

Glovo

From Startup to Unicorn

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Oscar Pierre, founder and CEO of Glovo, had reason to celebrate in early 2020. He was deeply satisfied to have transformed his company into a Unicorn, valued at \$1.2 billion, in only five years. But this accomplishment made him and his leadership team to feel the pressure of investors anxious for greater profitability. On January 21st, 2020, Pierre sent an email to his team to communicate that Glovo was closing operations in Turkey, Egypt, Uruguay, and Puerto Rico, a total of 8 cities, 94 employees, 5000 “Glovers,” 2,500 partners and 190,000 users. Pierre felt sad and emotional, but he was sure it was the right decision...

1. Starting Glovo (Sep. 2014 – Aug. 2016)

The Origin of Glovo

Oscar Pierre junior, the elder son in a family with a strong entrepreneurial spirit, was born in Barcelona in 1992. His father was the president and CEO of Business Think & Grow (Business T&G), a Spanish company that provided specialized management software to its clients. In 1925, his family on his mother’s side founded Miquel Alimentació, a large conglomerate and one of the biggest food distribution wholesalers in Spain. In 2015, it was bought by Bright Food, a food company based in China. In 2018, Bright Food changed the Catalan group’s name to GM Food Iberica.

Pierre studied aeronautical engineering at the Polytechnic University of Catalonia. In 2014, he went on an exchange to the United States to complete the final year of his undergraduate education. He chose Atlanta, Georgia, and, fortunately for him, it was the right place at the right time. The collaborative economy was booming and companies such as Uber and Airbnb were very successful already. Pierre recalled: “Nowadays, young people want to have things in a rather simple and inexpensive way.”

This case was prepared by Professor Joan Enric Ricart, Mathieu Carenzo, lecturer, and Albert Tapia, research assistant. June 2020.
IESE cases are designed to promote class discussion rather than to illustrate effective or ineffective management of a given situation.

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He was exposed to this type of service very early when he arrived in Atlanta with Uber. He said:

I was surprised. The car came quickly to pick me up. The driver was well dressed and nice to me. He offered me something to drink and let me choose the music! I was worried—I thought it would be very expensive. But no: it was way cheaper than a regular cab.

The customer experience was complete when he was asked at the end of the journey to evaluate the service through a scoring system. He felt that the customer's opinion mattered.

After graduation, Pierre joined the plane manufacturer Airbus in Toulouse, France. He worked there for eight months, in the aerodynamics department, but he "did not find the entrepreneurial environment" he had been expecting. In his view, procedures were slow and he did not feel enough dynamism. "I wanted to work with people willing to give everything and achieve excellence every day," Pierre said. Describing his experience in Airbus, he said: "The feeling just wasn't there between the firm and me." So he ended up leaving the company to undertake something that would fulfill him personally. Glovo was born.

The Business Model

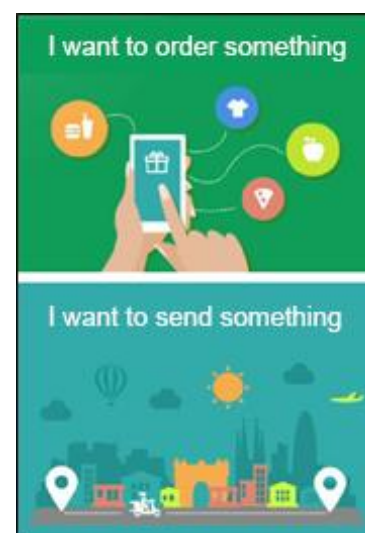
Pierre's initial assumption was that there was latent demand in the market because many people wanted to buy a wide range of products online rather than in person, including food, and to receive the order in a matter of minutes. Pierre was able to experience a relatively new courier-based service launched in the United States called Postmates and thought he could do something similar in Spain.

Pierre identified different profiles (buyer personas) who he believed would benefit from Glovo's service: busy people with no time to go shopping, people without the motivation to cook, and many other potential users of a delivery service for food and other types of products. As a consequence, Glovo was created to satisfy a wide customer segment, consisting of people with different characteristics and needs. The company's ambition was to reach a mass market.

The business model worked as follows: Glovo developed a mobile phone application where consumers could ask couriers to purchase and/or pick up a product and deliver it to a specific address. The app was the technological tool allowing both users (the customer and the courier) to interact with each other but the app also managed the entire purchase-delivery process, charging the customer for both the product and the delivery service. The app also provided information about the order status, such as the location of the courier in charge of picking up and transporting the product. (See **Figure 1**.)

For each order, Glovo charged customers a fixed fee of €5.50. The courier's commission was €5.00 and the company's commission was the remaining €0.50. The model did not have a diversified income stream, consumers being the only source of revenue. The service's final price was the delivery service commission plus the price of the product to be transported, which the company passed on to the customer. The first price mechanism adopted by Glovo is illustrated in **Exhibit 1**.

Figure 1
Early Version of the
Application's Interface



Source: Document provided by the company.



Initial Leadership Team and Human Resources

Oscar Pierre headed the company's leadership team along with Sacha Michaud, the other cofounder. Michaud had been working in the technology sector for more than 16 years. He founded a hosting company and created one of the most important Internet portals in Spain in the late 1990s, LatinRed. Before joining Glovo as a founding partner, he spent nine years leading Betfair Iberia, a prominent sports betting company in Spain.

When Glovo was still just an idea, Pierre was aware that he needed a peer to start the company. At the end of the day, he was just a recent graduate from engineering school with less than one year of working experience.

In early 2015, when Glovo placed its first orders, the company's total workforce consisted of only five people: Pierre and Michaud as the cofounders, one back-end developer, one front-end developer and one operations manager. There was no marketing or sales department.

By September of that year, the company had grown to 15 employees, most of whom were dedicated to marketing, operations and app development. At the end of the year, the finance department was professionalized by incorporating full-time workers and key members of the company's organizational structure.

Operations: Glovers

The operation process of Glovo—that is, the activities of collecting, transporting and delivering products—was managed mainly through the mobile app and the couriers. Glovo referred to the couriers as “Glovers,” and the company set things up so they would work for Glovo with the status of freelancers. The company sought legal advice and made efforts to make sure it would not create an employer-employee relationship with the Glovers. Glovo did not ask them to wear special clothing displaying the company logo and it provided them only with the box for transporting goods. It did not provide them with any means of transport because the couriers, being classed as independent workers, needed to have their own.

Most of the Glovers were quite young: students seeking a temporary job, unemployed professionals in search of a new job opportunity, or part-time workers in need of extra income. As a consequence, the courier turnover was high, and the company constantly had to look for new Glovers. Hence Glovo made it easy to become a Glover. Potential Glovers would access the Glovo corporate website to participate in an information session. After a subsequent training session, they would be provided with the appropriate material: the app for couriers and the transportation box measuring 40 cm by 40 cm by 30 cm. (See **Figure 2**.) The box shortly became an emblem of the brand. The courier, now a Glover, could start receiving orders through the app.

The mobile app that Glovo developed specifically for the Glovers was a basic but very useful tool to help them operate properly. Glovers used it to receive and accept or reject new available orders but also for other purposes, such as choosing schedules, interacting with Glovo staff or

Figure 2
Glovo Box for Transporting Food and Other Products



Source: Photo taken by the authors.