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Food and Anything Delivery Startups in a Changing World

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ABSTRACT

The scope of this thesis is to show which are the opportunities that a big market such as the "Food Delivery" one offers. A first analysis of all sources of funding of a startup will be followed by history cases of startups, histories of innovators and new trends that are affecting the market. Data show that there is a constant growth in the expenditure of customers for the delivery of meals: the generational gap that society is facing will let future people to use a smartphone or a computer since being children, and will use it for the most common daily necessities, starting from making a call, to check bank bills, to order something to eat. Food Delivery market faced a natural evolution of the catering market. Nowadays the world of food delivery is moving really fast, to set the basis for what will be a solid future, introducing constant updates and constant innovations that, once the market will be saturated and will reach his equilibrium, will definitely change people's habits: future people will live daily life in ways that for actual generations are unthinkable. In the new era of 2.0, technology is radically changing our way to interpret the daily life. People’s habits are continually changing due to the continuing innovation that technology brings to lives. From smaller to bigger changes, the world has to face always new innovations. Throughout the introduction of new machineries, services and technologies, new profitable opportunities and new markets are now arising. An efficient communication through social media, that nowadays are the most important source of information, modern marketing strategies and innovative entrepreneurial ideas are the keys to start a new business. Startups are the new firms. The market in few years enlarged a lot, with new services and new products and is necessary a clear distinction between the two macro categories of players: "Aggregators" which are the older model and respect the traditional model for food delivery, offering a portal where there are listed all the restaurants available in your zone. "New Delivery" offer, as aggregators, the chance to order meal through their platform that can be a website or an app, but the most important difference is that "New Delivery" manage their own logistics networks, providing delivery service for restaurants that do not have their own drivers. Nowadays may happen that to
have a pizza or a Hamburger delivered we call the restaurant to make the order, but in next years it will radically change. The placement of orders via App or web platforms is always increasing from several years and it will keep increasing, following the increasing trend of using smartphones for almost everything. An analysis occurs, with a theoretical approach of all the sources of funding that a startup can have, to start and to enlarge the business, from the most common sources of fund to the new trends that are changing the traditional ideas: offering delivery service requires a large amount of money investment to sustain its initial costs, as the hiring of new people, formation and then it was followed by an important reduction in the profit margin on deliveries and losses on fresh items in failed deliveries. There are many sources of fund: from the basis that a Family & Friends investment can settle, to bigger investments made by Venture Capital that invest with high risks of loss, to finance a startup or an activity, in a sector with high potential of growing. There will be an explanation also of new sources of funding such as “Crowdfunding” that is a new phenomenon born in Australia and in USA which allows promoting a new idea of any kind like social, economic, cultural or benefic, asking to the "crowd" to fund it, with a small or large investment, to sustain the project. There will be also an analysis also of specific cases of startups that reached the peak, going public or making their exit, selling their activity to bigger players. After the focus will switch to specific cases of the successful startup in the Food Delivery Market all over the world, studying specific cases as “Just Eat” that has been one of the first Food Delivery startup that decided to go public. Interesting cases as the one of UberEats that was developed by Uber that started with his business of "online transportation network", that allows to customers to book a car for hire pressing just a few buttons, deciding to cover also the Food Delivery market and to develop UberEats, an on-demand food delivery service. New trends are arising and startups such as Postmates, Glovo, Quiqup, Magic decided to cover an uncovered segment of the market: the delivery of anything, being not restricted only to food. These startups decided to allow customers to order anything, from a fixed menu but also from a concierge that allows customers to order anything they need.
INTRODUCTION

You have an idea, you set the basis and then you try to raise funds to enlarge your business and to scale your economy. Economies of scale is in fact one of the most important features of a startup: being in a world with a strong globalization, is easy to enlarge a business across different countries. A Startup may go well and be profitable in a short-medium run or fail, it depends on really many factors and by the whole set of strategies chosen. The Italian market is a market definitely in growth, where in the last years many big players which already operate worldwide, decided to enter the market. These players had problems with Italian legislation, which many times has problems to move as fast as the technologies do. The meaning of the whole market is to show with data and cases that technology has many opportunities for growth and that the market is not saturated yet. New trends are arising because In a market with a lot of competitors, the only way to get a comparative advantage is to innovate, offering a different service. New business model may be defined in next years, changing radically what is the meaning of Food Delivery for the people today. There will be illustrated also my participation in the Innovative Startup called “iAmbrogio”, an Anything Delivery & Concierge App, founded in Rome during October 2015, that made his exit from the market after 1 year and 4 months, selling to a bigger Startup in the Food Delivery Market, Moovenda, financed by LVenture. When a startup makes an exit in such a short time, is a signal of success and a signal that something in the market has an high potential. Will be analysed also, from a global perspective, the differences between USA and EU markets of Food Delivery, which are the main players and which are, now and in a future perspective, their numbers and goals.
CHAPTER 1 Sources of Funding of a Startup

1.1 Family & Friends

Defined a startup as the new firm, it will face initial costs to start the business and to enlarge it. Thinking about how you can get funds, is easy to think of banks, which are the oldest and most known source of funding. Nowadays banks will not easily finance a new business like a startup so new ways of thinking developed. Many times entrepreneurs prefer to separate work from family but in other situations is thanks to them that an entrepreneur develops his business. Asking money to family and friends is a choice that has its burden: people will give you money first of all because they believe in you, thinking only in a second moment what are you developing. A right choice is to deal with them as an entrepreneur should deal with an investor. When borrowing money from family and friends is important to verbalize a contract, with the proper documentation, avoiding informal basis. Getting money from family and friends is only the first step that a startup can make, in the second round an entrepreneur will deal with a real investor so being prepared as soon as possible is fundamental. Getting capital from family and friends might be easier than getting capital in another way, but there are also some issues with it. Borrowing money from a people that you already know may let you think to avoid a formal written contract but in such case, if they are not guaranteed by a contract, they might start giving suggestions and interfere with your strategy. There are also cases in which you can not avoid this because, by law in many countries, if people invest money in your business they automatically acquire voting rights. The ideal solution for a family & friends source of funding is to offer nonvoting stock, avoiding other people to get decisional power. Once settled the basis for a startup and started its activity, it will offer the first numbers that once analysed, will offer positive or negative signals for future investments made by real investors, that will finance the startup only if there are good expectations in the future to generate profits.

Using debt could be also better than equity if a person lends you money you have only to repay your debt, with an interest and you will not lose your power, offering the possibility to the entrepreneur to fully control the business.

### 1.2 Crowdfunding

Crowdfunding is a new phenomenon born in Australia and in USA. It allows promoting a new idea of any kind like social, economic, cultural or benefic, asking to the "crowd" to fund it, with a small or large investment, to sustain the project. Crowdfunding campaigns are published on web platforms that allow the promoter to show with a pitch, video, photos and with any kind of presentations, the product or the service for which they are raising funds.

