



*“Reshaping Strategies in Times of Crises – The
Case of Gorillas Technologies GmbH”*

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Dissertation written under the supervision of professor Ricardo Reis

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Abstract

The Covid 19 pandemic shook the world in 2020. As a result, there were many innovations, including a revolution in the retail sector. Online ordering was the new normal, and new industries were enabled by changing consumer behaviour. One example is the quick commerce industry. In 2022, however, the Ukraine war and record inflation resulted in significant market changes. Thus also a strong influence on the new quick commerce industry.

The case study covers Gorillas Technologies GmbH, which brought the quick commerce industry to Europe. It looks closely at Gorillas' response to Covid-19 and how Gorillas is responding to the Ukraine war and inflation. Different strategic frameworks were used for the analysis. Moreover, a particular focus was placed on the competitive environment of Gorillas.

Six semi-structured interviews were conducted for this qualitative research project to analyze Gorilla's strategies and strategy changes in detail. The case study is suitable for a variety of people interested in the food industry, e-commerce or quick commerce.

The analysis revealed that Covid-19 catalyzed the rapid growth of Gorillas and the industry as consumer behaviour changed. Furthermore, it was recognized that the Ukraine war and inflation caused a complete strategic realignment of Gorillas, who is now striving for profitability instead of growth.

Title:

“Reshaping Strategies in Times of Crises – The Case of Gorillas Technologies GmbH”.

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Keywords:

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Resumo

A pandemia de Covid 19 abalou o mundo em 2020. Como resultado, houve muitas inovações, incluindo uma revolução no sector retalhista. A encomenda online foi o novo normal, e novas indústrias foram viabilizadas pela mudança do comportamento dos consumidores. Um exemplo é a indústria do comércio rápido. Em 2022, contudo, a guerra da Ucrânia e a inflação recorde resultaram em mudanças significativas no mercado. Assim, também uma forte influência sobre a nova indústria do comércio rápido.

O estudo de caso abrange a Gorillas Technologies GmbH, que trouxe a indústria do comércio rápido para a Europa. Analisa atentamente a resposta de Gorillas ao Covid-19 e como Gorillas está a responder à guerra e à inflação na Ucrânia. Foram utilizados diferentes quadros estratégicos para a análise. Além disso, foi dada especial atenção ao ambiente competitivo de Gorillas.

Foram realizadas seis entrevistas semi-estruturadas para este projecto de investigação qualitativa para analisar em pormenor as estratégias e mudanças de estratégia de Gorilla. O estudo de caso é adequado para uma variedade de pessoas interessadas na indústria alimentar, comércio electrónico ou comércio rápido.

A análise revelou que o Covid-19 catalisou o rápido crescimento de Gorillas e da indústria à medida que o comportamento dos consumidores mudava. Além disso, foi reconhecido que a guerra e a inflação da Ucrânia causaram um realinhamento estratégico completo dos gorillas, que agora se esforçam por obter rentabilidade em vez de crescimento.

Título:

"Reformular estratégias em tempos de crise - O caso da Gorillas Technologies GmbH".

Autor:

Kai Julian Torkel

Palavras-chave:

Indústria de Comércio Rápido; Revolução do Comércio Electrónico; Covid-19; Guerra da Ucrânia; Inflação; Crises; Comportamento do Consumidor; Capacidade Dinâmica; Estratégia do Oceano Azul; Vantagem Competitiva;

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List of Abbreviations

Covid-19:	Corona Virus Disease
DC:	Dynamic Capabilities
E-Commerce:	Electronic Commerce
ECB:	European Central Bank
IPO:	Initial Public Offering
IT:	Information Technology
P5F:	Porter's Five Forces
Unicorn:	Valuation over \$ 1billion
VC:	Venture Capital

I. Introduction

Covid-19 represents humanity's biggest challenge since World War II. Health care systems worldwide are reaching their limits, businesses are struggling to survive, and people are reluctant to leave their homes. The new world situation is changing consumer behaviour and the world of work like never before. Working from home and ordering online is the new normal. This new shift is pushing many companies to their limits, but it is also creating winners. The moment when the high demand of people unsettled by the pandemic could no longer be met led to a revolution through e-commerce. It has never been so accepted to order online. This shift in how stores set up and how consumers behave is leading this revolution.

Consequently, this revolution, which is only just beginning, is already having a massive impact on how consumers shop. Increased online demand has forced physical stores to close gradually, and entrepreneurs and companies have increasingly tried to find online solutions to meet the demand. One who has found an answer is Kagan Sümer. Kagan Sümer, the founder of Europe's fastest Unicorn Gorillas, suspected that consumers wanted more than they knew. The newly founded company introduced a new industry called quick commerce to Europe and delivers groceries within 10 minutes to your home. Therefore, the first part of the case study deals with the question if the Covid-19 virus was the perfect moment to introduce Gorillas, - accelerated Gorillas growth, and how Gorillas responded to the pandemic that challenged many companies.

The war in Ukraine and the resulting negative change in the market pose a massive challenge to the young industry and Gorillas. Thus, the second part of the case study analyzes how Gorillas has adapted its strategy to the new circumstances.

Learned theoretical frameworks and strategies are applied to Gorillas' market entry strategy, positioning, and competitive advantage. Furthermore, it will be seen whether Gorillas can sense threats and opportunities and react quickly and accordingly.

Since Gorillas is a private company without publishing much strategic information, a qualitative approach has been chosen. Five interviews were conducted with high-level Gorillas employees to identify the company's strategies. Furthermore, an external interview helped to put Gorillas' strategic direction in relation to its competitors.

II. Methodology

The aim of the dissertation is to identify and assess Gorillas' strategy adaptations during Covid-19, the Ukraine war, and inflation. Therefore, three hypotheses were created to guide this case study. Furthermore, "Saunders Research Onion" guides the data collection and analysis process. The onion is used correctly by going from outer to inner layers, and each layer provides different research suggestions (Saunders, Lewis & Thornhill, 2016). Within the case study, a brief overview of the focus is given. Appendix A provides an elaborative view of each layer.

2.1 Hypotheses

H1: The Covid-19 pandemic accelerated Gorillas' growth after introducing the quick commerce industry to Europe.

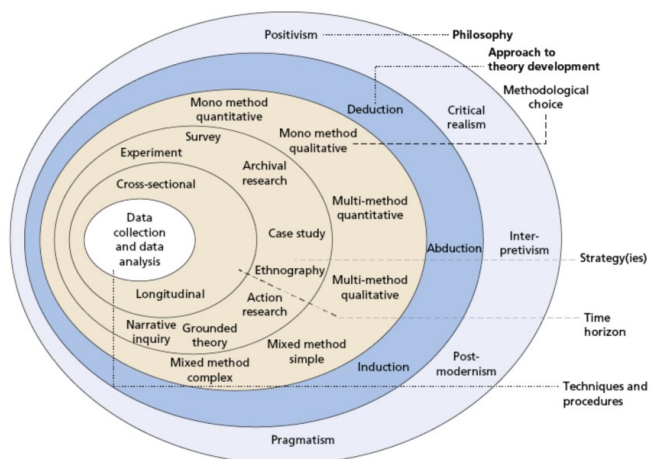
H2: Gorillas' Dynamic Capabilities aided the company's readiness for the Covid-19 pandemic, the Ukraine war, and inflation.

H3: Gorillas increased its competitive advantage throughout the different crises.

2.2 Saunder's Onion

Figure 1

Saunders' Research Onion (Saunders, Lewis, & Thornhill, 2016, p.138).



The research project can be defined as a case study following a mono-method qualitative approach. A case study is predestined as research strategy, because a unique real-life situation is analyzed

while requiring new qualitative data to gain deeper insights into the company’s past and current position. Therefore, six semi-structured key-themed interviews were conducted to gather unique data about Gorillas' past- and new strategies. Open questions during the interviews enabled to receive a wide range of possible answers while the interviewee answered on their terms. In addition, a literature review supports the case study to understand Gorillas' unique real-life problem (Saunders, Lewis, & Thornhill, 2016). The focus was laid on books, scientific papers, journals and high-quality articles. However, limited literature was available due to the quick commerce industry's newness. The following table provides an overview of the interview partner.

Table 1

Own Illustration – Interview Partner

Interview	Position	Characteristic
1	Chief of Staff Germany	Part of Covid-19 Crisis Management Team
2	CEO Office	Since beginning part of Gorillas; Part of weekly C-Level Board Meetings
3	Director of Operations	First Employee of Gorillas; Shaped Gorillas’ Strategy and Operations
4	Chief of Staff (Global)	Part of the Top Management
5	Dark Store Manager	Provides Insights about Gorillas’ response to Covid-19
6	Industry Expert	Informs via LinkedIn (>30,000 follower) & Podcast about Quick Commerce Industry

III. Case Study

3.1 Introduction to Gorillas

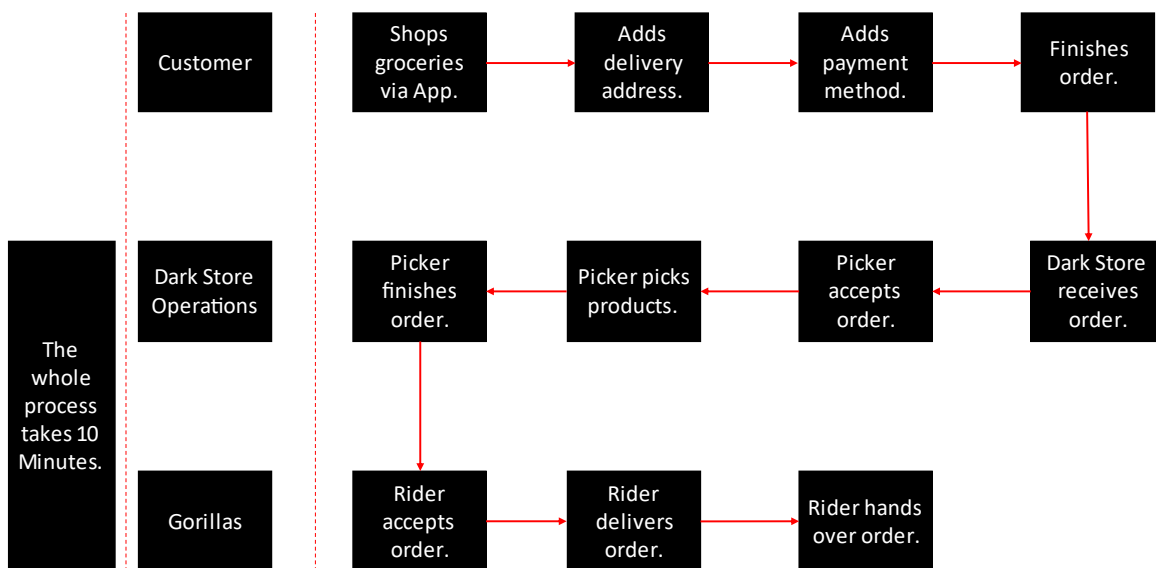
Anyone who has dealt with European startups over the last two years will have encountered the name Gorillas Technologies GmbH from Berlin, Germany. Just nine months after being founded in Mai 2020 by the co-founders' Kagan Sümer and Jörg Kattner, Gorillas achieved Unicorn status – a valuation over \$ 1 billion - faster than any European startup before (Nott, 2021). By taking a deeper look into the history of the polarizing startup, one can notice that the story goes back further. As a child, Sümer watched his mother in Istanbul buy groceries from the kiosk across the street by calling out from the kitchen window. Then, years later, Sümer began to turn his childhood experience into an idea and reality. A delivery service that would deliver groceries to customers within minutes. At the time, he started from his living room, where the balcony served as a refrigerator during the winter and delivered the goods by himself (Holzki & Kapalschinski, 2021). Shortly after, Sümer founded Gorillas in May 2020 and experienced hypergrowth with Germany's first quick commerce grocery delivery service and already achieving over 3,5 million App downloads after just two years (Westermeyer, 2021; Curry, 2022).

3.1.1 Business Model/ Service

Gorillas is a B2C business model and promises to deliver groceries within 10 minutes at retail prices (Gorillas, 2022a). The promise is stated within their slogan, "Faster than you" (Gorillas, 2021b). The customers order online via the Gorillas App, and depending on the delivery area, customers can choose between 1,500 up to 2,700 groceries, household, and hygiene products (Schwär & Schnlenk, 2022). The following figure illustrates the order process. In addition, *Appendix B* provides an extensive explanation of the new business model.

Figure 2

Own Illustration - Gorillas Ordering Process (Interviewee 4, 2022).



To assess whether Gorillas' grocery quick commerce introduction to the European market was a success, the development of the grocery industry and ongoing crises need to be examined.

