

Final assignment: Glovo

1. Mission and vision

Glovo is a Barcelona-based startup and the fastest-growing delivery player in Europe, Western Asia and Africa. With food at the core of the business, Glovo delivers any product within your city at any time of day. They currently deliver over 100M annual orders and operate in 19 countries, and in 250 cities.

Glovo is established to enter new markets with the aim of being able to deliver any product in your city in a time of between 15 and 45 minutes.

Glovo's mission is to function as a bridge between people who have time, with those who don't; they want to help everyone to accomplish their daily tasks. They are projected to be the best lifestyle application in the city, they want to connect users with all the possibilities that the city offers them.

The vision of Glovo is not only to make everything immediately available in the city but it is also to offer to employees the job of their lives. A job where they will be challenged and have the most fun working in through tech-enabled experiences.

Glovo's vision is to be the app of the city and connect the user with everything they need, that is, the delivery of practically anything. Under this idea, Glovo is interested in everything related to home services and the restaurant reservation business.

2. Corporate values

The App works as a courier, allowing customers to send documents or any other item according to their needs. Once the order is placed, customers can track it in real time due to the geolocation system included in the software. It helps society in the ease of transport to detail, which is ultimately a reduction in pollution as it avoids large transport elements for small products.

The corporate values of the company are:

- Reliability: Glovo is a transparent company who wants to be loyal to their clients so that they can be loyal to them.
- Communication: This provides good team coordination, as well as greater efficiency when making decisions.
- Customer focus: It is always their priority, they look for the good of their users in every decision that is made.
- Integrity: Glovo always acts honestly, both towards its suppliers and its clients.
- Loyalty: They have a great commitment to their clients and users.

- Data Protection: Glovo is a very firm when it comes to protecting people's information.
- Teamwork: It's essential to be able to open new horizons. Communication in a company must be paramount.

3. Corporate goals

The main objective of Glovo is to be able to continue expanding the delivery proposal of "whatever" for urban life.

The objectives of the company are: first, that physical stores can expand their covered area by 10% and, therefore, increase their level of sales. Secondly, the goal of glovo is to create new employment opportunities with an increase of 35% for people seeking to work part-time or self-employment with great flexibility.

Thus, Glovo's priority is to satisfy the needs of its customers and to innovate both in the app and in the possible changes that customers may have regarding their tastes. To this end, Glovo has an incredible customer service team that helps resolve any doubts or questions the customer may have, at all stages of the process. Delivers in less than an hour and has more than 3,000 messengers worldwide. In fact, it has the largest fleet of messengers in the market, with continuous attention.

4. PESTLE analysis (general environment)

Political factors:

A stable government is essential for any business to function successfully in any country, as it ensures a favorable political environment that can be beneficial to businesses.

The political environment in Spain changes every three years with the formation of the new government and we have one of the most stable democracies in the world. It is also important to identify other factors such as, for example, if climate change is favorable for doing business in Spain, if labor laws are strict and labor is expensive in Spain. And finally, the lending rates are high, which means that the company has to pay more taxes, so the company will have to reconsider its profit sharing while operating in Spain.

In general, Spain offers great freedom for business and trade, which makes it an ideal market to launch Glovo.

Economic factors:

Glovo is a service app that operates using the principles of a gig economy. In a gig economy individuals are hired by organisations on contractual basis but only for a short period of time. The gig economy concept has been gaining momentum in Spain. This will be an opportunity for Glovo as it provides great employment opportunities to individuals who are willing to work independently without being bound to long term contracts to the employer. But this also has a long disadvantage as it does not give job security to the individuals which can be risky to the economy. Glovo's closest competition in Spain is UberEats and Deliveroo.

In 2019, Spain's GDP increases by 2% over the previous year with a value of 1,244,757 million€ . The GDP per capita is 660 Euros higher than in 2018, rising from 25,770€ to 26,430€ in 2019 . Public debt stood at 95. 5% of GDP with a total of 1,188,893 million €, 2. 1 percentage points less than in 2018 (97. 6%). On the other hand, the unemployment rate closes the year 2019, with 14. 7% of unemployed. This value represents a drop of more than 10 percentage points from the hardest phase of the economic crisis that hit the country between 2011 and 2015.