There exist different models of crowdfunding, distinguished by the final goal that the campaign wants to reach and by the way in which the donator is rewarded:

**REWARD BASED MODEL:** For a monetary donation, the user receives a non-monetary reward as for example appearing with the name in a thank you list on the website of the new society. Also symbolic rewards, based on the size of the investment, might be given as present for the support.

**DONATION BASED MODEL:** Usually used for benefic scopes, monetary donation is to sustain no-profit cause.

**LENDING BASED MODEL:** Based on micro-investments to people or entreprises, the users who invest will get repaid with an interest.

**EQUITY BASE MODEL:** The user who invests in the society becomes part of it. It is an alternative and innovative way of investment that substitutes bank's credit, mostly in an initial phase. This model in Italy is the only one regulated by CONSOB.

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2 Stephen R. Poland, "Startup Crash Course: Friends and Family Funding" Page 48 Funding

3 Aime Williams, "Professional investors join the crowdfunding party" March 16, 2017
The role of the crowdfunding platforms is to concentrate on a unique portal different campaigns presented by various startups, making easier to raise funds for all categories of campaigns. Project proposed on crowdfunding platforms set goals, determined in money raised and a time deadline for the funding. When the deadline is reached, the budget asked for the campaign might be raised or not. Whether it is raised, the startup will set up the basis and start the activity and the investors will have their reward or their payback. If it happens that the campaign did not raise enough funds, not reaching the initial goal, there will not be any payback for the investor. Platforms that offer the chance to create a campaign have different sources of funding. There are platforms that have a percentage fee on the total amount that every campaign raises, while other platforms are sustained by donations, made mainly by the promoters of initiatives. Most famous crowdfunding platforms according to are:

Kickstarter is the most well-known name in crowdfunding and arguably the most active platform, raising over $2 billion since its launch in 2009. Daily the Kickstarter community is able to raise more than $1.5 million.

One of the largest projects of Kickstarter was OUYA, a gaming platform that generated more than $2.59 million in its first day.

Kickstarter backs creative projects only (film, games, music and technology, for example) – the platform does not allow humanitarian projects or charity projects or other personal use projects that other platforms allow. It is also an all-or-nothing deal – if a project will not reach its goal, no money will be collected, so the risk is highly involved. Kickstarter keeps a fixed fee of 5% of every successful project.

Indiegogo: Was the first major crowdfunding platform, and it has raised over $1 billion since its inception in 2007. In 2015, the last year for which comprehensive statistics are available, the platform funded over 175,000 campaigns with contributions from 2.5 million people across 226 countries.

Indiegogo has no prohibitions against cause-related and humanitarian projects, and it also offers a “flexible funding” option that allows you to collect all your
donations even if you don't reach your goal. However, it keeps 9% for this option, compared with 4% for successful, fully-funded campaigns. There's also an equity investment option offered in partnership with MicroVentures. (See also: 4 Most Successful Indiegogo Campaigns.) CircleUp: located in San Francisco, is an equity-based crowdfunding company designed to help emerging brands raise capital and grow their business. Since its launch in 2011, CircleUp helped 211 entrepreneurs to raise $305 million. The average raised by campaigns published on CircleUp is $1 million, and the average investment is $100,000. Most campaigns take between 60 and 90 days before they close.

1.3 Angel Investors

Angel investors are defined as wealthy individuals that invest in small startups or entrepreneurs. Usually the capital offered by an angel investor is a one-time investment that can help an activity in a moment of difficult during the early stage. Angel investors act in a different way respect to general investors: they invest at the initial phase of a startup because they appreciate the project, without an accurate definition of future profits. Angels investors are defined "informal investors" because they are interested more in ownership rather than profits. They might invest also using crowdfunding portals. The term "angel" was born in the Broadway theatre, where rich people invested money to finance the production of new theatrical operas. Angel investor, opposite to venture capitalists that use money from many investors, use their own capital so the ideal profile is identified as an individual with a minimum net worth of $1 million and an annual income of $200,000. An angel investor is identified as an individual but the money may come from a company or a fund. Angel investors act with a risky investment strategy because investing in the early stage, it may happen that the startup fails, with a losing of money. Professional investors are used to invest when a startup has already started their business, with a defined strategy and for an easy exit from the market. Even though the returns on a successful investment

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made by an angel investor are between 20% and 30%, the investment is highly risky. Angel investors are definitely interested in how the business that they will finance will run because, usually, they are entrepreneurs that have already had success with their ideas and believe in the success of a startup for motivation like the sector or the geographical area in which the startup will operate.
CHAPTER 2 Worldwide Startup Funding Trend

2.1 Venture Capital instead of banks

Venture Capital (also defined VC) is the capital that an investor risks to finance a startup or an activity, in a sector with high potential of growth. The high potential of growing, on the other hand, is sided by a high risk and for this standard capital markets or banks prefer to stay away from these investments. People that operate with the money of a Venture Capital are defined Venture Capitalists. In many cases funds used to invest come from holdings or big firms. Venture Capitalists usually substitute banks in the world of startup: a just born startup, also with a high potential, is hard to estimate in terms of volume of business, cash flows and riskiness of the investment. Venture Capitalists usually operate to support, finance and sustain innovation, financing also just born startups that are looking for funds, in the first round of investment defined "Early stage investment", when the startup is just starting his business. All the successive rounds are named in alphabetic or numerical order as example "Round 1,2,3" or "Round A,B,C". Even though the high risk of the investments made by VC, they expect high returns. Financing during an early stage a startup that is in a pre-revenue phase, interested in producing a new product or service, is an investment with a high risk because for investors is hard to estimate the number of future customers, number of sales, the approach and reaction to the market. Associations of venture capital worldwide published the analysis of returns to venture capital investments of many years: data showed that the internal rates of return that are from 20% to 30%, are higher than any other private

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Venture Capitalists are interested in earning profits and high revenues from their investments in but during its life a startup may fail, grow until turn into a real firm or make an exit from the market. The exit from the market is the selling by the investor or of the entrepreneur of its shares. Shares usually are sold to a bigger startup or firm, usually operating in the same market, that will implement the products or services offered by the startup in their business, to produce more or to offer an additional product or service. When a startup reaches his peak, it needs more funds to expand, but there are already many investors that expect returns and an ideal situation is when there is an exit of the startup from the market, that sells to a bigger firm. In this case, investors will have their money invested plus returns and founders will have a managerial place in their startup, usually for a limited period of time and then decide if quit and liquidate their shares, or keep working earning a wage and dividends from their shares.

2.2 Initial Public Offering

An Initial Public Offering (IPO) happens when a firm decides to issue equity shares to the public, for the first time. For Startups it may result difficult to define a price for the shares, due to innovation and a hard placement of new products and services in the market. When a firm decides to go public, knows that it will

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result costly. "In a study over 380 US IPOs, PwC found that the average cost to raise between $100 million and $200 million was $13 million"  

IPO for a startup is an important step. It is a moment of big growth, that requires a lot of commitment, clear vision, ability to look at the market and to look at a business that once was a small startup, with new eyes. It is also a time that requires courage, a time to confirm and strengthen the business model, the tools at its disposal, and defined clearly projects of growth and expansion.  