3.2 Grocery Industry

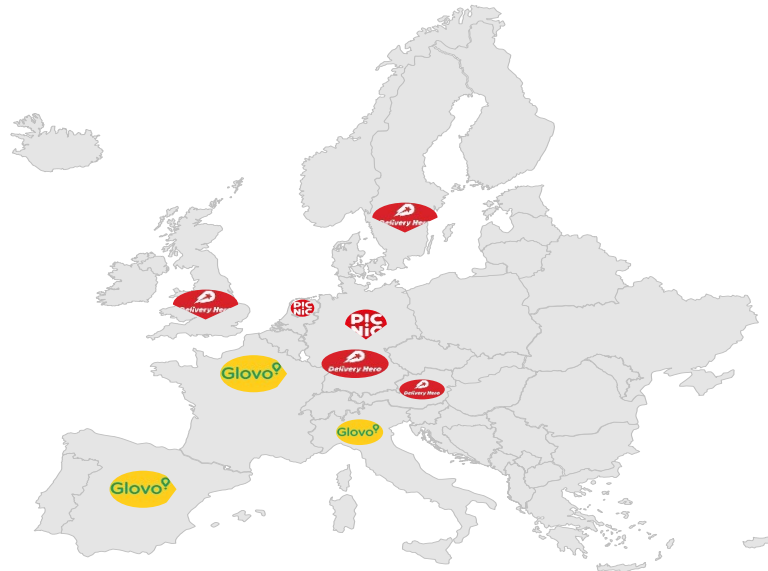
Europe's biggest grocery retail markets are France, Germany, Italy, Spain and the UK (Delberghe et al., 2022). Before Covid-19, the highly competitive European grocery retail market had a compound annual growth rate of 4.3% between 2016 and 2020, with revenue up to \$2,127.6 billion in 2020 (Research and Markets, 2021). Besides the growth, the industry can be described as a consolidated landscape. Deans et al. (2002) describe the consolidation of an industry when two or more companies merge. Therefore, consolidation can be seen as a growth model for grocers (Hendrickson et al., 2002). Those markets are represented by a few companies owning a high market share (Statista, 2022).

Even prior to Covid-19, grocers identified digital transformation within the industry as a serious threat and opportunity (Begley et al., 2020). The consumers' possibility of continuous price comparison results in price competition between competitors to gain market share (Abbu et al., 2021). Consumer desire convenience and aspire personalization (Begley et al., 2020; Abraham et al., 2019). Resulting evolving consumer behaviour, technological advances, and tough competition while working with laser thin margins and high costs represent the critical drivers for digital transformation (Abbu et al., 2021; Delberghe et al., 2022). The company that offers a good and consistent consumer experience the fastest can be identified as one of the winners in E-grocery (Begley et al., 2020). Such development enabled therefore the quick commerce industry (OECD, 2020; Martin et al., 2021).

Quick commerce is " a fast form of on-demand delivery which can deliver goods ordered online by customers in less than one hour" (Huang & Yen, 2021, p.117-128). It distinguishes itself through speed, convenience and customer care and entails food or grocery delivery (Villa & Monzón, 2021; Shinde, 2019). The following two figures provide an overview of different quick commerce players pre-pandemic.

Figure 3:





Own Illustration – *European Quick Commerce Player before Covid I* (Shinde, 2019; Pitchbook, n.a.).



1

Figure 4:

Own Illustration – *European Quick Commerce Player before Covid II* (Shinde, 2019; Pitchbook, n.a.).

Company:	Founded	Focus:	Total Funding:
	2011	Food Delivery from stores and restaurants	Delivery Hero is part of the Dax in Germany and raised 996,000,000€ before IPO.
	2015	Quick Commerce: Grocery Delivery within 10 minutes	4,000,000€ as convertible note.
	2015	Delivery of food, groceries, gifts from stores and restaurants	486,000,000€.
	2015	One grocery delivery per day, where consumer chooses a 60 minute delivery time slot.	350,000,000€.

The two figures illustrate that Europeans were already familiar with food and grocery delivery. However, it is observable that Getir has the same business model as Gorillas but was just operating in Turkey before the pandemic. According to Getir, the consumers were not ready for the offering in 2015 due to a missing smartphone penetration, nonintuitive app- and web design, as well as the preference for personal contact during grocery shopping (Sevencan, 2021; Statista, n.a.; Aull et al., 2021; Verschueren et al., 2021). However, quick commerce enabled already tailored products, accurate online inventory and the rider's location during the delivery (Bogdanova, 2021; Samsushka, 2022; Roycroft et al., 2022).

After obtaining an overview of the pre-pandemic grocery and quick commerce industry, a closer look is given at how Covid-19 influenced the emergence of quick commerce (Delberghe et al., 2022).

3.3 Covid-19 impact on Consumer Behaviour

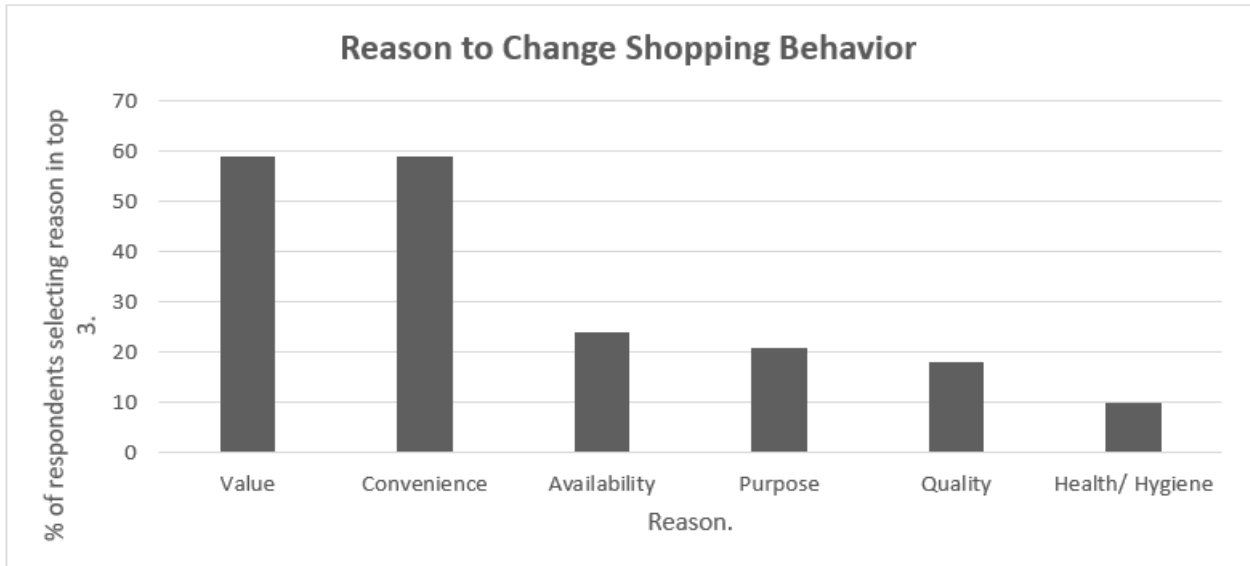
Consumers were afraid, especially at the start of the pandemic, of infecting themselves with Covid-19 (Abbu et al., 2021). As a result, consumers started to purchase groceries in bulk to hoard them and left brick-and-mortar stores often with empty stock (Baarsma & Groenewegen, 2021). However, this consumer experience was inconvenient, and consumers started buying groceries online (Baarsma & Groenewegen, 2021; Chen et al., 2021; Farrell et al., 2020; OECD, 2020). Therefore, the Covid-19 pandemic accelerated digital transformation (Abbu et al., 2021). Brick-and-mortar retailers were forced to offer their own e-grocery solutions or observe a demand shift toward e-commerce competitors (OECD, 2020). A McKinsey study even revealed that the immediate reaction to Covid-19 of 21% of questioned adults was to order groceries online/ via App since it helps to reduce transmission risks of the virus, and more often, brick-and-mortar stores failed to meet the consumer demand (OECD, 2020; Baarsma & Groenewegen, 2021; Samsushka, 2022; Verschueren et al., 2021). Due to the pandemic and the changing consumer habits, online grocery channels experienced a growth of 55% in 2020, and their market share increased to 5% (Verschueren et al., 2021). The online growth rates in the UK, Spain, and Italy were above 60% (Verschueren et al., 2021).

Zooming in on the changing consumer, over 60% of Europeans tried a new shopping behaviour, including websites, and over 70% indicated continuing or increasing online shopping frequency

after Covid-19 (Verschueren et al., 2021). The main drivers for the changed attitude are illustrated in the following figure.

Figure 5:

Own Illustration - Consumer Reason to Change Shopping Behavior (Verschueren et al., 2021).



Since the main drivers “value” and “convenience” can include various factors, a breakdown was conducted to understand the consumer even better.

Figure 6:

Own Illustration – Breakdown of Reasons to Change Shopping Behavior (Verschueren et al., 2021).

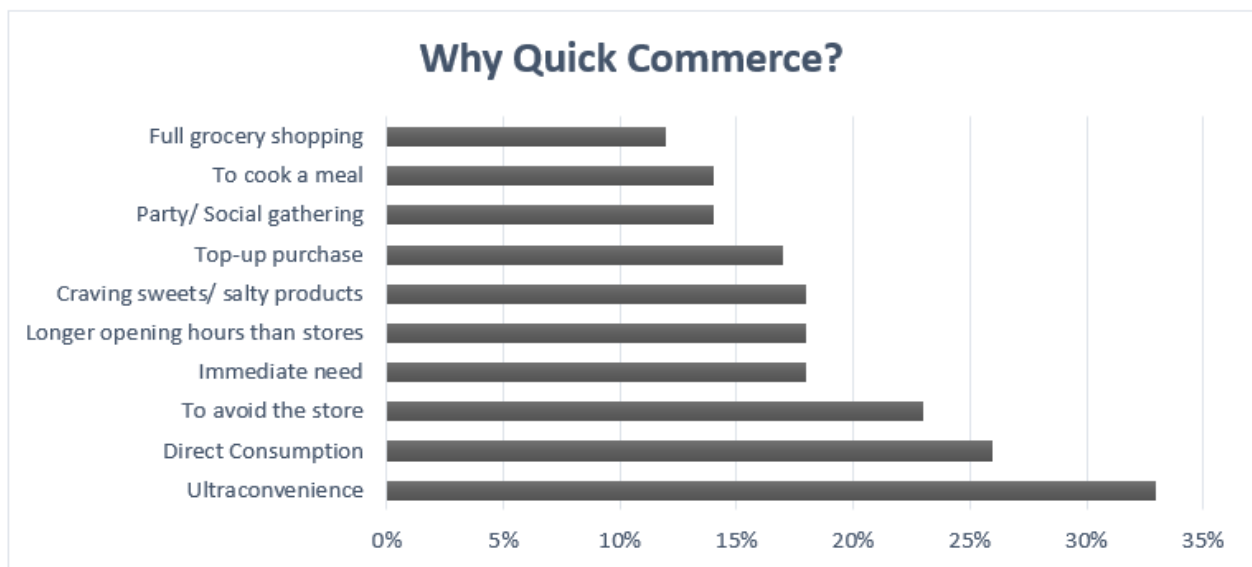


Besides the consumers' search for value and convenience, decreasing consumer loyalty and increased spending on everyday essentials like groceries can be observed (Abbu et al., 2021; OECD, 2020; Baarsma & Groenewegen, 2021). A study by Altay et al. (2021) identified new consumer importance for a more comprehensive category range and sales promotions.

Diving deeper into consumer opinions about quick commerce, McKinsey conducted a study in the UK, Germany, France and the Netherlands. When asked why consumers used quick commerce to purchase groceries, the following answers were provided:

Figure 7:

Own Illustration – Why Quick Commerce (Simmons et al., 2022).



Over 68% of consumers shifted from supermarkets to quick commerce players, seeing ultra-convenience, direct consumption and avoiding the stores as the main drivers (Simmons et al., 2022). 47% of consumers stick to one quick commerce player, whereas 42% of the questioned consumers act opportunistic and switch between players (Simmons et al., 2022). Further, 32% appreciate the good user experience, 30% the fast delivery, 27% the availability of products, and 26% a relevant assortment (Simmones et al., 2022).

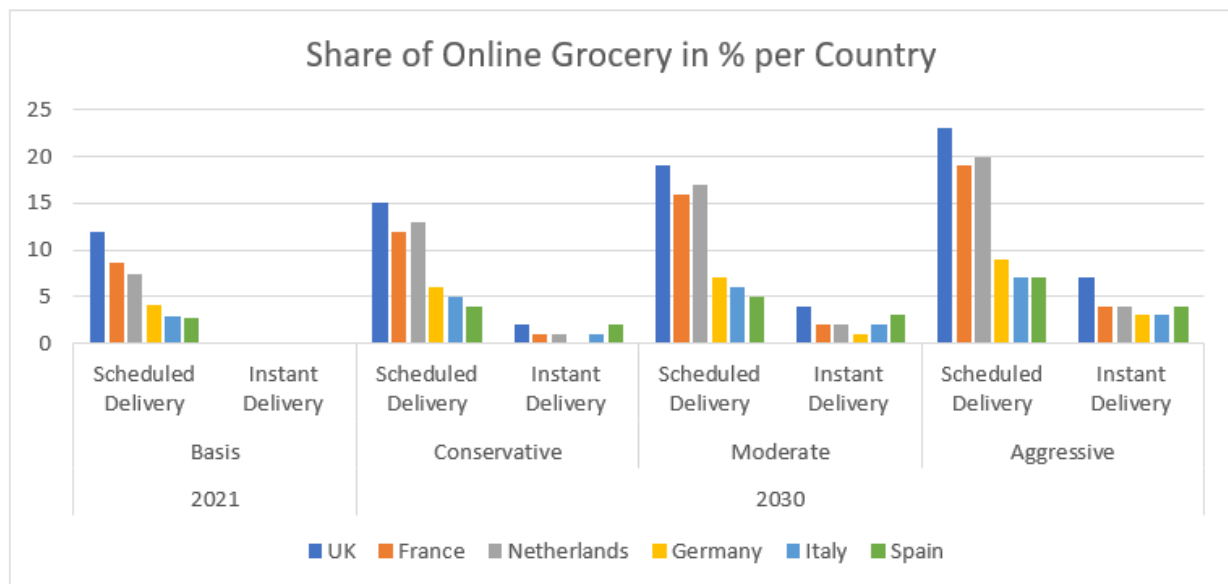
Lastly, the government plays a significant role in assessing the increase in demand for e-grocery and, therefore, quick commerce. Since governments introduced confinement measures, the demand for quick commerce increased (OECD, 2020). More regulations and the resulting closure of

restaurants and cafes shifted consumer spending towards purchasing even more groceries (Verschueren et al., 2021). Besides, consumers were partly forced to use e-grocery since they could not leave their houses (Altay et al., 2021). Especially large cities were strongly affected by the second wave of Covid-19, and one could identify increased e-grocery spending in highly affected municipalities (Schulze-Spüntrup, 2020; Verschueren et al., 2021; Baarsma & Groenewegen, 2021).