Today, the whole world has been affected by a pandemic that no one expected, the COVID-19. The coronavirus has collapsed the Spanish economy, with more than 357,000 people losing their jobs on full-time contracts. The activities in commerce, transport and hospitality have collapsed 10. 6% as compared with the previous quarter.

Socio – cultural / demographic factors:

Glovo's platform is very easy to use and very comfortable for its clients to use. There are many options to choose from. Choosing a product among many and the pick-up time is easy with Glovo's mobile app. You only have to use the application using the buttons, you will not have to call anyone.

Technological factors:

This past year, and more so with the pandemic, the increase in digital business has also fostered the demand for delivery service applications in Spain. People and companies are more inclined to modernization and want to use technology. Glovo provides a technological breakthrough to companies and individuals seeking services of any kind at a rapid pace.

Ecological factors:

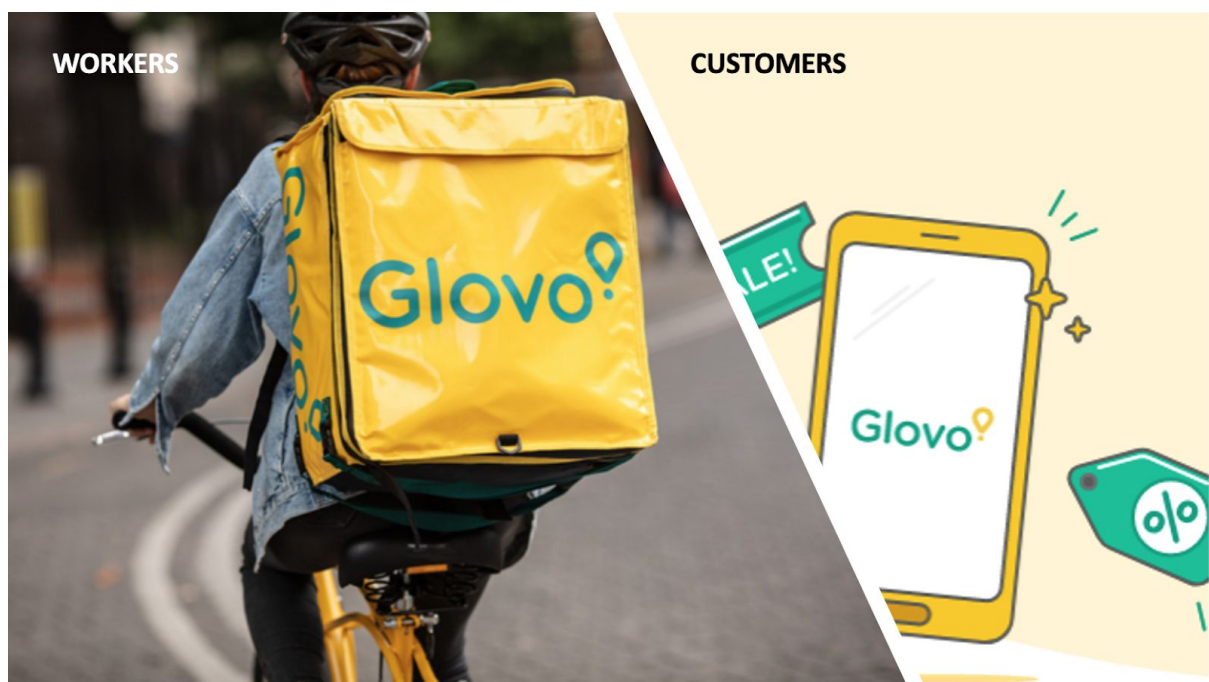
The protection of the environment is one of the main priorities of the government of Spain. Glovo modifies the material of the bags for one that is 100% recycled and easy to recycle to improve the sustainability of the platform and its activity.

The application prepares various initiatives to improve sustainability that will be launched in the coming months. The first of these is a pilot test in Valencia, which studies the impact and sustainability of Glovo bags, which most partners use every day to send the order to the user. Valencia has been the city chosen for this test due to the large volume of Glovo users and partners, which number almost 30,000 people.