IPO is a crucial moment because the business will be in a new industrial-financial ecosystem, that matches investments in companies with high potential of return, to a needed liquidity to expand the business and for efficient marketing strategies. To have an active and growing market, for investors who buy and sell shares of companies, is fundamental to sustain innovation and have signals of good and long health. 

The moment of IPO creates trust, because it is a step that looks much more to the future than to the present and that will radically change the startup. 

![Diagram of Startup Funding](https://via.placeholder.com/150)

*Figure 1. Source: Anna Vital - How Startup Funding Works – Infographic*

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7 P. FitzRoy, J. M. Hulbert, T. O'Shannassy, “Strategic Management: The Challenge of Creating Value”, Chapter 12,  
8 "Quotazione in Borsa, ecco perché è importante per innovazione." Startupbusiness, 13 May 2017,
CHAPTER 3 Food & Anything Delivery Market in USA and EU

3.1 Global Food Delivery Market (Business Case: Just Eat)

The market for food delivery is worth €83 Billion\(^9\), 1\% of the total food market and 4\% of food sold through fast food chains and restaurants. It is developed in most countries, with an average annual growth rate estimated at 3.5\% for the next five years. The traditional model is the most common kind of delivery: the consumer using his device places an order with the restaurant and waits for the delivery of the food. Payment can be made both cash or credit card, but now there is the preference to avoid cash for reasons of trackability and safety. Market is changing following the innovations in digital technology: as online shopping portals developed including filters, accurate descriptions, detailed pictures, reviews on the product and on the service; users want to have the same experience when they want to order their meal. Services like Uber Eats and Deliveroo offer detailed pictures and descriptions of every dish on the menu of every restaurant. Costumers are able to filter restaurants depending on their tastes and can compare prices. Generally, we have to distinguish two different models of online food delivery platforms: "aggregators" and "new delivery".\(^10\)

"Aggregators" are part of the older model, which appeared 15 years ago. It respects the traditional model for food delivery, offering a portal where there are listed all the restaurants available in your zone. They gain a fixed percentage margin from the restaurants, without any additional cost for the consumer. They respect an asset-light model, with margins of profits between 40\% and 50\%. Aggregators take orders and send them to the restaurant that will manage the preparation of the meal and the delivery. Main players of the market in the category of aggregators are Delivery Hero, Foodpanda, GrubHub and Just Eat.

"New Delivery" offer, as aggregators, to order meal through their platform that can be a website or an app. The most important difference is that "New Delivery" manage their own logistics networks, providing delivery service for restaurants

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that do not have their own drivers. This allows creating a new segment of the market: higher-end restaurants that usually did not offer delivery service. The business model for "new delivery" players is made up of a fixed percentage fee from the restaurants, plus an additional delivery fee charged to the customer, usually depending on the distance that there is between the restaurant and the delivery point. They have higher costs because of constant maintenance of vehicles and management of drivers, so they achieve profits margins for roughly 30%. This category includes players such as Deliveroo, Foodora, Glovo, Uber Eats. The addressable market for new delivery, according to McKinsey, will reach more than €20 billion during 2025.[8]

**Online/Mobile Ordering vs. Offline Ordering (Based on data gathered from Cowen and Company Research Report.)**

![Graph showing the trend of online vs. offline ordering](image)

*Figure 2 Techcrunch. "A Secular shift to Online Food Ordering"

In the United States, Food delivery reached a new frontier: home delivery of food for pets, especially for dogs. Leader in this area is “Ollie”, a startup that has created the "superpremium" service, including nutrition tips for animals, receiving also a $ 4.4 million investment. In this world full of innovations, what the market

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of Food Delivery means can be summarised with the word "opportunity", sustaining a future vision of growth and development.

**BUSINESS CASE: JUST EAT**

Just Eat is one of the biggest players in the worldwide market of food delivery. It is one of the first online platforms developed. Just eat was born in Denmark in 2001 from a concept that was invented and developed by two different firms, that founded a unique society. They started their business in Denmark: 1st August 2001 website was online and in a few years they grew a lot. At the beginning of 2004 they reached for the first time a balanced budget and they had more than 500 partner restaurants. Given the situation and its numbers, the group decided to expand the business also abroad. They started to expand internationally, first they moved in United Kingdom in 2006, where Just Eat easily became the market leader and during 2008 thanks to their success in UK, they decided to move their head office in London. During July 2009 thanks to a £5M Series A investment, their internationalization project easily accelerated, allowing the startup to expand worldwide. More funds came at March 2011 with a £15M Series B investment and during April 2012 with a £40M Series C investment. During 2012 Just Eat was in 4 continents and 13 nations: they work in Canada, Brasil, India, Spain, UK, Ireland, Denmark, Holland, France, Belgium, Spain, Norway, Switzerland and from 2010 also in Italy.
Until 2017, Just Eat made also 15 acquisitions\textsuperscript{12}, in order to easily enter the market of countries such UK, Italy and Canada, to easily enlarge the business. 

![Our global coverage](image)

\textit{Figure 3: Just Eat – Global Coverage worldwide. Source: Annual Report 2016, Just Eat.}

During 2014 Just Eat made the most important step in his history. They decided to go public\textsuperscript{13}, being the first society that participated at a special program of the UK Auction Market, dedicated to startups with high growth rate possibilities. The valuation was £1,47 Billions\textsuperscript{14}. At the moment in which they went public shares increased by 10%, closing up with a +8,9% share increase. Just Eat closed 2016 with 136,4 million of orders, a profit before tax of £91,3M and with £375,3 million of revenues. Just Eat closed 2016 with 68.500 partner restaurants and 17,6 million users worldwide.\textsuperscript{[5]}

All those numbers are in growing since years, underlying as Just Eat is one of the best performing startups of food delivery.

\textsuperscript{12} "Just Eat - Acquisitions." Crunchbase,
\textsuperscript{13} Luca Tremolada. “Just Eat in Borsa e GrubHub si prepara, ma come sta la app economy?” Il Sole 24 ORE,
\textsuperscript{14} Butcher, Mike. “Just Eat IPO Values It At $2.44BN, Company First To Test LSE’s New Tech-Friendly Market.” TechCrunch, TechCrunch, 3 Apr. 2014,
3.2. USA Total Addressable Market and Investment

USA is rapidly growing under the aspect of the business of food delivery: consumer spending on food delivery in 2015 was around $30 billions\textsuperscript{15} and $4 billion were accounted by online delivery sales. Delivery services are one of the main choices when US consumer decide to eat: during November 2016 survey found that 20% of respondents use food delivery at least once a week.

