and beverage deliveries. Consequently, Glovo focused on attracting the catering industry as a customer for its pick-up and delivery services. It seemed interesting because of its recurrence "*We eat three times a day... every day*," and the company set out to sign agreements with all major international restaurant chains, which provided volume and visibility, and complemented its offer with local partners (*local heroes*) in each city. By 2021, 70% of Glovo's sales were major restaurant brands, 20% prominent local restaurants, and 10% other actors and categories.

³ Businesses that market their products or services through the application.