5. Stakeholders

As we all know, a stakeholder is a party that has an interest in a company and can either affect or be affected by the business. The primary stakeholders in a typical corporation are its investors, employees, customers, and suppliers.

At Glovo stakeholders, workers and customers are the most important part of the company. On the one hand, we have workers who transport the goods (riders) and manage to expand the distribution network. On the other hand, we have customers who are the main pillar of the company's profits and which provide the necessary income to Glovo, so that they can carry out their transport.



6. Porter analysis (industry environment)

1. Bargaining power of customers:

Glovo's bargaining power of customers is relatively low due to the fact that the prices that they offer and those of the competition are both very similar. For this reason,

they have very little bargaining power. This price is set by different criteria such as demand, time, type of product and the distance traveled by the rider.

2. Bargaining power of suppliers:

In this case, the bargaining power of suppliers is non-existent since, according to glovo's business model, both brokers (customers who order food and restaurants) fall under the same group of customers.

3. Threat of new competitors:

The threat of new and existing competitors is high since it is easy to enter in the market thanks to the low barriers of entrance. For example Uber, the great giant who offers vehicles for hire, has taken an interest in this sector and it is considered as a competitor now. Thus, there are many new apps who offer delivery at a lower shipping price such as Just Eat, Deliveroo, or Resto-in. For these reasons Glovo has to be a company that reinvents itself every day that passes, with the aim of continuing to satisfy the needs of its customers.

4. Threat of substitute products:

Currently the home delivery market is totally saturated by 3 large companies (Glovo, Deliveroo and UberEats), therefore the risk of substitute products appearing is relatively low. One of the main problems would be that each food establishment had its own home food distribution system, however the probability of this happening is very low.

5. Rivalry between competitors:

As we have said before, this is a market that is currently oversaturated, therefore the rivalry between the competitors is very high, due to the fact that the margin they obtain is small and the prices are mostly similar.

7. KSF, resources, and capabilities

a) KSF

- High effective partnership network: Attractive to local merchants who see an added value and new opportunities to compete against giant online retailers
- Lower pricing strategy: By receiving commission from its partners from every product bought through the app, Glovo can transfer part of this revenue to its customers in the form of lower delivery prices.
- Wide variety of products: Medicines, stationary, groceries, drinks, flowers, food from takeaways shops or restaurants, clothes, etc.

- Response to changes in lifestyle: the Glovo app was created to respond to the social behavior of wanting things without moving from house.
- Fast growth strategy: The business focused its strategy on growing very fast and investing a lot of capital in improving its process in order to position as a reference delivery App.

b) Ressources

- Material: Offices around the world and the hermetic bag that is distributed to each rider.
- Immaterial: The application software, the brand name and the customer networks.

c) Capabilities

- Great capacity to enter a new country
- Logistical capacity the company has to organize itself, as well as the great logistical capacity in the performance of its activities.

8. Value chain

Glovo defines itself as a service company; It does not manufacture any product, but its **primary activity** is distribution. It offers an immediate transport service for the distribution of any product to anyone.

Since the company was created, it has been growing, adapting and expanding to meet the new needs of customers. A new purchase option was recently created on the platform, Glovo Supermarket. It consists of a series of Glovo special supermarkets, where distributors go to buy the products that users request.

With these, Glovo now needs internal logistics that it hadn't needed before. Until now its logistics have consisted of a network of interconnected distributors and an IT support team to control the application. Now they also require storage management at each Supermarket location and a continuous revision of the stock.

There are various **secondary activities**, which are carried out to support the primary ones. First, the organizational infrastructure. Glovo is based in Barcelona, and has an entourage of adjacent offices around the world. As for technology development and research, they have a great IT and R&D team since their platform is a web application. With regard to human resources management, Glovo chooses to have young people, who are eager to learn. As they require riders, they look for people with certain physical abilities and a knowledge of the city to reach the client as quickly as possible.

To improve the motivation of the workers in addition to the service offered to the customers, once the service is finished the application gives the option to rate the service obtained by the rider and restaurant. A good rating provides a bonus for the dealer. This keeps the customer happy while improving the service by adapting new measures according to the ratings.