During 2016, more than 48% of US diners stated that they really enjoy the use of food delivery services, with a higher tendency of preference expressed for men instead of women. Pizza is the most popular dish, ordered both for delivery and takeout, holding the largest share of the total food delivery market. Second to pizza we have Asian food, Italian food and sandwiches. Pizza Hut, Domino's Pizza and Little Caesars are the most famous pizza restaurant chain.

The total expenditure for the Delivery Food Worldwide in 2015 is $70Billion but only $9 Billion of the expenditure is Online: it means that 9 people on 10 are still picking up the phone and calling for delivery food, rather than using an App or an online platform. Statistics show and reflect a constant and high increase in the use of Online instead of traditional ways, that is going to disappear in the long run.

3.2.1 Main Players in USA

USA VC investors focused their interest on the Food Delivery Market since 2010 when Blue Apron, a startup that delivers separated fresh ingredients to cook a specific recipe, had a $2 Billion valuation\textsuperscript{16}, showing that the delivery market was in high growth and with a lot of opportunities still exploitable. New business models were introduced and a lot of players entered the market. In New York City delivery startup “Maple” sold to Deliveroo to let the startup, coming from UK, to enter in a faster way in the market. UberEats started his activity during 2016 in

\textsuperscript{15} Duncan, Eric. “Topic: Food delivery industry in the U.S.” www.statista.com,
\textsuperscript{16} Lynley, Matthew. “Blue Apron significantly lowers its valuation with slashed IPO pricing.” TechCrunch, TechCrunch, 28 June 2017
San Francisco, and has been the first platform that established a partnership with McDonald's to deliver their products. [9] The delivery of the products is managed both by delivery drivers and by drivers that are working as Uber Drivers but that are free from any ride and decide to manage the order. GrubHub that is the biggest player in USA\(^{17}\), was born in Chicago during 2004 founded by two web developers. It raised more than $80 Million since 2007 in various investment rounds. Grubhub went public during 2014. They made many acquisitions like LAbite during 2016, another food delivery platform, that they have paid 65$ Million and YelpEat24 during August 2017 for $287,5 Million\(^{18}\)

![Image of first funding and subsequent exits in the food delivery space](image)

**Figure 4:** “First funding and subsequent exits in the food delivery space” Source: CBInsights

The graph shows CB insights data that create a timeline of all funding to US Food Delivery Startups between 2011 and 2017, with highlights on mergers, acquisitions and deaths of the various companies.

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\(^{17}\) “GrubHub.” Crunchbase.

3.2.2 Innovation: Anything Delivery (Business Case: Postmates)

In a market with a lot of competitors, the only way to get a comparative advantage is to innovate, offering a different service. That is the case of Postmates, Glovo, Quiqup, Magic which decided to cover an uncovered segment of the market: the delivery of anything, being not restricted only to food. These startups decided to allow customers to order anything, from a fixed menu but also from a concierge that allows customers to order anything they need. Concierge will receive the request and evaluate if can manage it. Once accepted the request, it will be processed to the customer that will receive the products asked plus a fixed percentage fee. As proof of the expense sustained by the driver, they will charge your credit card by the amount displayed on the receipt plus their fee. The main player in the worldwide market that offered this service as first is Postmates.

BUSINESS CASE: Postmates

Postmates started during 2011 from the incubator AngelPad that was particularly interested in re-defining the delivery business. The startup offers an App for smartphones that allows customers to make orders, from partner restaurants and from anywhere the customers want. They started in San Francisco then expanded to New York and now they cover more than 40 metropolitan areas.

Postmates defines his mission as “Postmates is transforming the way goods move around cities by enabling anyone to have anything delivered on-demand. Our revolutionary Urban Logistics platform connects customers with local couriers who can deliver anything from any store or restaurant in minutes. We empower communities to shop local with no waiting and empower businesses through our API to offer delivery” 19.

19 Postmates Website, https://about.postmates.com
Their value proposition wants to unlock the big market of local commercial activities that do not offer any delivery service, especially for activities different from restaurants, which are a strongly covered segment of the delivery market.

"Postmates (Value $609M)\textsuperscript{20} quickly reached large valuations after their initial financings between 2011-2013, encouraging more new competitors to enter the market. "\textsuperscript{[15]} Business Model is defined with a delivery fee for each order that a customer makes. This fee can be fixed, from the category of the restaurants depending also on the distance that there is from the point of pickup of the item and the customer position. There is a category of special partner restaurants that are part of “Postmates Plus”\textsuperscript{21} service which allows customers to have products delivered, in a defined radius from the restaurant, at a fixed fee of $3.99. A particular service is the monthly subscription programme called “Postmates Plus Unlimited” that allows customers to have free delivery of the products for orders of $25 or more, paying a monthly subscription fee to the programme of $25. This fixed subscription fee service is similar to the service offered by Amazon called “Amazon Prime” and it encourages customers to spend more because they will not be charged delivery fee for any order.

![Graph: Postmates Cumulative Deliveries](chart.png)

*Table 2. Postmates Cumulative Deliveries in US. Source: Business Insider Intelligence*

\textsuperscript{20} Arjun Arora. "Client Spotlight: Arjun Arora of 500 Startups Offers His Best Advice for Startup Founders" November 30, 2016

Delivery in fact in many cases can be really expensive: being calculated on the distance, many customers claimed that they paid more for the delivery than for the food ordered.\(^{22}\)

Postmates in USA competes with GrubHub, Yelp, DoorDash and new players in the market like UberEATS. At the moment GrubHub leads the industry with 3$ billion of gross merchandise volume and with $500 million revenues during 2016. Postmates covers 44 cities in the US and works with independent contractors that manage orders, picking food from restaurants and delivering it to customers. They count 500 people on staff and 180 in its new Nashville support centre and most of the rest in San Francisco. Even though their high volume of transactions, Postmates has not been able to achieve profitability yet, but aims to achieve it during December 2017 or early 2018. During October 2016 they raised $190 million, reaching their Series E investment round, receiving money from Fontinalis Partners and Founders Fund. Their post money valuation is about $800 million.\(^{23}\)

### 3.2.3 Profitable opportunities and new jobs (Business Case: Uber Eats)

UberEats was developed by Uber and became available to users during March 2016. Uber with his business of "online transportation network", that allows to customers to book a car for hire pressing just a few buttons, decided to develop UberEats, an on-demand food delivery service. In the first time UberEats and Uber shared the same smartphone’s App, after UberEats separated and is available both for Android and iOS devices.\(^{24}\) Their business model works with a delivery fee that does not change if you order more than one meal, also in different restaurants. Every transaction is charged to the registered credit card at the moment of the delivery. UberEats as Uber, is simple and intuitive to use and time estimations are elaborated by an algorithm that combines distance, traffic and time of elaboration of the restaurant, providing nearly perfect time estimations. The main difference respect to other competitors in the food delivery

\(^{22}\) Hinchliffe, Emma. “Postmates finally ditches those insane delivery fees but it might be too little, too late.” Mashable, Mashable, 7 Sept. 2017.


market is that people that will manage the orders are working both for picking up customers with Uber and performing food delivery services. Drivers are not able to use UberX and UberEats in the same moment. If they signed with UberEats they will have to manage only food request, as they will not be able to receive rides requests. Customers pay a delivery fee for each order, shared by drivers and the platform, but also restaurants pay a percentage fee from any order made via App. UberEats joined a market with big players such Seamless and Postmates, but they have also a competitive advantage on their services. Seamless takes more time respect to UberEats to deliver, their promise is "up to an hour" instead of UberEats that promises 10 minutes. UberEats delivery costs between $4 and $5 and Seamless may cost less. Their food quality upon delivery anyway is similar. Postmates allows customers to customize their own food from partner restaurants and that service is not available for many restaurants as Postmates, using UberEats. In the end using Postmates is more expensive than using UberEats.