Taking a brief outlook, online grocery is expected to continue growing until 2030, as the following overview shows (Simmons et al., 2022).

Figure 8:

Own Illustration – Share of Online Grocery in % per Country (Simmons et al., 2022).



The first part of the Covid-19 impact on the consumer shows radical changes in their behaviour. The second already zoomed in on the consumer response towards quick commerce. This transitions to the next chapter, Gorillas' introduction of quick commerce to the European market.

3.4 Gorillas 1.0 – Introduction of a new Industry

“In a world where we have the technology to get to Mars, a major need like grocery shopping should be more convenient and accessible.” – Kagan Sümer (Giuri, 2020).

According to Sümer, Gorillas is driven by above presented conviction and has struck a chord by introducing his idea to Germany during a pandemic with a lot of uncertainty. By recognizing

changing consumer behaviour and strong demand without any marketing spending within Berlin after opening in May 2020, Gorillas knew the importance of growing its business rapidly to serve as many consumers as possible (Interviewee 2, 2022). The aspired aim was to serve all consumers within Europe with the 10-minute grocery delivery service (Interviewee 4, 2022). A service with no minimum or maximum order amount and a delivery fee of just 1,80€ while offering all sorts of fresh groceries and hygienic products (Interviewee 6, 2022; Interviewee 3, 2022). Initially, consumers could request products Gorillas should offer or cities Gorillas should expand to (Interviewee 3, 2022).

Driven by their own persuasion and a total of 1.3\$ funding from investors, Gorillas expanded with a weekly growth rate of 20% during the beginning to over 25 cities within Germany (Pitchbook, n.a.; Interviewee 1, 2022). Further, Gorillas expanded to different major cities in England, France, Italy, Belgium, Spain, the Netherlands, Denmark, and even the United States (Interviewee 4, 2022). All countries were heavily impacted by the pandemic and accepted Gorillas' business model since Gorillas has different criteria for expansion. Gorillas chooses cities based on the city's size, population density, food delivery services available, and the number of younger people within a city. Countries are chosen based on the similarity to Germany's consumers, GDP, and technological development (Interviewee 1, 2022; Interviewee 3, 2022; Interviewee 4, 2022).

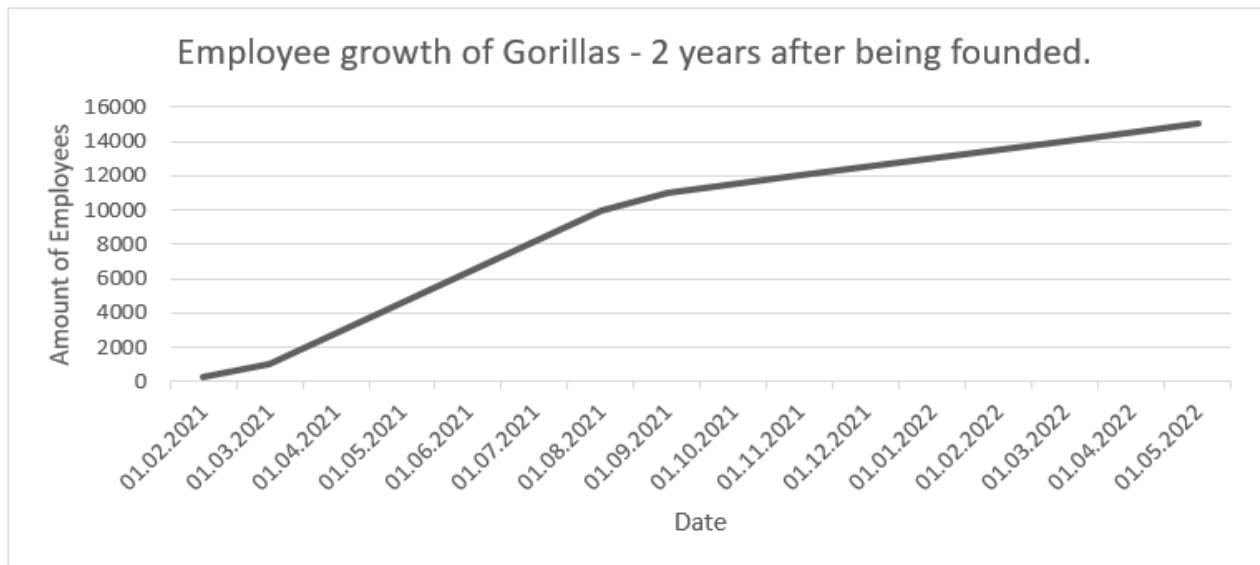
The insane hypergrowth increased the number of dark stores to 230 in 60 different cities and resulted in 4,5 million orders within just the second half of 2021, where Gorillas was still the market leader. Besides the expansion, the funding helped Gorillas to focus on its operations, to meet the promise of 10-minute delivery. Moreover, Gorillas' existing apps were improved to provide a simple but convenient consumer journey, and highly qualified employees joined their purchasing team (Interviewee 4, 2022; Holst & Stockburger, 2021). The purchasing staff, in particular, is vital because Gorillas, as a startup, carries little bargaining power and margins on food are very thin (Kassenzzone, 2022).

Besides the purchasing team, the rider and picker are essential. Usually, one order requires the effort of one picker and one rider, which makes the operations quite expensive. However, enough riders and pickers are needed to keep the promise of 10-minute delivery. Further, more employees helped advance the data analysis team, and marketing expenses increased. All aspects supported

the aim to provide ultra-convenience for the consumer. The following figure shows the insane employee growth of the "startup" Gorillas.

Figure 9:

Own Illustration – Employee growth of Gorillas (Pitchbook, n.a.).



The enormous growth is responsible for the subdivision of the areas. Country managers and regional managers were introduced for each country. This made it possible to manage individual areas better, address employee problems at a smaller level, and establish supply networks with local partners on site. 20% of all SKUs offered at Gorillas are sourced from local partners to deliver freshness and reduce food waste (Interviewee 3, 2022; Holst & Klug, 2021). These local partners are experiencing strong growth together with Gorillas. However, Gorillas also sources a large part of its food from large suppliers, such as the German supermarket REWE in the beginning (Holst & Klug, 2021).

Besides fast delivery, Gorillas' mentioned data analysis is the key to success. Thus, the demand per product in individual areas can be precisely analyzed and adjusted. Price adjustments and live inventory overviews are also part of the daily routine. Gorillas can offer precisely what consumers want and avoid non-demanded products (Kassenzone, 2022).

Besides the strong demand for Gorillas' online grocery delivery service, Gorillas' hypergrowth strategy was also negatively influenced by operational challenges. The next chapter describes Gorillas' response to Covid-19 challenges.

3.5 Gorillas Response to Covid-19

According to Interviewee 1 (2022), a startup needs all resources to follow its growth strategy and is usually not impacted by Covid-19. However, since Gorillas sells groceries and is in direct contact with the consumer, Covid-19 guidelines are essential. Therefore, Gorillas had two dedicated crisis management teams (Interviewee 5, 2022).

The first team, the office management team, was responsible for implementing government-communicated Covid-19 guidelines. Thus, there was clear communication about mandatory masks, disinfection rules, minimum distances, and the home office obligation as soon as there were positive corona tests. Changes were communicated and implemented within a day. They also ensured emergency staffing for urgent cases and that one could always contact them in case of problems (Interviewee 5, 2022). Since Gorillas is a startup with mainly young employees, the transition and technical challenges were mostly non-existent. However, technical support was provided by the IT service (Interviewee 5, 2022).

The second team was responsible for global operations (Interviewee 1, 2022). Since Gorillas dealt with food and direct customer contact, strict spontaneous government rules had to be followed. If it was previously merely the mask and disinfecting, regular testing was quickly introduced. Firstly, in Berlin. Thus, within a week, the Gorillas' crisis management team set up processes, acquired trained personnel, and conducted the necessary communication with all stakeholders. A total of 8,000 Covid-19 tests were organized in one fell swoop, in addition to a mask and disinfection stockpile (Interviewee 1, 2022).

Within a week, the Gorillas Rider were tested twice for Covid-19, and the warehouse staff were only allowed into the warehouse if they tested negative for Covid throughout the last seven days. The tests were performed under the supervision of the trained personnel and before entering the warehouse. For this, employees had to arrive 30 minutes before the start of work and the supervisor performed tracking with signed lists of tests for each warehouse. In addition, disinfectant was provided in large quantities. Within the warehouse, there were training/ clear

instructions on how to behave. This is on the one hand the handling of food, on the other, the minimum distance to be kept and hygiene measures (Interviewee 1, 2022).

If an employee refused the test, he was sent home. If there was a positive test, the warehouses often closed. Since this was jeopardizing the aggressive growth strategy since customers were switching to competitors, Gorillas introduced mandatory daily testing for all employees in all locations. Thus, there were unified rules globally. Once a vaccine was available, Gorillas also worked to become a prioritized company and get all employees vaccinated quickly. This was possible because Gorillas supported basic needs with their food (Interviewee 1, 2022).

For consumers, Gorillas introduced the option of contactless payment and delivery. That allowed the customer to let them know via the app if they wanted their order to be left at their door. Live tracking via the app allowed the customer to see the exact time the order would arrive. Resulting, groceries could be delivered to Covid-19 sufferers without direct customer contact. On the other hand, customers could request products today that would be available for purchase from the company tomorrow (Interviewee 2, 2022). For example, a wide range of hygiene products, tests, and masks were available for purchase early on (Interviewee 2, 2022).

According to COO Adrian Frenzel, even the largest retailers have supply chain issues. However, Gorillas, as a small company, can purchase ahead of time due to its demand and customer-specific analyses. As a smaller company, it buys smaller quantities than the big players. Gorillas can therefore act at least partially preventively (Kassenzonen, 2022).

Gorillas had a huge success and strong customer demand. However, its business model is easy to copy, and investors were looking for attractive investment opportunities. These facts resulted in a new competitive landscape, illustrated within the next chapter.

3.6 New Competitive Landscape

After Gorillas introduced its quick commerce model to the European market, many companies followed the example and tried to compete with the German startup during the Covid-19 pandemic. The sudden rise was financially enabled by venture capital firms, who fed startups a vast amount of money, despite doubting if the industry could be profitable at one point (Schwär & Schenk, 2021). The following figure illustrates the industry's investment trend from 2015 until 2021.

Figure 10:

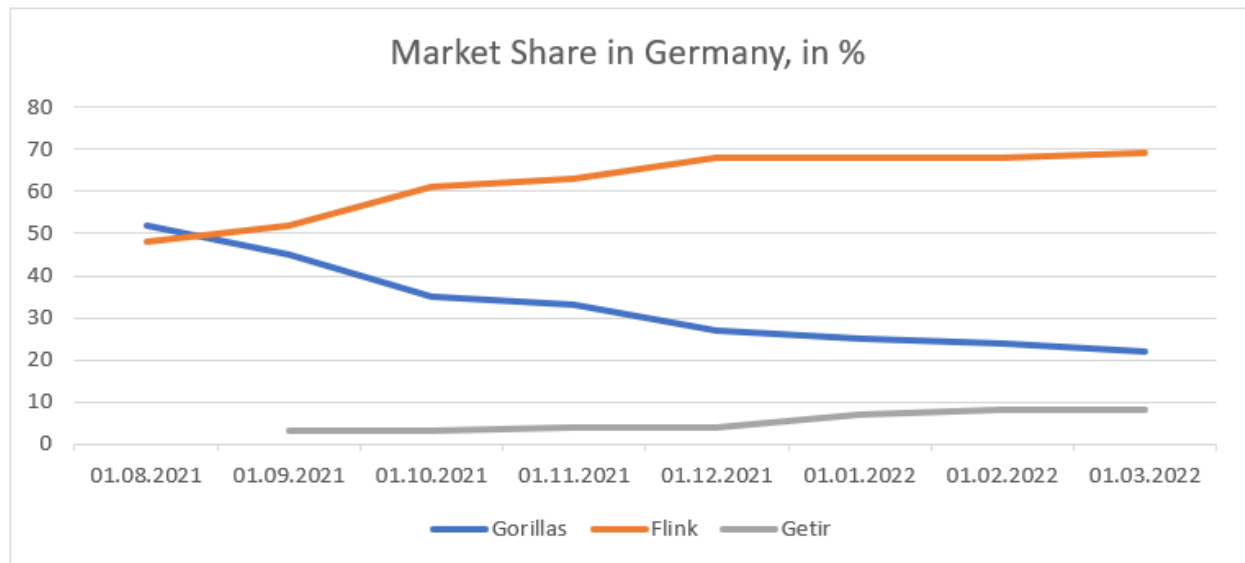
Own Illustration – Invested Capital in Quick Commerce (Buttkus, 2021).