9. SWOT analysis

STRENGTHS	WEAKNESS
- High variety of stock - High number of manufacturers to produce their stock - Big company very organized - Customer loyalty - 24/7 available - Easy to manage - Time limit within the hour - Medioambiental compromise	- Bad reputation with riders conditions - Increasing number of competitors - Always have to adapt to new technologies - Need a proper research and development to take the delivery company to the next level
OPPORTUNITIES	THREATS
- Distribution through riders, no contamination. Environmentally friendly. - High number of suppliers - No bargaining power of suppliers - Very well known company. No need to make a lot of publicity - High barriers of entry, low possibility of substitute products. - Low bargaining power of customers	- High number of competitors, oversaturated market - Unemployment will increase due to COVID-19 - Political unrest. People protesting and rioting in the streets becomes a steep task - International competition - Keep an eye on what's trending and what's not

- Global reach, expansion markets - Acquisition synergies can be a potential game changer for delivery service companies	
--	--

10. Competitive strategy and competitive advantage

a) Competitive strategy

- *Partnership*: In this time of pandemic, shops and large chains have even increased sales figures through the application, adding a distribution aspect, and for pharmacies and parapharmacies, which see in the digitalization a solution for the future. Despite the negative economic impact that this health crisis is causing in all sectors, the home delivery service has become a key player, so much that Glovo has doubled the number of new partners in this period.
- *Offers a free scheduled job*: The flexibility of Glovo's service gives its distributors the freedom to choose their collaboration hours and generate income during their free time. In order to offer their services as a delivery person, they must sign a contract and comply with the regulations of the region where they are located, regarding self-employed professionals. They also need their own vehicle (motorcycle, bicycle or car) and to be of legal age. Therefore, the delivery man collaborates with total freedom. He chooses when to log in and which orders to accept.
- *Makes big investments*: Glovo will invest 20 million in 2021 to rely less on restaurant orders and lead what it calls the third generation of commerce, or Quick Commerce, based on ultra-fast delivery (in less than 35 minutes) of all types of products within the city and thus compete with companies like Amazon. For this purpose, Glovo has created a new business unit, Q-commerce, with more than 100 professionals, which will centralize in Spain the strategy and technological development at a global level. They want to be the number one platform for local commerce on demand, connecting users not only with restaurants but also with supermarkets and any establishment in their city, including toy, electronics and video game, gift, beauty or perfume shops.

b) Competitive advantage

- *Offers partners a competitive advantage:* The link between Glovo and the companies is established through a strict evaluation process. If the company is suitable, then it is possible to communicate the corresponding area to Glovo for detailed information. Numerous fast food companies are on Glovo's list. Among the benefits that a company receives by joining Glovo are the omission of installation costs, increased revenue, the option to reach many more customers, and the insurance of goods (up to 2000 euros). The company can also learn more about users' needs and preferences through market research. This strategy is produced through the platform and serves businesses to offer the most popular products according to demand.
- *Has competitive prices:* The sector is very competitive because of the price war, low margins and high volume of customers. The online food delivery industry has become extremely competitive. And not only for the return that the funds demand, but for the very operation of the platforms. The most common business strategy is to retain users with aggressive pricing policies, based on offers and discounts. To grow and achieve significant business volume, platforms need to attract a large volume of customers. Hence, companies are looking to expand internationally not only in large cities, but also in secondary cities. In addition, companies must work very locally to offer the full range of restaurants that the consumer demands.
- *Has good relationships with users:* Glovo is a technological platform that allows the user to order what they want in the city so that they can take it to you. The user has an app, with a list of shops, stores, venues and restaurants and a button in the middle to order anything. It is connected to a glover (a delivery man), who accepts the order and delivers it to you. The key to their success is that "whatever". Glovo has differentiated itself from its competitors because not only brings you your hamburger, pizza or shrimp noodles to your sofa at home, but Glover also goes and buys you Christmas or Valentine's Day gifts, takes your husband's house keys when he's out on the street, rings the doorbell to wake up your son, does your shopping if you're late at work or goes to the pharmacy if you're sick.