UberEats has also exclusive services as the one called "Instant Delivery".

![Figure 5. UberEats ordering page. Source: UberEats.com](image)

Only a few dishes are available in this special service because they are dishes that restaurants already know they must have ready, but for those products, Uber guarantees for 10 minute delivery. UberEats drivers that have to manage deliveries can schedule their own work and decide by themselves if using bikes or cars. The main requirements are being 19 years old or more, driving license,

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25 Biz Carson and Jillian D’Onfro. "FOOD WARS: We tried 7 different delivery services to see who would bring us the best lunch". Business Insider. July 19, 2016
insurance and registration. They ask also for at least a year of driving experience and being able to lift 30 lbs. Drivers are paid for any delivery that they make, Uber guaranteed a pay between $10 to $20 per hour. It depends also on the days and the hours that a driver scheduled.

UberEats defines his mission as “UberEATS delivers meals from local restaurants in 10 minutes or less. Rather than standing in long restaurant lines, trying to find parking at your favorite restaurant, or dealing with unpredictable delivery times, UberEATS brings you a delicious meal on-demand with none of the hassles.” Gain margins for the platform are defined as a 30% from partner restaurants that want to work with UberEats, while the delivery fees are totally for drivers. They declared that "charging restaurants any less would be unsustainable." Many restaurants providing their own delivery services decided to outsource it to UberEats, being impressed by how they manage and organize orders.

### 3.3 EU Food Delivery Market

For a general overview of the market, we know that revenue in the "Food Delivery" segment amounts to US$23,602m in 2017. Revenue is expected to show an annual growth rate of 20.4 % resulting in a market volume of US$49,623m in 2021. From a global comparison perspective it is shown that most revenue is generated in China (US$39,398m in 2017).

*Table 3. Revenues from Food Delivery in Europe. Source: Statista.com “Food Delivery in Europe”*
Those data are elaborated taking into scope: Meals ordered online from services that manage and deliver the order themselves, Meals from online partner restaurants of special delivery services, Online delivery services that only provide a platform for restaurants, that have their own delivery service and Online orders that are picked up in store. Similar business models that work in different markets are an interesting comparison to understand the general trend that will follow in future years. Initially both in EU and USA online food delivery platforms were a set of aggregators, acting as a middleman between restaurants and customers, gaining a fee for every transaction. Seamless was one of the first players in USA, starting his activity in 1999, then GrubHub followed in 2004. In Europe Just-Eat started in 2001 and then Hungryhouse in 2003. Many more competitors appeared but to understand the main differences between USA and EU the focus will be on GrubHub and Just-Eat. Both platforms were born as aggregators. Both went public, Just-Eat on London Stock Exchange and GrubHub on New York Stock Exchange. They went public also during the same days with almost the same scale, margin, profile and growth.

Table 4. Data after IPO of JustEat and GrubHub. Source: MaheshVentureCapital "Food Delivery Market in Europe is very different than in US"
“Despite they operated on two entirely different continents without competing one with the other, the businesses are strikingly similar. Both Just Eat and GrubHub market values were close to $3B, valuation multiples were roughly identical, as were scale, margins and growth. However, they diverged shortly after IPO: GrubHub’s shares tanked while Just-Eat’s swelled. Today, GrubHub has a market capitalization of just $1.8B and trades at just 3.4x 2016 revenue. Just-Eat commands almost double the market cap ($3.5B) also after a recent pullback, and trades at 7x 2016 revenue. How did these two identical businesses diverge so much? The answer lay in market dynamics. The US and UK food delivery markets are both massive, multi-hundred billion dollar categories. The US is significantly bigger, but the UK takeaway market has higher online penetration than the US (30-35% penetration in UK vs 10% in US). In the UK, Just-Eat was able to dominate the market by capturing London and the surrounding areas and essentially forming a monopoly. Today, Just-Eat has 85-90% market share in the UK and #1 or #2 positions in a dozen other markets. The majority of Just-Eat’s revenue is still UK-based, and few competitors have been able to threaten their position. In the US, the industry played out very differently. The US market is even more massive than the UK, and since online penetration is relatively low, many food startups saw the growth opportunity to move food ordering online and leveraged a healthy VC funding environment to do so. Aggregators with models similar to GrubHub started popping up, but perhaps even more importantly, on-demand delivery companies joined the fray. Combined with the relatively low customer acquisition costs in the US, many small startups were able to quickly gain traction in different segments of the market. GrubHub (including Seamless) was certainly a major force in top US cities (which tend to look more like the UK in terms of penetration), but there was plenty of opportunity for the rest of the country. Companies such as Postmates, Caviar, DoorDash, UberEats and Amazon that started putting their own spin on local food delivery. As a result, GrubHub saw a significant decline in market value due to negative outlook on Wall Street and earnings revisions. This was largely driven by the new competition and the subsequent alteration of Grub’s business model (now essentially forced to offer delivery service in certain markets). Just-Eat has seen a little bit of pressure from logistics competition as well, namely Deliveroo, but the UK is still far less noisy than the US and the downward pressure on Just-Eat has been limited.