Many investors feared missing out on the upcoming quick commerce and invested in 2021 more money than in the previous six years combined (Buttkus, 2021). Despite the colossal marketing- and operations costs, investors knew the importance of rapid growth, especially throughout the strong demand during the pandemic. Investors knew that the quick commerce industry will at some point face consolidation like the grocery retail industry, which is why they enabled many new quick commerce players to grow aggressively. The intention is that only the biggest player survives (Schwär & Schlenk, 2021). The following figure illustrates Gorillas' new competitors.

Figure 12:

Own Illustration - Market Share in Germany, in % (Rest, 2022).

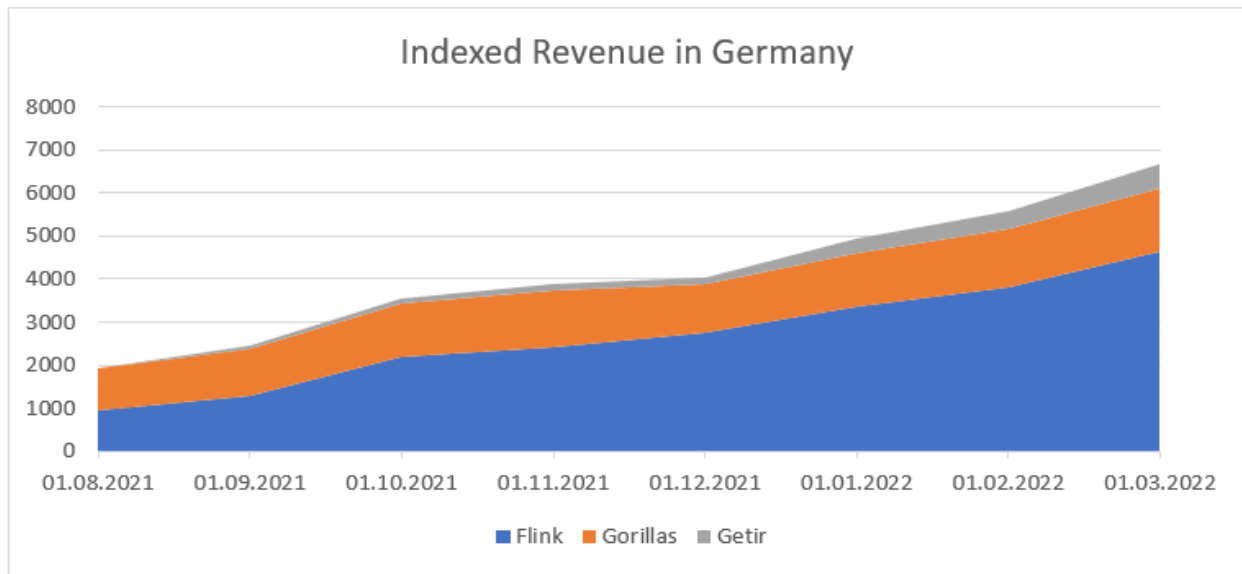


The market shares shown are even more meaningful if one considers the discounted orders in the market. Thus, for its 69% market share, Flink subsidizes only 15% of its orders, whereas Gorillas subsidizes (41%) and Getir (84%) (Rest, 2022).

Lastly, by taking a closer look over the indexed revenue development, one can already identify that Gorillas and Getir have room for optimization.

Figure 13:

Own Illustration – Indexed Revenue in Germany (Rest, 2022).



It is observable that Flink's average store revenue is with a value of 4629 much higher in March 2022 than Gorillas' (1495) and Getirs' (550). Further, one can observe a temporarily decline in Gorillas indexed revenue from the first of November 2021 (1292) until the first of January in 2022 (1245), whereas Flink achieves continuous growth.

Moreover, Gorillas was not able to meet its set KPIs in 2021. Thus, instead of 88 million euros, only 42 million euros in revenue were achieved at the end of 2021 (Rest, 2022). Gorillas achieved an Ebit of -125%, failed its set Ebit target of 10%, and has a monthly "burning of 50 million euros" (Rest, 2022). Allegedly, quick commerce players and Gorillas spend 70-80% of their revenue on marketing costs and consumer incentives (Rinke, 2022). With previously mentioned revenue, this would be between 29.4 million - 33.6 million euros. In addition, Gorillas partially filled dark stores in 2021 with spontaneous supermarket purchases, spent tens of millions on a partnership with Paris St. Germain, and paid millions to McKinsey for internal restructuring (Rest, 2022). Gorillas' credit rating is currently only 32% and can devastate operations (Holzki & Kolf, 2022).

Yet the negative internal development was exacerbated by other external developments, as the next chapter describes. A further market tremor is triggered by inflation and the Ukraine war.

3.7 Ukraine War

Russia invaded Ukraine on the 24th of February 2022 (BBC, 2022). Despite the many negative consequences of the ongoing war, the case study focuses on a vague overview of the impact on the quick commerce industry.

According to Reuters, the war leads to an increase in global energy-, raw materials-, packaging-, and transportation prices. Those increases pull up grocery prices (Bankova et al., 2022). Due to the war and sanctions, Russia has reduced the export of oil, gas, and many commodities. As a result, the products are not exported, or the production of goods and the products themselves will become more expensive. These increases in production- and transportation costs are likely to be passed over to the buyer and consumer, which results in a more conscious and less spending behaviour (Government of the Netherlands, n.a.).

Moreover, Ukraine and Russia produce 1/3 of the world's wheat. The war resulted in food shortage, blocked Ukrainian ports and supply chain issues, which heavily impacted the world's availability of wheat and increased prices drastically. Although the EU is primarily wheat autonomous, the price within the EU is still traded at the world wheat price. Thus, there is also a tremendous increase in food prices here which even increases the ongoing inflation (Stackpole, 2022). Resulting, quick commerce companies pay higher prices for e.g. wheat products. In such scenarios, consumers shift towards private label products because they are cheaper (Verschueren et al., 2021).

There is enormous uncertainty at what point the war will end. The war leads to even higher inflation and fewer European venture capital investments, affecting multiple startups (Stackpole, 2022; Glasner, 2022).

3.8 Inflation

According to UBS, demand-driven inflation experienced a record high driven by energy and food costs due to the Covid-19 pandemic, resulting in supply chain issues and is exacerbated due to the Ukraine war (Markovitz & Marchant, 2022).

Since the pandemic started, the demand for goods has been unusually high, paired with supply chain issues. Such development led to good shortages and price increases. However, the demand-driven inflation started to fade until the Ukraine war started. The prices increase due to higher gas prices, supply shortages and even just the fear of future supply shortages (Markovitz & Marchant,

2022). Within the European Union, inflation rose to an average of 9.8% year on year in July, which is the highest level of inflation since the European Union came into existence (Statista, 2022). Inflation is expected to lead to less demand by consumers (Markovitz & Marchant, 2022).

Since it is uncertain when the war will end, and the inflation continues to stay high, the ECB increased the interest rate to reduce overall consumption and fight inflation (Wulandari, 2022). This trend is dangerous for Gorillas since it depends on consumer demand. In addition, such interest rate increases, the Ukraine war and ongoing uncertainty led to a devaluation of tech companies, especially grocery supply companies. This trend is noticeable a few months later at startups because investors would get less money for their equity at an IPO (Holzki & Kolf, 2022). Investors shift their mindset from growing a business to profitability (Manager Magazin, 2022). This development threatens Gorillas' business model and challenges Gorillas for strategic adaptations to receive new funding by becoming profitable (Manager Magazin, 2022).

Therefore, the next chapter provides an overview of Gorillas strategic adjustments to the new market environment.

3.9 Gorillas 2.0 – Journey to Profitability

This new market situation is mainly due to the Covid-19 pandemic, inflation and the Ukraine war. As Gorillas is also looking for funding to drive the business forward, it needs a complete strategic transformation. The financial situation was illustrated earlier, and Gorillas lost its market leadership in most European countries (Rest, 2022; Kassenzzone, 2022).

According to Gorillas, Gorillas was one of the first companies to identify that changing from a partially uncoordinated aggressive growth strategy to a more profitable strategy was the right way to go (Interviewee 3, 2022). The focus lies on cost savings and new revenue opportunities (Interviewee 2, 2022). This strategy was created by the C-level and communicated to the company transparently and openly, presenting clear goals with milestones and responsible parties (Interviewee 2, 2022). Despite the size of 14,000 employees as a startup, the internal structures were still very flexible, so the implementation was quick (Interviewee 3, 2022).

First, Gorillas' various markets were analyzed. Thus, it was decided not to expand anymore but to focus on its portfolio (Interviewee 3, 2022). In May 2022, they decided to withdraw from Denmark, Italy, Belgium and Spain, as the other five countries generated 90% of the revenue (Interviewee 4,

2022; Lunden, 2022). The implementation happened within a few weeks, and the operational business could be shut down overnight (Interviewee 4, 2022). Furthermore, there was a withdrawal from cities where profitability was not considered possible (Interviewee 3, 2022). In the case of individual warehouses, there is also a focus on financial performance. It was identified what still needs to be done at which warehouses to make them operationally profitable (Interviewee 3, 2022). Responsibility was also given to the warehouse manager to create accountability (Interviewee 1, 2022).

The second adjustment was a 300-employee layoff at Berlin's headquarters (Lunden, 2022). The uncoordinated growth resulted in an enormous number of people being hired (Interviewee 2, 2022). However, by changing the strategy and exiting different countries, many employees are no longer needed, and the numerous layoffs lead to solid cost savings. The focus is on a lean company (Interviewee 3, 2022). Competitors have also imitated this step (Interviewee 4, 2022).

Gorillas is a strong brand that polarizes (Interviewee 3, 2022). Also because of this, marketing costs were drastically reduced, resulting in strong savings (Interviewee 4, 2022). For example, vouchers were often used to attract consumers who had only placed one order with the respective voucher at the end (Interviewee 4, 2022). The target group changed from young, often students, to well-off households (Interviewee 1, 2022; Interviewee 3, 2022). As a result, the average order value could be raised to well over 20 euros, and the average basket increased. For example, the average order value in the Netherlands has increased by 100% in the last 12 months (Interviewee 3, 2022). Furthermore, a minimum order value of 10-15 euros per country must be reached. If this is not reached, an additional fee of 2 euros is incurred. This eliminates many unprofitable customers (Interviewee 2, 2022). Competitors subsequently copied such adaptation (Interviewee 4, 2022). Despite a 70-80% retention rate, Gorillas still has to be careful that consumers do not leave for competitors, as the switching costs are low (Interviewee 3, 2022; Interviewee 4, 2022). There are also signs of consolidation in the market. For example, Gorillas has taken over parts of Zapp in Holland and is gradually noticing a more relaxed market situation since it no longer has to advertise aggressively for customers (Interviewee 4, 2022).

In particular, retailers seek partnerships with Gorillas because they fear missing out on this trend (Interviewee 4, 2022). Gorillas has partnerships with Alnatura in Germany, Jumbo in the Netherlands, Tesco in the UK, and Monoprix in France (Interviewee 3, 2022). Gorillas receive

significantly improved purchasing conditions and margins through these retailers (Interviewee 3, 2022). In addition, the partners' supply chains are a good help, especially in times of crisis (Interviewee 4, 2022). Gorillas works 20% with local partners and 80% with leading suppliers (Interviewee 3, 2022). In addition, customer data can be sold directly to various brands, as they receive little information about regular retailers (Interviewee 4, 2022). Thus, one can tell the brand in which cities what kind of consumer demands the product, or in which combination this product is bought (Interviewee 2, 2022). It is a driver of revenue.

Changing consumer behavior as well as accurate data analysis led to new private labels from Gorillas. Thus, four new brands with over 50 products will soon lead to even better margins (Gorillas, 2022; Interviewee 2, 2022).

Ultimately, Gorillas increases its revenue in several other ways. To keep margins stable, the price is adjusted or raised (Interviewee 4, 2022). In addition to data sales, suppliers also have the opportunity to position themselves on the Gorillas' platform. Through an auction principle, the position of a product can be bought on a platform (Interviewee 4, 2022). In addition, the Gorillas platform is licensed to companies in other countries where Gorillas is not active. This generates profit per order and partially turns the company into a SaaS company. Lastly, Gorillas distributes orders more often with cargo bikes than normal e-bikes since one rider can deliver more orders (Interviewee 4, 2022).

IV. Theoretical Background

The following chapter provides an overview of the theories needed to answer the case study questions appropriately. Therefore, the "Blue Ocean Strategy" helps the student assess whether the European market is a blue or red ocean and understand why Gorillas chose to enter the European market. The next theory, "Porter's Five Forces", helps the student to evaluate if the quick commerce industry is attractive after competitors followed Gorillas' lead to enter the European market. It is a significant determinant of Gorillas' profitability. Since the case study describes three major crises within a short time, "Dynamic Capabilities" help assess whether Gorillas can understand market signals, and the theory of "Competitive Advantage" to further analyze if Gorillas can differentiate from their competitors successfully.

4.1 Blue Ocean Strategy

The blue ocean strategy describes creating a new market space with a new demand. The approach should be low cost and simultaneously pursuit differentiation. Since the view entails that market boundaries and structures are not given, a company can create those through its own actions. Competition is therefore not existent (Kim & Mauborgne, 2016).