11. Problem and solution

Glovo's main problem is the lack of transparency towards its customers when solving any problem related to the order. I'm sure we all have an acquaintance who has had a problem with the delivery guy when he delivered his order.

Sometimes on the platform the delivery person indicates that the order has been delivered when it has not. Other times the order arrives extremely late and can also

be cancelled at the last minute. In these cases Glovo solves the problem by refunding your order or offering you free shipping for future orders.

In the short term it seems to be a fairly effective solution, but when you have several incidents on the platform you lose the reliability of it. It is for this reason that we strongly believe that this aspect of the platform should change and Glovo should take further action.

A possible solution to this problem is to apply new options on the platform for the delivery person to communicate efficiently with the recipient.

Another solution that can be provided is to be stricter with the workers and distributors to avoid this type of accident that discredits the reliability of the brand. Just as the efficiency of workers in terms of speed of delivery and good presentation can be rewarded, so too can their malpractice be punished.

In this way we believe that customers will feel more confident in betting on this platform and not those of the competition.

12. Critical thought Recommended: identify and describe opportunities for improvement.

The UGT (Unión General de Trabajadores) issued a statement in 2019 criticizing the working conditions of Glovo riders in particular and the sector in general. According to them it is precarious, unprotected and with serious health consequences, as was unfortunately demonstrated in 2019 by the death of a rider who was run over by a garbage truck in Barcelona.

The business of digital platforms is based on the exploitation of people. The employment it offers is precarious, abusive, unsafe and puts the health of these people at serious risk and, for the most part, involuntary, insisted the UGT. The union has denounced the main digital delivery platforms - Deliveroo, Glovo, Stuart and Ubereats - to the Directorate General of Labour, considering that their business models are based on a very abusive interpretation of the status of self-employed workers, which is incompatible with the law.

The Supreme Court ruled last September that Glovo's distributors are acting as fake freelancers. The high court thus completed a legal process that determines that the 'riders' of the platform should act as employees and opens the door to Glovo having to pay requirements millions of dollars to the Social Security for unpaid contributions. More than 7,000 distributors work for Glovo throughout Spain, according to the criteria established by the Supreme Court. In 2018, it controlled between 30% and 40% of the market share of online orders, behind Just Eat, which operates in a different model of subcontracting and has been operating in Spain for 10 years.

In order to improve these problems it is essential to provide clear transparency on these issues and to clearly state what type of contract is offered to the distributors of this company.

As mentioned in Glovo's Corporate Values, loyalty to its customers and workers and integrity in hiring and firing workers as delivery people is essential. As Glovo says, for a good and fluid communication is essential to avoid problems like the one that occurred with the freelancers.

13. How do you expect the industry of your final assignment to change due to coronavirus?

Since the apparition of the coronavirus, restaurants have suffered complicated situations. First they were all closed and once they were able to open, the government imposed a curfew. So, to face this, the retail sector had to innovate and this is why delivery has increased so much since the covid-19. This is clearly a positive impact for Glovo since it takes profit from deliveries and what is more, it has increased its number of users in the app.

It is clear that this complex situation involves actions that may sometimes seem contradictory or precipitate, but the conclusion in the sector is clear: in the absence of physical customers, promote digital ones.

We expect that Glovo continues to increase as it has done since when the pandemia started. More and more people are getting used to the fact of ordering restaurant food and eating it at home, so we think that the delivery industry still has a lot to give to society and won't stop increasing.

14. How do you expect the business world to change due to coronavirus?

The Coronavirus has caused a radical change in the ways of working in the hospitality industry. Delivery has been used as a lifeline in these difficult times and seems to have come to stay in many businesses that did not contemplate it in the past. In addition, the digitization of business has become key in decision-making and has had to be adopted at a forced pace.

According to El Periódico, for 78% of the participating companies the coronavirus crisis will accelerate the adoption of a digital and teleworking culture. In addition, more than half of the professionals are convinced that investment in technological resources and applications will increase by 5 to 25%. A 39% also predicts that investment in those aspects related to the customer experience will grow.