28 “Food Delivery In Europe Is Playing Out Very Differently Than In The US.” Mahesh VC, 23 Feb. 2016,
3.3.1 Main players and their sources of funds

During 2017 Deliveroo raised $385 million in new funding, with a valuation of over $2 billion. With this last round they reached their Series F round, managed by fund managers T. Rowe Price and Fidelity that managed many important investments also in AirBnB, Tesla and Facebook. Deliveroo in that way reached a total funding since it was born of $860 million. Deliveroo will invest the capital of this last round in the expansion of its “Editions” programme which consists in the creation in delivery-only kitchens to allow partner restaurants to produce more foods, reducing traditional upfront costs of the expansion, but increasing the delivery efficiency and food selection. The company is also interested in improving their algorithm that manages the real-time logistics, such as the timing for the preparation of the dishes and the GPS tracking of the drivers that deliver food. They expressed also the interest in projecting a futuristic artificial intelligence, to increase speed and quantity of deliveries, also to make higher margins on the on-demand food delivery, which how the society sustains, are very thin. Deliveroo is also ready to enter in new towns, cities and countries, which nowadays have no efficient services like the one that Deliveroo can offer: “This will allow more people to order great food quickly to their door from their favourite local restaurants,” says the company. Will Shu (pictured), founder and CEO of Deliveroo, said in a statement: “I remember how excited I was carrying out our first delivery. I hoped that people would love being able to order great food from their favourite local restaurants straight to their front door. I am proud that just four years on, million of people use Deliveroo in over 150 cities around the world. This is all thanks to the hard work of our riders, the great restaurants that we work with and our brilliant customers. So, I am extremely pleased that our new investors share this vision and have decided to make such a significant investment in our future. With this funding, we will invest further in our delivery-only kitchens Editions, in developing our technology and in taking Deliveroo to

more towns and cities. This investment will take us to the next level and allow our riders to deliver ever more great food directly to people’s doors.”

Business Insider reports showed that Deliveroo grew a lot in 2016 with revenue up 611% reaching £129 million, but with an increase of 300% of losses which at the end of 2016 were £129 million, due to their investment in the expansion all over UK and abroad. According to firm’s financial filing, they sustained a particular expenditure: £5.3 million to rebrand with their new logo. An important growth for Deliveroo came from international markets, which revenues, for all countries outside UK is increasing substantially. In 2016 the platform expanded to 84 cities and 12 countries. It now operates in a total of 120 markets across 12 countries, with 120,000 restaurant partners. Their business model is similar to one of the competitors: they charge £2.50 for delivery, on a minimum order of £10 otherwise it will cost more, and there is a fixed margin that restaurant pay on every order that they will receive with Deliveroo. At the end of 2016 the gross margin was just 0.7% but (222) still an improvement since 2015 they reported negative gross profit margin. Deliveroo is a leader in Europe and UK but has to pay attention to players such UberEats and Amazon, that is ready to launch their food delivery service.

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3.3.2 New players and new trends in the market (Business Case: Glovo)

Glovo is a leading platform in Europe in the segment of "Anything delivery". Anything delivery is a new trend that allows you to order not only from restaurants as usual platforms in the market, but anything you need, expressing a request that, if possible, will be managed. Glovo states as the average time of their deliveries as 40 minutes. Thanks to Glovo customers are connected with independent couriers that are able to manage orders of drugs, cosmetics, specific products from a supermarket and more items. Glovo acts also as a personal assistant, that can send for you an important package or can pick something from a person and then bring it to you. Real time GPS of drivers allows the customer to check in real time the position and the process of the order. Glovo started his activity in 2015, with a first investment round of €140,000 by an Angel Investor, then they raised €2 Million from a Venture Capital during November 2015, then they had their Series A round of €5 Million during August 2016. During August 2017 they have been founded with a Series B investment round, for an undisclosed amount. Glovo defines his mission, as says its founder Oscar Pierre “to help small urban stores fight back against giant online retailers.” Taking the legwork out of city shopping, his goal is to improve the emphasis of buying to local shops, making life easier for his customers. Glovo is defined by Pierre one of the founder as an “urban marketplace”. Its slogan is: “Anything you want. Delivered in minutes.”

Starting in Spain, then they enlarged their activity in Italy and France.

Pierre defines profiles as ideal customers: as first a young people who do not have any vehicle and when in a group, order an item, sharing costs between them. Other core users are people without time because of the work or of children, which are not able to move from their home or that are tired to go out to solve their needs, and order using Glovo. An example stated by the founder is “a
parent who decides to send a present when a child has to go to an imminent birthday party”. Customers for particular requests are charged for a delivery fee that is €6-€7 per order\textsuperscript{36}. Glovo improved their services being able to cover the whole day, offering a 24H service, every day, using only credit card payments for transparency and safety of the couriers that are defined as “Glovers”. “After two months, a typical user placed 2.5 orders a month; after six months, the frequency rose to 3.5 orders.” Thanks to the tendency of increase the orders placed, Glovo was able to reduce their delivery fees. Glovo’s founders define as main five categories which are preferred by customers: prepared food, over-the-counter pharmacy products, flowers, groceries and electronics. For deliveries from main categories of shops the fee has fallen to €3.5. Founders define as part of their success the “very good ecosystem for start-ups” in Barcelona, where they say they found professionals, favourable financing options and affordable premises.\textsuperscript{37} An important goal for Glovo in Italy is the important partnership with McDonald’s\textsuperscript{38} which decided to work with Glovo for the “McDelivery” service, allowing customers to order McDonald’s products with Glovo App with a fixed delivery fee of €2.90 or €4.90 for order that are less than €12. \textsuperscript{39}

\begin{figure}[h]
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\caption{McDelivery delivery process infographic. Source: McDonalds.com}
\end{figure}

\textbf{McDelivery allows customers to order and receive “McBurgers”, french fries but also ready-to-eat fruit salads, salads and all other menu items, which is constantly updated with seasonal dishes. “Discover the taste of McDonald's without leaving home”, is the slogan for the initiative, whose promotion started in Milan and then in Rome. For McDelivery's communication, the chain planned also a digital campaign and an editorial plan on two social, Facebook and Instagram.}

\begin{itemize}
\item \textsuperscript{36} Steve O'Hear “Spain’s Glovo, Another On-Demand Local Delivery Startup, Picks Up €2M Funding”. Techcrunch. November 24, 2015
\item \textsuperscript{37} Simone Cosini “Food, ma non solo, l’anything delivery anche a Roma. Glovo” Startupitalia. 13 giugno 2017
\item \textsuperscript{38} Filippo Piva “McDonald's inaugura le consegne a domicilio in Italia”. Wired. June 1 2017
\item \textsuperscript{39} McDonald’s Italian Website mcdonalds.it/delivery
\end{itemize}
CHAPTER 4 Italian market of Food & Anything Delivery

4.1 Main players and new trends in Italy in the Food Delivery Market

The catering sector has been one of the main protagonists of the radical transformation that in the last years, found in home delivery and in the order takeaway through App, the greatest opportunities of growth. Food Delivery market faced a natural evolution of the catering market. Since 1996, the first online grocery services such as WebVan and Homegrocer started their activity. The initial success of this first digital platforms opened new valuable perspectives, leading to this societies to go public but the decline in sales and the breakdown of the technology bubble led most part of the companies to bankruptcy.

Despite these events, the technological revolution did not stop, and since the year 2000, new kind of services emerged and faced a continued growth.

To keep up with the times and to follow the ever-increasing life rhythms, many companies decided to offer e-Stores with delivery services. Many supermarkets decided to follow the trend and to innovate, adopting the new online distribution channels. In Italy, the first to adapt to this trend were Coop and Esselunga.  