The market universe is divided into the red- and blue oceans. The red ocean describes the existing industries with defined and general accepted rules. The companies compete for the demand and try to become market leader by outperforming their competitors. The higher the competition, the less profitable the industry will become. Companies either decide to differentiate themselves or offer products at a lower cost (Kim & Mauborgne, 2016).

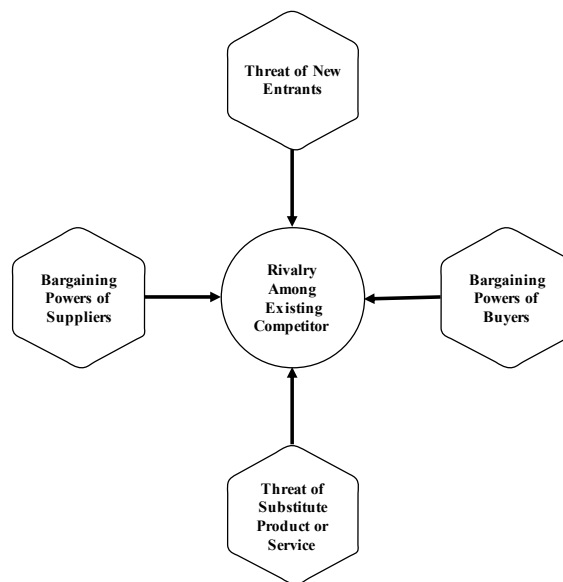
The blue ocean describes the industries that are not existing so far. The market is unknown, and competition is not existent. The demand is created and not competed for when the idea is introduced. Further, rapid and profitable growth can be achieved. Generally, competition is irrelevant since all of the boundaries and structures still need to be created. Lastly, a blue ocean can be characterized as vast, deep and powerful in terms of profitable growth (Kim & Mauborgne, 2016).

4.2 Porter's 5-Forces

A company's activities must be related to the competition since the industry's attractiveness is a major determinant of a company's profitability (Porter, 1985). Porter's 5 Forces (P5F) can be used to analyze an industry and applied to all industries (Isabelle et al., 2020). According to Porter (1985), the overall strength of the five forces determines whether the average rates of return on the invested capital of firms in an industry are sufficient to cover the cost of capital (Porter, 1985). The following figure illustrates identified forces:

Figure 14:

Own Illustration - Porter's 5 Forces (Porter, 1985).



The threat of new entrants can be divided into seven major barriers to entering a new industry: Supply-side economies of scale, demand-side benefits of scale, customer switching costs, capital requirements, incumbency advantages independent of size, unequal access to distribution channels, and restrictive government policy (Barutcu, 2008).

According to Johnson et al. (2008) the threat of entry highly depends on how high the different barriers are and how many players are already within the industry. If new players can disrupt

established players in a particular market, it will directly affect the competitive advantage (Johnson, 2008). Further, in terms of e-commerce, a company's scalability becomes increasingly important, which is why investors and companies focus on growth rates (Grant, 2016).

The threat of substitutes describes the availability of other products a consumer can purchase from outside an industry (Brujil, 2018). Porter (1985) identified two factors: switching costs between substitute products and the buyer's propensity to substitutes. A risk of substituting products results in a less attractive industry (Grant, 2016).

The differentiation of input, switching costs, supplier concentration, the importance of volume to supplier, and a threat of backward integration by firms are a few determinants to evaluate supplier power within an industry (Porter, 1985). On the contrary, the bargaining power of buyers is primarily driven by low switching costs and price sensitivity (Porter, 1985).

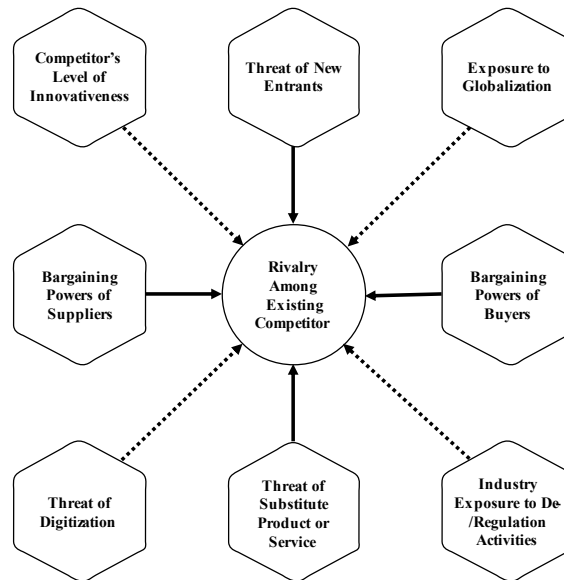
All prior described forces determine the rivalry and intensity of existing competition within an industry (Isabelle et al., 2020). High competition reduces overall profitability within an industry (Porter, 2008).

Despite the advantages of P5F, researchers argue that it is frozen in time and misses aspects like innovation, changing market environments and technological advancements (Grundy, 2006; Brukil, 2018). Therefore, additional forces globalization, digitization, deregulation and innovation make the model applicable to current, more complex industries, especially those that are capital-labour intensive (Isabelle et al., 2020).

Digitization can be referred to as a technology-induced transformation to improve business flexibility, agility and responsiveness by aligning operations, strategy and business processes (Isabelle et al., 2020). Further, innovation refers to the speed of a firm's innovation and the protection of innovation, e.g. patents. It is considered one of the significant drivers of creating competitive advantages (Isabelle et al., 2020). Globalization refers within this case study to the assumption that companies successfully internationalize if they create a far-reaching network of partners and long-lasting relationships with their clients, whereas deregulation refers to the government's influence on an industry (Isabelle et al., 2020). The revised P5F model can be seen in the following figure.

Figure 15:

Own Illustration - Porters 5 Forces Updated (Isabelle et al., 2020, p.37).



4.3 Competitive Advantage

A company aims to achieve a competitive advantage and establish a profitable and sustainable position compared to the industry's competition. With a competitive advantage, a company can differentiate itself from its competitors due to certain benefits, or the consumer perceives more value through lower costs, commonly known as differentiation or cost-leadership (Porter, 1985). However, mentioned consumer perception varies and is highly subjective (Peteraf & Barney, 2003).

Companies create value through economies of scale and scope, integration and non-integration, and process-based core competencies (Christensen, 2001). So, a company needs to analyze what actions lead to a competitive advantage within an industry (Christensen, 2001).

Generally, internal competencies or efficient business models are difficult to copy for competitors (Christensen, 2001). However, some industries are characterized by poor profitability, which

makes it even more challenging to achieve high profitability within an industry (Porter, 1985). In such markets, the first-mover advantage creates higher chances of profitability due to gaining access to distribution channels, developing a customer base and building a good reputation (Barney, 1991). However, a competitive advantage most likely does not last forever since competitors copy advantages or find other strategies to gain such (Barney, 1981; Peteraf & Barney, 2003).

According to the resource-based view, companies just create a competitive advantage if the company's resources are identified as valuable (Barney, 1991). Valuable company resources improve a company's efficiency and are rare, costly to copy, and non-substitutable. Moreover, no competitive advantage can be created if companies control identical resources since they cannot differentiate (Barney, 1991). However, according to Peteraf & Barney (2003), the resource-based view assumes that a company's skills are heterogeneously distributed and persisting over time and cannot be generally applied to dynamic environments.

4.4 Dynamic Capabilities

According to Teece et al. (1997), dynamic capabilities (further DC) describe a company's ability to adapt to rapidly changing business environments by integrating, building, and reconfiguring internal and external resources or competencies. It is needed since increased globalization resulted in more dynamic competition between companies. Agile companies with innovative products can gain a sustainable competitive advantage. On the contrary, technological disruptions display an invisible thread for non-agile companies (Coraiola, Harvey, & Foster, 2019). To fully understand DC, one can differentiate between DC and non-DC activities. Non-DC refer to all capabilities that enable the company to create value directly. Whereas DCs do not solve acute operational problems in a specific competitive situation but enhance a company's general problem-solving capability to lay a stable foundation for long-term corporate success (Henneke, 2015).

According to Teece (2020), a company needs three distinct processes. Those are sensing, seizing, and transformation. In sensing, the objective is to identify and develop technological potential, customer requirements, and strategic concerns to evaluate opportunities and risks. Seizing evaluates whether a company can react to identified opportunities and threats. Transformation

describes if the components remain consistent, competitive and aligned with a company's goal (Teece, 2020).

Lastly, Teixeira et al. (2021) identified a correlation between startup growth and startups' capability. That includes to understand market signals, learn from customers, and design a scalable, repetitive, and profitable business model. Despite having a consolidated business model, managers of startups need to improve their understanding of market signals (Teixeira et al., 2021).

V. Teaching Notes

The following chapter supports the teaching instructor for the case study. The teaching notes entail recommended case questions and potential solutions.

5.1 Teaching Objectives

The Gorillas' case study provides students with a real-life scenario to assess one of the most polarizing startups in adaptive strategies during crises. Different strategic concepts like “Dynamic Capabilities”, “P5F”, and the “Blue Ocean Strategy” support the students in identifying the company's ability to recognize opportunities, assess its competitiveness and recognize market changes. Besides the theories, all interviews need to be considered when answering each question.

5.2 Target Audience

The case study is intended for undergraduate and postgraduate management or economics students. It is especially suitable for strategy and innovation courses covering industry analysis or dynamic capabilities

5.3 Teaching Approach

Before the case is given to students, the lecturer must teach all underlying theories beforehand in class. Since there are potential other applicable theories, students and lecturers should also integrate their knowledge for the case.

The case can be solved as a take-home assignment or during class in small groups of 3 students. Due to the variety of possible results, all solutions should be presented and discussed during a class dedicated to this case study. The questions within the case study are the following:

1. *Comment on Gorillas' strategy and timing to introduce the idea of quick commerce to the European market during a global pandemic.*
2. *What external factors were impacting Gorillas after introducing its business to the European market?*
 - a. *Comment on Gorillas' response to Covid-19.*
 - b. *Analyze the external environment of Gorillas, taking the Covid-19 pandemic into account.*

3. *Comment on Gorillas' strategic adjustments due to the Ukraine war and inflation. Explain their major intention. To what extent did the two mentioned crises affect Gorillas' new strategy?*
4. *Assess Gorillas' dynamic capabilities.*
 - a. *To sense opportunities and threats.*
 - b. *To act quickly.*
 - c. *To remain consistent, competitive and aligned with its goals.*
5. *Discuss whether Gorillas' had a competitive advantage or still has a competitive advantage during the different crises.*

VI. Findings & Discussion

The following part entails potential solutions to the presented case study questions. The solutions are based on prior mentioned literature and provide a general idea about the level of expected answers. Further, the solutions to the five questions include answering the three stated hypotheses at the beginning.

Questions 1: Comment on Gorillas' strategy and timing to introduce the idea of quick commerce to the European market during a global pandemic.

The presented question aims at understanding why Gorillas chose to introduce its idea to a new market during a time of uncertainty due to Covid-19. When commenting, the student should refer to the changing consumer behaviour and the "Blue Ocean Strategy" by determining existing red oceans and explaining why Gorillas was able to create a blue ocean. Further, the student should already assess the topic of profitability.

The main idea of a "Blue Ocean Strategy" is to create uncontested market space and new demand. To identify a new market space, Gorillas' task was to recognize what the target market needs but is not served at the moment. Gorillas recognized a lack in e-grocery delivery while there were substantial technological advances, and the consumer became more comfortable using online services and paying online in comparison to, e.g. 2015. The consumer was already looking for a good and more convenient customer experience before the pandemic started. However, value and convenience were not appropriately offered in combination. Gorillas understood the market signals and learned from the changing consumer. The assumption is, therefore, the primitivity of the consumer to want groceries as soon as possible. Further incomprehension why the current customer experience is associated with leaving the house, long waiting times and increased spending for delivery options.

The new consumer was searching for mentioned value and convenience. Despite spending more money on everyday essentials, the case study reveals that consumers request discounts, low delivery costs, easy access, and all items illustrated in one place. Such trends were accelerated by the pandemic, where consumers tried to reduce the infection risk of Covid-19 by looking for online alternatives. Due to government confinement measures, some individuals could not even leave their apartments. Resulting, one is indirectly forced to order groceries online. Generally, the

consumer is more open to new services, and loyalty decreases, which provides an opportunity to introduce a new market during a pandemic and use mentioned behaviour as an accelerator. The pandemic increases the likelihood that the consumer switches the supermarket for an online experience.

By looking at before existing competition, Gorillas recognized that standard supermarkets offered groceries at competitive prices while online competitors like Delivery Hero or Glovo presented just the delivery solution by picking up either food or groceries. The most convenience was offered by Picnic, where the consumer could select a time slot of 60 minutes a day. Resulting, Gorillas recognized that all existing solutions would enter a red ocean where the company needs to compete for consumers and market share, while not providing the value and convenience consumers are looking for.

Gorillas' service provides value by offering groceries for retail prices with attractive promotions, delivery costs of 1,80€ and no minimum or maximum order fee. The consumer can order multiple times throughout the day. In addition, a simple and easy-to-handle app provides easy access and an overview of inventory and all items in one place. If items were generally not offered, consumers could request them, which provides a super unique service. Due to data analysis, Gorillas was tailoring groceries to individual consumers and respective areas, which is why consumers did not need to go through a variety of products in the App before finding the desired product. However, the most significant differentiation factor is according to the case study and expert interview the delivery within 10 minutes. No other grocery service existing so far in Europe without Turkey was able to deliver requested groceries to any desired location within the service area that fast. In addition, the consumer could order without having personal contact, while enjoying live tracking and having several payment options. Such an approach let the consumer have control over the order and situation and resulted in trusting Gorillas as a new service. Taking a closer look at the *“Breakdown of Reasons to Change Customer Behaviour”*, Gorillas matches all boxes.

Gorillas was able to create and capture new demand if one considers the mentioned retention of 70-80%. The mentioned competition was further made irregular by differentiating in superior service, reduced delivery time while offering low costs to the consumer. Gorillas broke the value-cost tradeoff and introduced a new market called quick commerce.

However, the blue ocean strategy suggests rapid growth and profitability. Gorillas knew its service would be used in other cities and European countries during the Covid-19 pandemic due to similar consumer behaviour and spending. Therefore, that rapid growth was achieved by conquering various cities within Europe. Profitability is challenging to achieve from the beginning since the business model is very capital-heavy due to many employees/ riders. Gorillas also knew from the beginning that initial revenue would be generated with low margins, a very low delivery fee, and data to sell after a while. The lack of an approach to profitability could change the ocean's colour.

Question 2: What external factors were impacting Gorillas' after they introduced its business to the European market?

a. Comment on Gorillas response to Covid-19.

b. Analyze the external environment of Gorillas, taking the Covid-19 pandemic into account.

The first part of this question aims to understand the primary intention of Gorillas' response to Covid-19 and how it correlates with its aggressive growth strategy. The second part analyzes the competitive environment of the quick commerce industry after Gorillas introduced it to Europe. A particular focus is given to the competitive landscape of Germany. For the second part, the student is recommended to apply "P5F" and, if possible, consider the interviews.

a. Comment on Gorillas response to Covid-19.

Gorillas knew the importance of hypergrowth to gain as much market share as possible by being the first company within a selected area. However, Interviewee 3 said that Gorillas' competitors copied everything Gorillas did, especially during the beginning. This applies to the competitors' expansion as well. Therefore, Gorillas' response to Covid had the primary aim to protect Gorillas' possibility of growth and prevent losing any market share due to the closure of a warehouse or too few employees since it is expensive to acquire customers back.

Gorillas always followed government regulations and provided tests and hygienic products for their employees. As a result, multiple employees still got infected, leading to dark stores' closure. The closure of dark stores significantly jeopardized Gorillas' growth strategy of being unable to serve its customers through its first-mover advantage or huge marketing campaigns. As a result, the customer went through an unsatisfying experience and switched to the competition. Since such

incidents result in the loss of customers, revenue, and market share, additional money must be spent to win the customers back. Such measures not only take up the employees' time, it further impacts the profitability negatively. That is why one of the two dedicated Covid-19 teams implemented testing daily to prevent closing the dark stores and avoid the described scenario. Mentioned change can be as well transitioned to the employees and consumers.

Besides consumers, employees could infect themselves with the Covid-19 virus as well. The employee feels more secure coming to work by providing testing on a daily basis paired with strict rules and enough hygienic products. The dedicated team and trained employees imply seriousness in supporting the employees at all costs. By providing contactless delivery, consumer and employees reduce the risk of infection. Offering vaccination provides even further security and could make Gorillas as an employer even more attractive and reduce the risk of dark store closure. The above changes were implemented on the one side to make the job safer and avoid infections, and on the other, to win riders with offering more protection. Since Gorillas grew to 20% weekly, new riders were needed to secure the delivery on time while there was tremendous competition for the riders. By making the workplace safer and showing potential riders/ employees their value, Gorillas could attract more riders to join the company and expand further.

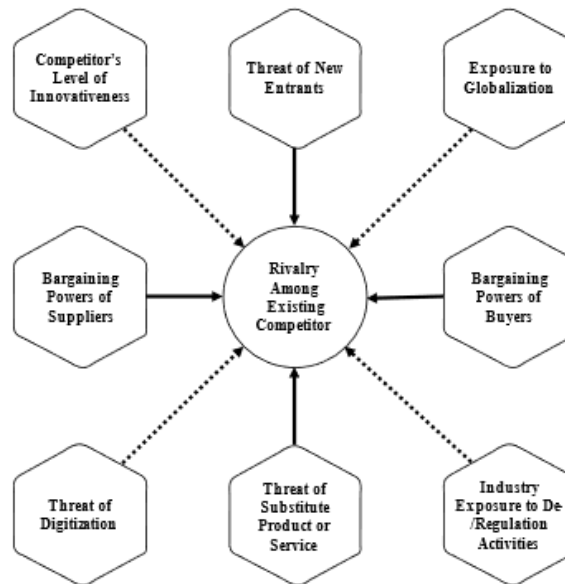
Lastly, the new changes illustrated to consumers that Gorillas is a trustworthy company that takes the pandemic seriously. Further, contactless delivery provided more security and resulted in even more orders.

b. Analyze the external environment of Gorillas, taking the Covid-19 pandemic into account.

To answer the question, the student can refer to the revised “P5F” framework and analyze each component individually.

Figure 16:

Own Illustration – Porter’s 5 Forces Updated (Isabelle et al., 2020, p.37).

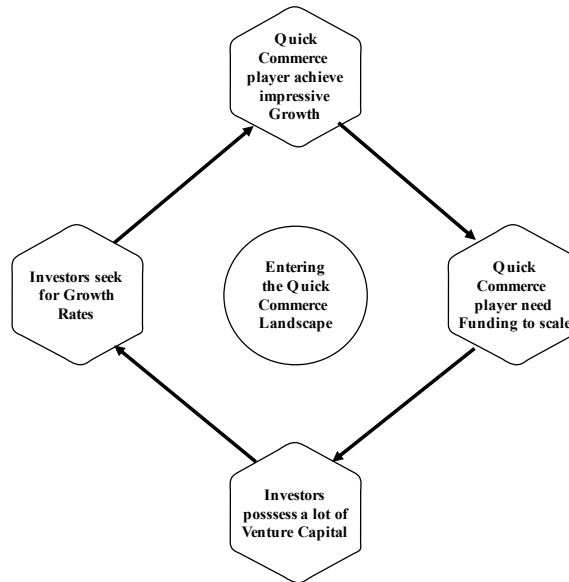


Threat of New Entry: High

Since Sümer started Gorillas in his living room, the capital requirements to start an own quick commerce company is relatively low. However, as previously mentioned, the key is to grow fast to survive in the long run. To scale, much capital is needed by investors to expand and attract customers. As the case study illustrated, 2021 was a record year for investments in quick commerce. Many investors enabled new quick commerce startups to gain insane growth rates and supported them continuously with funding.

Figure 17:

Own Illustration – Entering the Quick Commerce Landscape.



Resulting, many quick commerce players entered the European market. Interviewee 3 reveals that there were 15 quick commerce players operating in London at some point. Such competition over Europe resulted in even lower customer switching costs, which makes a market entry even more attractive. On the contrary, much capital is needed for discounts to attract customers, which puts enormous pressure on pricing and usually reduces the likelihood of entering a market.

As the first company, Gorillas was already able to build a strong brand with never before seen retention rates. Experience in optimizing processes paired with solid data analysis for customized products and a unique customer experience makes competing more challenging. However, competitors could observe Gorillas, copy marketing campaigns and expansion strategies and provide better discounts to gain customers. In addition, the whole distribution system is based on an App, which is implementable for every company entering the quick commerce market. Despite Gorillas' advantage in being the first company to promote and gaining up to 3,5 million App

downloads by the beginning of 2022, competitors easily create awareness with an advertisement by spending more of the available investor capital.

Concerning the demand side benefits of scale, partnerships with established retailers/ companies help gain customers trust, especially during a crisis. By partnering with Tesco or Paris St. Germain, the customer is more likely to trust Gorillas with selecting e.g. high-quality groceries. It must be considered that such trust gaining needed to take place especially in the beginning. By providing a good service, the customer is satisfied and orders more. Other quick commerce players profited from Gorillas’ efforts after they joined the market. Lastly, the strict government rules can be connected to huge operational efforts and high expenses. However, quick commerce player received sufficient funding for financing purposes. Concluding, the entry barriers can be considered low, and therefore, the threat of new entrants is high.

Bargaining Power of Buyers: High

The quick commerce industry gained its rapid growth rates through its customers. Without the created demand, the whole industry would not work, as Getirs’ slow growth from 2015 – 2021 shows. Further, without the high consumer demand with strong purchasing power, investors would not seek investment opportunities like the quick commerce industry.

The different competitors do all follow the same business model in 2021 by delivering groceries within 10 minutes and just charging a max of 1,80€ as a delivery fee, as the following table illustrates.

Table 2:

Own Illustration – Benchmark (Interviewee 6, 2022).

Company	Price	Delivery Time
Gorillas	1,80€	10 Minutes
Flink	1,80€	10 Minutes
Getir	Free	10 Minutes

As a result, the buyer, characterized as price sensitive, is able to choose between the different competitors based on the best prices due to low switching costs. Such behaviour aligns with described change in consumer behaviour in seeking lower prices or promotions. In addition, the case study reveals that in Germany, Flink owns the highest market share compared to Getir and Gorillas. To gain more market share, Gorillas (41%) and Getir's (84%) response is to subsidize the buyers' orders compared to Flink (15%). Moreover, the interviews state that despite owning a strong brand, customers will choose another competitor over Gorillas if they offer lower prices for the same goods. Since the consumer can compare prices and discounts in real-time, the consumer can easily choose the cheapest company. In conclusion, the bargaining power of buyers can be described as high.

Bargaining Power of Suppliers: Moderate - High

The number of products quick commerce players acquire from retailers is minimal compared to standard known supermarkets. According to the first interview, Gorillas just acquires the same amount of items like six Edeka stores, a German supermarket. Therefore, quick commerce players must acquire relatively expensive products and work with thin margins. Since the supplier knows about the solid funding of the quick commerce player due to investors, the supplier can even add more pressure to the price negotiation. It is important to note that quick commerce player need their suppliers, but the supplier does not need the quick commerce player due to the small order amount. Such positioning increases the bargaining power of suppliers.

However, the more known quick commerce player become, the more partnerships they receive. Therefore, the quick commerce company can use the partners' supplier prices and private labels if existing. Regarding local suppliers, quick commerce provides a chance to grow together. Since Gorillas works with 20% smaller local suppliers, it decreases the local supplier bargaining power. Considering all mentioned aspects, suppliers' overall bargaining power can be ranked as "Moderate" to "High".

Threat of Substitute Product or Service: High

Before the Covid-19 pandemic started, brick-and-mortar supermarkets were already threatened to look for innovative online solutions to provide more convenience for the changing consumer. Next to them, online on-demand food deliverers like Glovo or online supermarkets like Picnic with

same-day delivery provide valuable alternatives and serious threats. The expert interview referred even to the power of a logistic fleet. Such companies, like the established Glovo, can adjust its business model easily to various directions. Especially since the competitors in the grocery quick commerce industry are still in the initial stages. A further threat is low customer switching costs. The case study mentioned the disloyal customer who switches from company to company based on discounts. This indicates that the customer tends to look for alternatives. Taking all arguments into perspective, the threat of substitutes can be categorized as “High”.

Digitization, Innovation, Globalization, & Deregulation:

To analyze the industry's competitiveness, the four new forces need to be taken into consideration as well. In digitization, many processes and analyses are already digitized; however, the main operations that need human labour leave huge room for improvement. Quick commerce companies need to automate the picking and delivery process to reduce costs, as the interviews reveal.

The innovations in quick commerce are the dark stores and delivery within 10 minutes. According to interviewee 2 the innovation cannot be patterned and be easily copied. Innovation can be protected when a company creates technological innovations within the industry.

Quick commerce players expanded fast to gain market share while trying to contract more and more partnerships to provide win-win situations. Quick commerce players make use of a brick-and-mortar supply chains, the brick-and-mortar supermarket benefits from Gorillas' innovation, data, and process insights. Due to the industry's novelty, whether the partnerships are long-term remains to be seen.

As previously Gorillas' response to Covid-19 has shown, the government's new requirements heavily influenced the quick commerce industry. Therefore, quick commerce players face huge exposure to the government during crises.

Rivalry Among Existing Competitors: High

The quick commerce landscape entails a variety of companies with the same business model. Taken from the interview, Getir, Flink, and Gorillas can be considered the most critical player. The insane growth rates attracted more capital and increased new competitors who aggressively fought with

discounts for market share. Such capital-intensive strategies result at some point in consolidation, if not changed—especially when working with thin margins.

The industry analysis supports the statement of a highly competitive market in Europe and Germany. There is a huge threat of new entrants due to the low entry barriers. The suppliers and buyers hold huge bargaining power over quick commerce player. The supplier is not dependent on quick commerce in terms of revenue, and buyers benefit from the discount fights of existing competition by facing low switching costs. Increased digitization in brick-and-mortar stores and other on-demand delivery solutions like Glovo provide potential severe alternatives.

Due to the industry's newness, there is still huge potential in innovation, automation, digitization, and partnerships. A company can develop a competitive advantage if the right conclusions are drawn in this regard, particularly in terms of automation. This offers the opportunity to become more profitable. Until then, the industry will remain very competitive due to many identical services.

Question 3: Comment on Gorillas strategic adjustments due to the Ukraine war and inflation. Explain their major intention. To what extent did the two mentioned crises affect Gorillas' new strategy?