The grocery delivery service has been very successful in big cities such as Milan and Rome since the '90s: it suited both the needs of those who were not able to move to the physical store, and those who did not want to travel or that did not have time because of work or children, preferring the delivery of products directly to their homes. The customers target of this service were older people and disabled people, but also a working woman. The opportunities that come out for business were numerous: customer loyalty thanks to the efficient and affordable service, brand strengthens and it was easier to acquire new customers with the competitive advantage of being among innovators and first movers. In Consumer perception of the brand was better because it looked more concerned with social impact, also thanks to the offer of special discounts for the elderly and the disabled. To reach this goal, however, supermarkets had to deal with

40 "Brutal competition batters supermarkets the world over" The Guardian. October 5 2014
disadvantages: offering delivery service requires a large amount of money investment to sustain its initial costs, as the hiring of new people, formation and then it was followed by an important reduction in the profit margin on deliveries and losses on fresh items in failed deliveries.

Amazon.com, one of the leading e-commerce businesses, offers a variety of grocery delivery services: the first, Amazon Prime Now\textsuperscript{41} allows customers to receive over one million of products, directly at home, within one hour. Among the products offered, in addition to long-lasting foods and packaged foods, fresh fruits, vegetables, dairy products and meat are also included. In addition, Amazon added also new delivery services as the possibility to have a continued delivery of product pre-organized, with a 10% discount, with the frequency chosen by the customer. The main leader is JustEat, a Danish company founded in 2001 and now active in 13 countries around the world, with a turnover of 247.6 million pounds in 2015\textsuperscript{42} and listed on the London Stock Exchange. In just five years, the company increased the number of employees by 90% and the partner restaurants quadrupled reaching 4,500 in over 400 Italian municipalities. Recently, to follow the industry innovations and to increase faster their customer base, JustEat acquired other Italian startups such as Clikeat.it in 2011, Clickemangia and DeliveRex in 2015 and HelloFood Italia and PizzaBo in 2016\textsuperscript{43}

The business model, which includes not the only online menu and ordering services, but in last years developed also "JustEat Delivery" offering their own logistics to restaurants without drivers, now are facing new startup with Internet-based systems and with the Mobile App model. In Italy, the major exponents are Deliveroo and Foodora. British the first, the second German, both are very young, born respectively in 2013 and 2014, now are present in over 10 countries around the world. In Italy, and in particular in Milan, Deliveroo and Foodora grew by more than 40% over the past year, surpassing JustEat's presence and turnover in the Lombardy capital. The latest newcomers in the market are startups such as Sprig, PizzaBo, Foodinho or Diet to Go, capable of offering fully integrated solutions and following the entire chain by creating personalized shopping experiences.

\textsuperscript{41} Victoria Ho "How Amazon pulled off its biggest Prime Now launch ever" Mashable. September 21, 2017
\textsuperscript{42} John Ficenec March "Just Eat profits soar in maiden results" The Telegraph. 17 2015
\textsuperscript{43} Ingrid Lunden "Rocket Internet Sells Food Startups In Spain, Italy, Brazil, Mexico For $140M To Just Eat" Techcrunch. Posted Feb 5, 2016
create their customer base in a market with already a lot of competitors, they focused on communication, optimizing transports and reducing delivery times, supporting ecological and healthy trends. In this transformation are involved not only ordering and distribution systems, but also dish preparation processes, marketing and communication strategies, products design and transport tools and packaging. The evolution of the Food Delivery market, at international level, was very fast. Over the last 5 years, home delivery of ready-to-eat foods has increased by 51%, with significant changes also in terms of the business model. In fact, the trend has moved from simple platforms with list of all restaurants offering delivery, to both order and logistics managing by the companies, to end up with companies seeking to provide an even more integrated experience by taking control of the entire food chain. The size of the international market at year 2016 is estimated to be over $210 billion, or 43% of the world's food market. There are new ideas about the development of a new business model for food delivery, where the restaurants will "disappear" becoming totally virtual through a vertical integration of the business, which will add to the delivery also the whole production of food, made by the platforms. New laboratories can be created to produce food and deliver it to their customers integrating the three constituent dimensions of this market "order", "cook" and "deliver" in a process controlled fully by the platforms. Industry experts expect a "secular paradigm shift", which will lead the online order to dominate the offline one over the next decade.

Compared to other European countries such as England and Germany, the online food / grocery delivery sector in Italy in 2009 was represented by only the 1% of the online sales, but expanded strongly in recent years, reaching during 2016 a potential of 7 million people and 19% of Italians who sustain "intention to buy" (data from the National Observatory Gfk Eurisko for Businessmen, 2016). Data confirm that Food Delivery in Italy today involves a market of €400 million, with broad growth prospects: €500 million in two years only in Milan (Prof. Sebastiano Grandi for Corriere della Sera, 2016). In addition, the home-delivery market is now one of the sectors with very attractive growth margins and potential, for the

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44 "Food digital marketing: il neo fenomeno che impazza in rete" Hospitality-news. March 31 2016
46 Eric Kim "A Secular Shift To Online Food Ordering" Tech Crunch. May 7, 2015
large number of opportunities as the market is far from saturated: up to one year ago, only 15% of restaurants provided delivery services, percentage that will increase due to the increasing confidence of consumers with technologies and new platforms and for the always better services offered. The main companies active in Italy are the three giants JustEat, Deliveroo, and Foodora, but also Quomi and Fanceat, specializing in the delivery of mealkits, providing with delivery all the ingredients needed to prepare the dishes at home. Foodracers has focused on provinces rather than big cities; Glovo, however, since buying Foodinho, delivers a wide variety of products, including food.

4.2 Italian Legislation and Startups

In Italy the legal system has to face the constant improvements that new technologies and innovation are carrying with startups. There is no specific regulation for people that work with startups and there are a lot of legal lacks, especially in the worker protection and minimum wages: that is the case that faced first Uber and during 2017 a startup in the food delivery sector: Foodora. Drivers working for the platform claimed that they were underpaid and that they had not enough working protection for their job. They were organized in different work detail with a very precarious work that depended by different days and periods, not ensuring any constant payment. They also claimed that everything that they used to work as bikes and smartphones were to be borne by them. The only document that they signed was a contract between the platform and them but recognized as an independent contractor, but it was a really different situation: they had reporting lines, Foodora working uniform and subject to constant reviews by customers. Not being officially employed by the firm, they had no vacations, subsidies or health insurance protection. This case had a high-profile as it was underlying an evident lack of regulations. Other Food delivery companies are constantly adapting to consumer needs: Deliveroo has, for example, defined new trends in an ever-growing and timeless labor market by opening the "Deliveroo Business" branch of the platform specifically dedicated to

47 Sonia Massari "La trasformazione digitale della ristorazione: il Food Delivery" Hospitality-news. March 10 2016
48 G. Balestrieri e R. Ricciardi "Il ristorante a domicilio decolla in Italia, ma è terra di conquista per stranieri" LaRepubblica. November 28 2015
49 Valerio Valentini "Foodora, alla Camera bocciato l'emendamento per tutelare i fattorini: "Ora azioni legali contro azienda" Ilfattoquotidiano. March 9 2017
the delivering of meals in office. Companies create a special profile on the platform for their needs and in that way can offer to their employees more varied and appreciated meals. Recently, to sustain the idea of growth in the Food Delivery industry, other players have also joined the field: Facebook, as example. The social network announced the arrival of a new feature, "the ability to order food directly from the restaurants and premises pages". The service, now active only in the United States is the result of the collaboration between Facebook Food Delivery companies, that will soon reach also the Italy. Uber has also decided to join the Italian Food Delivery market with UberEats, even though his problems with the Italian legislation regarding their Uber driving service. Having a pool of 100 partner restaurants, UberEats is part of the Italian market after its success in the United States.