The question aims to compare Gorillas' initial growth strategy with Gorillas' new profitability strategy by showing the adjustments and illustrating how the Ukraine war and rising inflation affected Gorillas' new strategy. The student should point out why the market changed, and provide an overview and analysis about adjustments, intentions, and the respective cause.

Before the Ukraine war, Covid-19 and resulting supply chain issues caused demand-driven inflation. However, this inflation started to fade before the Ukraine war. Still, Gorillas focused on its aggressive growth strategy before the war and did not focus on profitability. Such a focused view on growth rates and missing focus on individual markets resulted in losing the German market leadership and steadily increasing costs due to more employees and marketing. The monthly loss amounts 50,000,000 Euros. Financed mainly by Gorillas' investors.

However, the Ukraine war heavily affected the whole quick commerce industry. Mentioned inflation jumped to record levels and increased the interest rates. The war caused huge uncertainty, which negatively impacted tech companies and resulted in a devaluation of all quick commerce companies. Suddenly, there was a shift by investors, changing their point of view from growth rates to profitability. A characteristic, Gorillas was missing.

All illustrated adjustments have the primary purpose of increasing revenue to achieve profitability. It is not possible to determine exactly which crisis was the decisive point for which strategy adjustment since the new market environment was caused by all crises, as mentioned above. Nevertheless, it is possible to surmise which crisis caused which actions and critical to analyze whether Gorillas would have followed the same adjustments if the market had not changed and investors still supported Gorillas' growth. The interviews reveal radical cost-cutting strategic changes after the Ukraine war or reactions to inflation. Still, other adjustments can be linked to seeking new ways of revenue independent of the new market environment.

Table 3:*Own Illustration – Adjustment, Cause, Intention.*

Adjustment	Cause	Intention
Market Exits (Countries, Cities, Dark Stores)	Ukraine War	Reduce Costs
Layoff of Employees	Ukraine War	Reduce Costs
Decrease Marketing Expenses	Ukraine War	Reduce Costs
Strategic Partnerships	Achieve Profitability; Ukraine War; Inflation	Increase Revenue; Use Supply Chains
Acquisition	Ukraine War; Inflation	Growth; Strengthen Market Position
Private Labels	Inflation; Achieve Profitability	Increase Revenue
Price Increase	Inflation	Increase Revenue
Minimum Order Value	Achieve Profitability	Increase Revenue
Platform Positioning	Achieve Profitability	Increase Revenue
Selling Data	Achieve Profitability	Increase Revenue
License Platforms	Achieve Profitability	Increase Revenue
Increase Orders per Rider	Achieve Profitability	Reduce Costs

The interviews reveal that the exit of different markets and cities and the layoffs of employees happened around May. Further, the case study reveals that Gorillas still subsidized 41% of all orders in March 2022 to gain market share in Germany. It can be expected that they did the same

in other countries due to high competition. It is unlikely that Gorillas would have made the same exit and layoff adjustments if they did not need to change their growth strategy towards a profitability strategy to receive new funding due to the new market environment. Further, the internal and external interviews reveal that leaving Belgium, Spain, Italy, Denmark and several cities and the layoff of 300 employees were reactive. Therefore, the timing of the implementation suggests that this reaction came as a result of the uncertainty of the Ukrainian war and purely to reduce costs. Gorillas just made 10% of its total revenues in those countries while maintaining high operation- and marketing costs.

Considering the potential marketing costs of 29.4 million - 33.6 million euros, it was a logical consequence that Gorillas reduced them to cut costs. Considering the subsidization of 41% of orders still in March, it is safe to say that it directly reacts to the Ukraine war. Especially when inflation rises, and consumers tend to have less money and use discounts more extensively, Gorillas would have continued providing attractive discounts to increase its market share.

After the Ukraine war, Gorillas cooperated with Alnatura in June. Such strategic partnerships with big retailers enable Gorillas to use vital supply chains, the retailers' real estate, and better purchasing prices during the Ukraine war and inflation. Further, the internal interviews revealed that Gorillas gets the retailer's customers without additional marketing expenses. Therefore, Gorillas can purchase groceries cheaper, avoid paying rent by using the retailer's real estate, and increase its customer base while securing the grocery supply chain in a crisis. A strategic partnership can be seen as more valuable than the expensive partnership with Paris St. Germain before the market turned. Besides, the Ukraine war and inflation caused consolidation. Bigger rivals now acquire the smaller player that received less funding. Instead of growing by expansion, Gorillas now grows through market consolidation by acquiring the Dutch part of Zapp. The acquisition helps to strengthen its market positioning.

Through private labels, Gorillas wants to offer more products at lower prices. At a certain point, Gorillas would have introduced private labels because of their strong brand and the revenue potential of private labels. However, inflation is accelerating this process so that Gorillas can reduce the cost of goods sold through private labels and increase revenue in the nearer future when consumers become more price conscious. Hence, Gorillas performs a backward integration and obtains additional margin and brand awareness through private labels while the consumer obtains

more affordable products at lower prices. Price increases are an obvious reaction to inflation to keep margins stable and increase revenue.

The other strategic adjustments listed helped Gorillas increase its sales or reduce costs. However, the strategic adjustments cannot be linked directly to the Ukraine war or inflation.

Consequently, it can be said that the new market environment caused by the Ukraine war and high inflation heavily impacted Gorillas' new strategy toward profitability. Initially, Gorillas aimed to grow at all costs and become the market leader to survive market consolidation. Gorillas' expansion, the hiring of thousands of employees and its marketing spending seemed uncoordinated. In contrast, the new market environment forced Gorillas to adapt to its strategy toward profitability. The Ukraine war and inflation can be directly linked to prior explained strategic adjustment

Question 4: Assess Gorillas' dynamic capabilities.

- a. To sense opportunities and threats.***
- b. To act quickly.***
- c. To remain consistent, competitive, and aligned with its goals.***

The following question challenges the student to illustrate an understanding of DC by being able to define DC and point out why DC possess importance for companies. Moreover, the student must apply DC to Gorillas based on the predefined sub-questions. The student should recognize examples mentioned in the case study and interviews and analyze Gorillas' ability to sense, seize and transform them.

According to Teece et al. (1997), DC is a company's ability to adapt to rapidly changing business environments by integrating, building, and reconfiguring internal and external resources or competencies. Internal resources can be described as inbuilt assets like employees or digital solutions. Whereas external resources are e.g. partnerships with other companies. DC are important since they enhance the general problem-solving capability of a company to create a stable foundation for long-term success. With a focus on startups, DC further describes the ability to understand market signals to design a scalable and profitable business model.

a. To sense opportunities and threats.

Gorillas co-founders sensed Covid-19 as an opportunity for innovation, to create a new market with a new level of consumer insights. The strong analytics team collects-, distils relevant information, and analyzes them. This is why Gorillas recognizes consumer preferences and trends. The interviews reveal that the direct contact with the consumer over the App helped Gorillas identify market trends. The main revenue driver during Gorillas' first months of operations, hygienic products and covid tests is an example.

Additionally, Gorillas' strategy team sensed potential partnerships or acquisitions with external companies. As mentioned before, Gorillas acquired Frichti. Moreover, the external interview mentioned Frichti's experience with private labels, which benefited Gorillas at a later stage due to valuable knowledge. Therefore, Gorillas sensed the potential of valuable knowledge through acquisition/ partnerships as an opportunity.

It can be said that Gorillas can sense opportunities due to internal and external resources. However, Gorillas board could have sensed the threat of the Ukraine war and inflation earlier to draw potential risks already. The change in strategy was rather investor driven.

b. To act quickly.

Interview 3 mentions that Gorillas as startup benefits from its huge flexibility and agility. Resulting, Gorillas is super-fast in reacting once opportunities or threats are sensed. The case and the interviews provide several examples of how quickly Gorillas seized and introduced several measures to respond to different opportunities and threats.

Firstly, until Gorillas reached a specific company size, Gorillas was able to introduce requested products by the consumer overnight to its app. As a response to Covid-19, Gorillas created, for instance, two dedicated crisis management teams that ensured the compliance of newly created hygienic rules. Overnight Gorillas was able to provide sufficient masks and disinfection spray. Further, due to increasing Covid-19 cases, Gorillas was able to send its employees overnight into home office. Within a week, Gorillas' second dedicated crisis management team implemented as a response to Covid-19 new processes, trained and acquired new employees for testing purposes, and conducted all needed stakeholder communication.

Taking other crises into perspective, Gorillas was able to withdraw from four countries within a few weeks and stop its operating business overnight. Moreover, the plan to reduce its workforce was further implemented within a short time. Despite the impressive pace and rapid implementation of turning information into action, one must consider that Gorillas still enjoys the structures of a large startup.

c. To remain consistent, competitive, and aligned with its goals.

The transformation component describes if Gorillas remained consistent, competitive, and aligned with its goals. It must be said that Gorillas is still in its early stages, and it is not easy to align all actions to goals. Still, individual adjustments need to be classified differently. Both strategies of Gorillas pursued different goals, which is why the last adjustments through, for example, a market exit can only be classified as the profitability strategy, not the growth strategy.

However, some adjustments, like partnerships without greater value and just for marketing purposes, like Paris St. Germain, still reveal mistakes in alignment. Further, Gorillas is still competitive, however, lost its market leadership, e.g. in Germany. Thus, Gorillas has worsened its competitive situation. This indicates that market signals, especially compared to competitors, have been recognized incorrectly or too late.

The fact that Gorillas has made a 180-degree turn from aggressive growth to profitability lacks consistency. The consumer cannot predict with 100% probability how long Gorillas will continue to operate in their country or city. Nevertheless, it must be noted that the new strategy change applied with the goal of profitability is in alignment. One must wait and see to what extent Gorillas improves its market position with all the changes.

Question 5: Briefly discuss whether Gorillas' had a competitive advantage or still has a competitive advantage during the different crises.

After Gorillas introduced the industry to Europe, Gorillas enjoyed a first-mover advantage. Gorillas' hypergrowth enabled fast penetration at major cities in Germany and economies of scale, especially due to expanding internationally. Gorillas was able to gain a huge customer base with strong retention rates of 70-80% before any competitors could join the market. Even after the occurrence of competition, customers valued Gorillas over the competitors. Therefore, Gorillas enjoyed a good reputation which positively influenced word-of-mouth marketing, employees that wanted to work for Gorillas, investors that wanted to invest in Gorillas to expand further, and in the long-term private label products introduced by Gorillas.

However, the majority of benefits the first-mover advantage brought along at some point is lost. Customers switched between competitors, and Gorillas lost its market leadership in Germany and Europe. Further, Gorillas struggles financially. The new market environment caused by the Ukraine war and inflation forced Gorillas to completely change its strategy, where the result of the respective change is yet to see.

Due to the experience, Gorillas' data analysis is strong. In addition, the interviews reveal that numerous people still apply to work for Gorillas and Gorillas still has strong retention rates. Both facts indicate that Gorillas brand is still prevalent. However, the different quick commerce player do not differentiate in terms of service, and especially Flink has outstripped Gorillas in terms of market share and revenue. Gorillas must hope that the strategic changes bear fruit. Thus, Gorillas could be one of the big ones to survive the market consolidation. Through strategic changes, the increased introduction of private labels and strong partnerships with Alnatura, Tesco, and Monoprix, Gorillas could achieve a competitive advantage in the future. However, from Gorillas' point of view, it must be stated that they currently do not have a competitive advantage.

VII. Conclusion

The chapter will conclude the case study by summarizing the main research findings in relation to the three hypotheses, reviewing the limitations, and proposing future research opportunities.

The analysis with the "Blue Ocean Strategy" revealed that Gorillas' timing to introduce quick commerce to Europe during the Covid-19 pandemic was the right decision due to changing consumer behaviour. Thus, "Hypothesis 1" can be confirmed that Covid-19 served as a growth catalyst for Gorillas. Nevertheless, "P5F" showed that the industry developed quickly due to tremendous funding for similar business models. A highly competitive industry makes the path to profitability difficult. However, technological progress allows companies to rely increasingly on automation in warehousing/delivery in the future.

Despite Gorillas sensing Covid-19 as a great opportunity, "Hypothesis 2" has to be falsified. Gorillas recognized the market signals of the Ukraine war and inflation too late and lost their market leadership in Europe. Still, Gorillas is fast in implementing significant changes. Ultimately, Gorillas had a first-mover advantage that helped to grow rapidly. Unfortunately, they lost the competitive advantage, falsifying "Hypothesis 3".

The industry exploded during the pandemic in Europe. Thus, it brings some limitations. There is little literature on the quick commerce industry, which makes analysis very difficult. Furthermore, all companies are private, so very little strategic and financial information is available from the companies themselves or on the Internet. A detailed analysis would therefore have required internal documents and a detailed analysis of all competitors. However, since all companies depend on investor money and do not want to disclose too much to competitors, these companies disclose very little or no information.

Accordingly, the thesis only scratches the surface and raises various topics for future research. One is how market uncertainty is affecting the current consolidation in the industry. Secondly, the direction in which companies' business models will develop and whether there will be automation in dark stores and delivery in the future. These are just a few potential topics.