4.3 iAmbrogio & Moovenda History Case

iAmbrogio was an "Anything Delivery & Concierge" Startup founded in Rome during 2015 by Matteo Tanzilli. It was born from the idea of a "Digital Butler", able to deliver to customers anything needed. Moovenda is a food delivery platform focusing specifically on the market of high-end food products. Active in Rome, Viterbo, Naples it relies on its own distribution network to guarantee rapid service.

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50 Raffaele Ricciardi "Deliveroo lancia il servizio dedicato alle aziende: così fa concorrenza alle mense" LaRepubblica. 27 Settembre 2016
51 Simone Cosimi "Food delivery, Facebook fa sul serio: il pranzo si ordina sul social" LaRepubblica May 22 2017
52 ANSA "Tribunale di Roma sblocca il servizio Uber Black" 26 May 2017
4.3.1 Startup Phase and the idea

Customers were able to choose from more than 500 products in the App Menu or using the function "Make a Wish" they were able to make any kind of request. It was offered also a limited selection of dishes from partner restaurants. The platform offered also the chance to book a guided tour or a helicopter tour. Service was 24H and active every day. The ideal profile of the customer of iAmbrogio was a person with no time, busy with work or unable to go out that might need something, with a medium-high income. Time saving was an important feature for the business: why should you waste your time when there is a person ready to serve you. iAmbrogio worked with a business model that charged the customer with a 20% fixed fee on the price of the Total Basket plus the fixed fee for delivery were €5 from 8 to 22 and €10 from 22 to 8. The delivery fee was entirely given to drivers, which organizing themselves to cover the whole day, were able to manage the various orders. They started in Rome and then expanded in Milan after 6 months of activity, and during summer 2016 the platform offered their services in Portofino, thanks to an agreement with “Yatch Club Portofno”. iAmbrogio had his comparative advantage being in his period of life the only anything delivery startup active in Italy. After just one year the platform had more than 15.000 different registered users which downloaded.

Figure 8. iAmbrogio Competitors in Italy and Competitive Advantage. Source: iAmbrogio Pitch
4.3.2 Expansion and exit from the market

"iAmbrogio was born from a need. The need of having, on a unique platform, the chance to order whatever a person may need in the daily life. In the whole world and especially in Europe, there are many food delivery services but only a few of them offer the chance to order anything you need. Most of all startup focus only on food delivery while the attention should not be restricted to food." is how Matteo Tanzilli CEO of iAmbrogio explains how his idea was born. The startup has been entirely financed by the CEO that invested his money for all the expenses that the business faced. iAmbrogio started his activity 28 September 2015, the first day in which customers had the chance to order products. After 2 months, iAmbrogio started to offer also concierge services, adding guided visits skipping the row and private driver services. During April 2016 iAmbrogio started his activity in Milan, entering in a new city, with promotional events and a strong marketing impact made up of a "guerrilla marketing" in which there were many people dressed as butler with the logo "iAmbrogio" moving in the city centre of Milan and giving discounts to new customers. During April 2016, after 7 months of activity, iAmbrogio reported the first year data: Working in Rome and Milan with 15,000 registered customers, 400+ in-App menu products available, exclusive H24 services and App available both for Android and iOS. During September 2016 iAmbrogio made a restyling of the App and improved the Concierge Services, reducing the average time of deliveries. During October 2016 iAmbrogio developed a virtual BOT which interacts with customers using Facebook Chat, which allowed an interactive and innovative way to order the services: once the customers confirmed his order, the BOT sent it to the drivers which managed the requests. During December 2016 iAmbrogio made his exit from the market, selling to Moovenda, a startup financed by LVenture Group, for an undisclosed amount. The life cycle of a startup, mainly from the point of view of the investors, is to get high returns from the investment, in the shorter term possible. When a startup decides to exit the market, it does not mean a

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53 iAmbrogio Website iAmbrogio.it
54 Gabriele Isman “Maggiordomi virtuali la startup iAmbrogio finisce a Moovenda” LaRepubblica. December 2016
failure or a defeat, it is a true success, for everybody involved in the business.

**SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

<table>
<thead>
<tr>
<th>(£ thousands)</th>
<th>Prg. No./year</th>
<th>Seed (S)/ Microseed (MS) / Liquidated (L)</th>
<th>P/VH</th>
<th>% Investment at 31-Dec-16</th>
<th>Value at 31-Dec-15</th>
<th>Increases (Decreases)</th>
<th>Impairment losses</th>
<th>Revaluation/Impairment losses at fair value</th>
<th>Value at 31-Dec-16</th>
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<td>Moovenda</td>
<td>P 6 - 2015</td>
<td>S</td>
<td>1.5</td>
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<td>267</td>
<td>121</td>
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</tr>
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This strategy is an opportunity, a win-win game, both for the founders of the startup, that will see their project embedded in a bigger reality, and for the investors that will get their returns. Shorter is the term of the exit, higher is the success of the startup.

*Figure 9: iAmbrogio & Moovenda infographic after Exit form the market. Source: iAmbrogio.com*
CONCLUSION

Defined all sources of funding, is an evidence that there is a step by step "path" to reach the peak of a startup and decide whether to exit from the market or go public. Worldwide markets are constantly changing, different players are trying to introduce innovations, to get a comparative advantage, and the market that people face today, in future years, will be totally different. USA acts as first mover, introducing innovations and innovative ways of working as “Postmates” spread the trend of anything delivery. Europe follows the trends and Italy, in the biggest cities, has big players in the market such as Deliveroo, Just Eat and Foodora. Technology is moving fast and laws worldwide are trying to keep up, but with evident delays that cause discomfort in the market and problems with the startups, that may affect the growth of their business. New trends such as the "Anything Delivery" business are redefining the market of the delivery but also the market of supermarkets and groceries, facing a chain-effect that affects different markets and different players. iAmbrogio, a small startup born in Rome, a first mover in the "Anything Delivery" business, made his exit in 1 year and 4 months, showing an evident interest in a new segment of the market and big opportunities of growth. Food Delivery is a market with a lot of opportunities that, thanks to the penetration of the technology that is always rising, will offer great chances of revenues.
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