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IX. Appendices

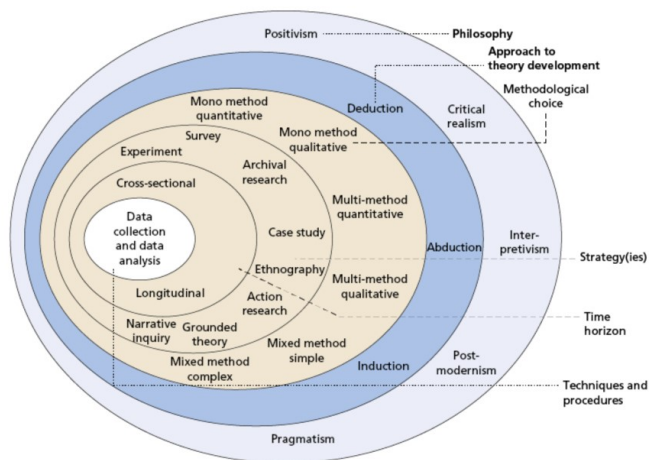
Appendix A – Methodology

As mentioned within the case study, a more elaborative overview is given about the research approach. It should be noted that this case study is not intended to answer the three hypotheses in detail. For this, a different research methodology would have to be chosen. The three hypotheses only served to evaluate the strategic development of Gorillas on the basis of various theories and information. Thus, a confirmation or falsification of the hypothesis in the conclusion should be considered with caution. The answer is not based on a detailed sample, only on the information presented in the case study. Therefore, literature review as well as conducted internal and external interviews helped to validate the hypotheses and answer the question, how Gorillas adapted its strategies during Covid-19, the Ukraine war, and inflation.

It was therefore used as an aid for the researcher. The next part briefly describes the research procedure.

Exhibit 1:

Saudner's Research Onion (Saunders, Lewis, & Thornhill, 2016, p.138).



The outset layer describes the research philosophy. Interpretivism is chosen since it is applicable to the research's qualitative research method by using six key-themed interviews. Interpretivism focuses on the complexity and richness of data which can be gathered through interviews (Saunders, Lewis, & Thornhill, 2016).

The next layer describes the approach to theory development. The abductive approach can be chosen since this research project uses existing literature while adding own data collection through interviews to explore a new unique phenomenon of Gorillas (Saunders, Lewis, & Thornhill, 2016).

The methodological choice helps to differentiate between data collection and analysis procedures. A mono-method qualitative study approach can be followed since it suggests internal and external semi-structured interviews while using literature review. Further, it is exploratory since the case study seeks new insights into understanding and clarifying Gorillas new situation (Saunders, Lewis, & Thornhill, 2016).

Further, a case study is predestined as research strategy, because a unique real-life situation is analyzed while requiring new qualitative data to gain deeper insights into the companies' past and current position (Saunders, Lewis, & Thornhill). The interviews were transcribed and analyzed with the software atlas.ti. Open coding helps to break down the data into discrete parts and categorizing them afterwards (Mertens, 2005). The following exhibits show the summarized result.

Exhibit 2:

Own Illustration – Coding Strategy 1

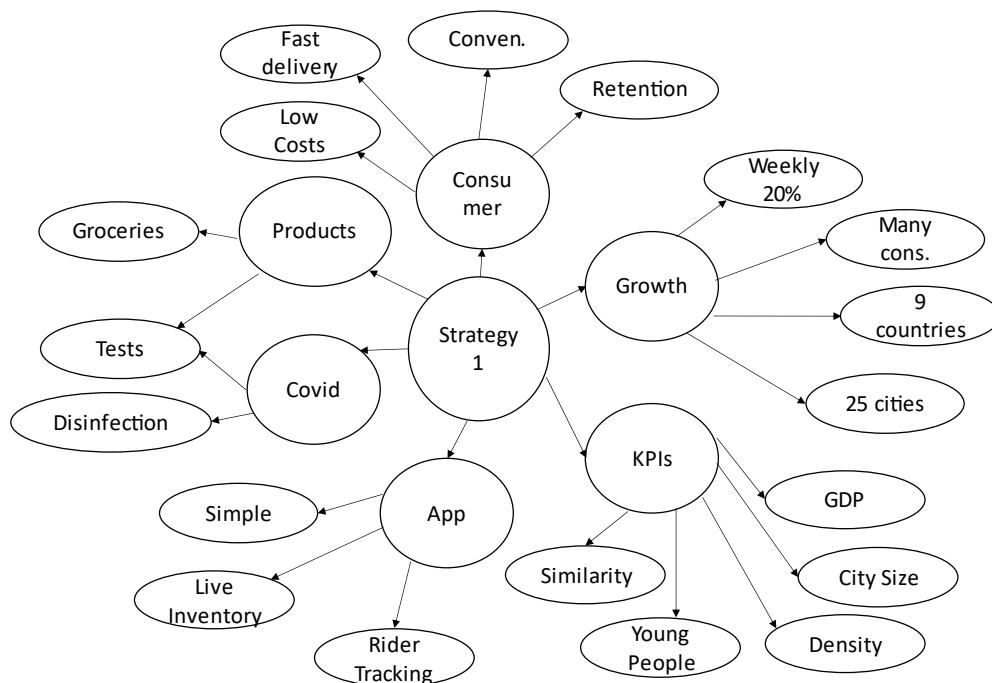
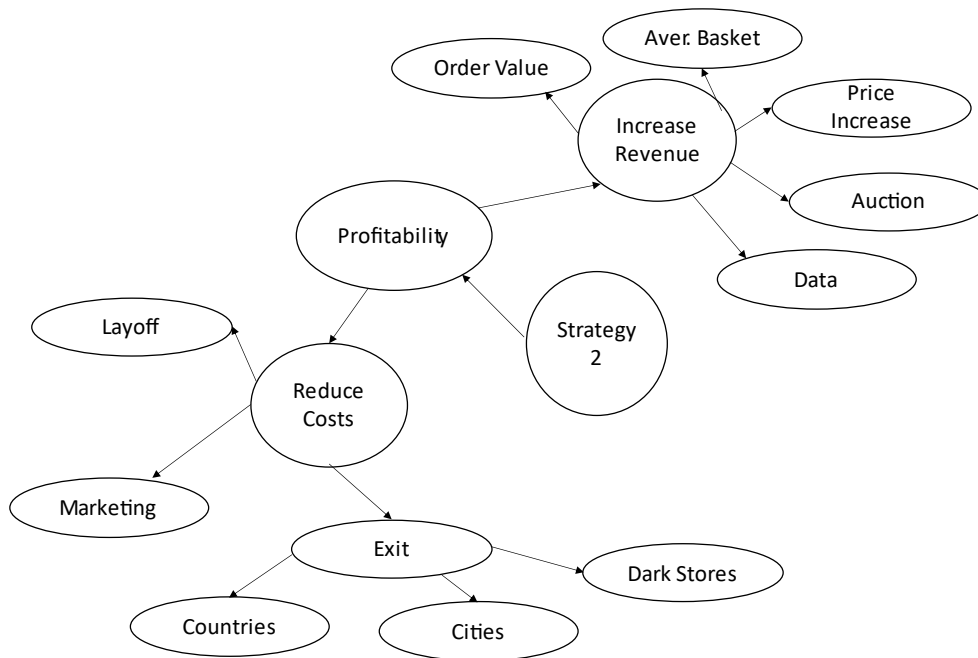


Exhibit 3:

Own Illustration – Coding Strategy 2



After seeing the applied coding and resulting overview, a brief look can be taken at the time horizon the case study. Since the case study is short-term focused and assesses Gorillas at a given point in time, it can be characterized as cross-sectional (Saunders, Lewis, & Thornhill, 2016).

In terms of primary- and secondary data, open questions were asked during mentioned interviews. It enables the interviewer to receive a wide range of possible answers while letting the interviewee answer on their own terms. The internal interviews help to identify Gorillas strategies, the external to position Gorillas within the industry. Regarding external data, focus was laid on books, scientific papers, journals and high-quality articles. Due to the newness of the quick commerce industry, limited literature was available.

The following table provides an overview about the interview partner. A heterogeneous purposive non-probability sampling technique has been used. It suggests choosing the interview partner based on different characteristics.

Lastly, the anonymity of the participants increases the likelihood of receiving correct information. Additionally, researcher error was avoided by sending all participants the interview questions in advance to avert poor preparation and ensure reliability. By sending transcripts afterwards to the interviewees, they were able to confirm or delete information. Such process ensures validity (Hussy, Schreier, Echterhoff, 2013).

Appendix B – Business Model

Gorillas is a B2C business model and promises to deliver groceries within 10 minutes at retail prices (Gorillas, 2022a). The promise is stated within their slogan, "Faster than you" (Gorillas, 2021b). The customers order online via the Gorillas App, and depending on the delivery area, customers can choose between 1,500 up to 2,700 groceries, household, and hygiene products (Schwär & Schnlenk, 2022).

The order process is kept simple. After conducting a simple registration, the customer can scroll through over 37 different categories with over 2,000 products in, e.g., Berlin, Germany. To finish the order, the consumer selects desired products, adds them to the cart and pays with Credit Card or PayPal (Gorillas, 2022a). Lastly, the consumer specifies the delivery address. The order can be delivered to a home address, the workplace or even parks. The delivery is carried out with e-bikes (Gorillas, 2022a). Usually, one delivery equals one order (Interviewee 4, 2022).

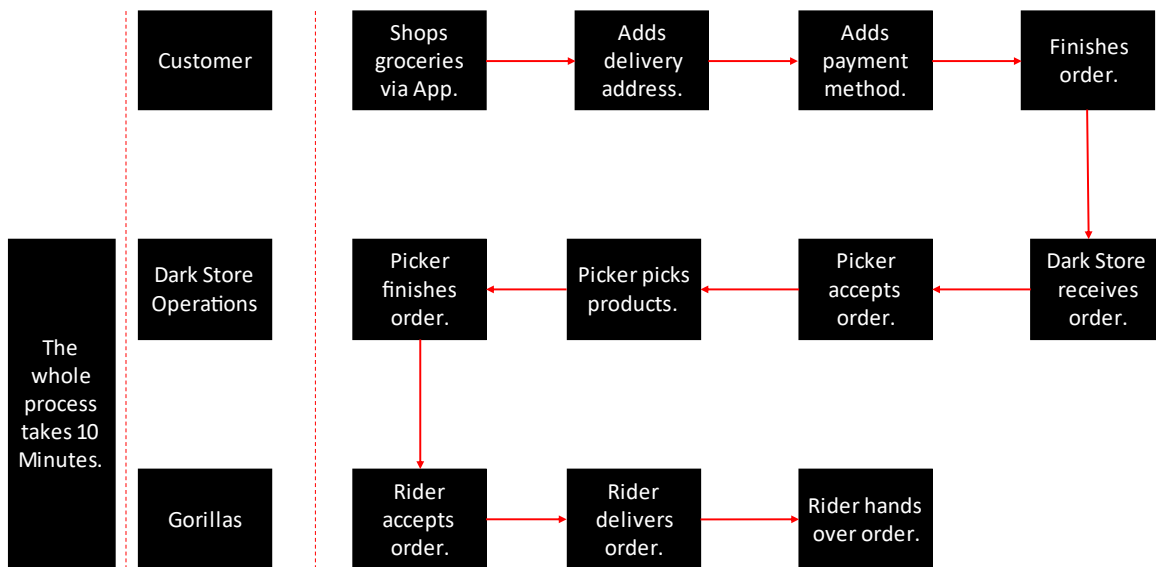
After the order is placed, it is automatically sent to the respective dark store. The dark stores are decentralized fulfilment centres located in different neighbourhoods in the same- or other cities (Interviewee 4, 2022). Each dark store serves a radius of 1.5 km to keep the delivery promise within 10 minutes. If the desired address is outside the radius, the consumer cannot order (Interviewee 4, 2022). The dark stores are the most expensive part of the delivery process due to the small dimension of orders and a high dispersal of destinations. It can add up to half the total logistics costs (Mangiaracina et al., 2019).

To fulfil the 10-minute promise, each dark store entails a sophisticated shelving system, which allows a destined picker to collect the ordered products as quickly as possible. The picker owns a gadget that illustrates each item's order and dark store location. The process is trimmed for efficiency and designed to save time. Once the order is picked, a so-called rider takes over the order. The rider then delivers the order to the desired location (Interviewee 4, 2022). Moreover, the

Gorillas App enables the consumer to track the live location of the rider (Gorillas, 2022a). An overview about the process can be seen in the following figure.

Exhibit 4:

Own Illustration - Gorillas Ordering Process (Interviewee 4, 2022).



Appendix C – Interview Scripts

The following section entails the transcripts of the conducted interviews. To protect the interviewees, the interviewees' are kept anonymous. Nevertheless, it must be added that all participants agreed to prescribe the current position. All interviews started with small talk to loosen up the atmosphere. Furthermore, the recording was not yet started at these times. Due to the fact that the appendix of the thesis is limited to 30 pages, the interview transcriptions were reduced to the most important statements. The complete transcriptions are available on request. The internal interviews were conducted in German. The external interview was conducted in English. Since different aspects were to be identified in the internal and external interviews, the questions asked in the interviews differed.

Exhibit 5:

Own Illustration – Overview Interviews II.

Interview	Position	Date, Time, Location
1	Chief of Staff Germany	19.08; 14:00-15:00 CET; Microsoft Teams
2	CEO Office	22.08; 09:00-10:00 CET; Microsoft Teams
3	Director of Operations	22.08; 11:00-12:00 CET; Microsoft Teams
4	Chief of Staff (Global)	22.08; 16:00-17:00 CET; Microsoft Teams
5	Dark Store Manager	23.08; 10:00-11:00 CET; Microsoft Teams
6	Industry Expert	23.08; 15:00-16:00 CET; Microsoft Teams

Transcript Interview 1:

Question 1: Could you introduce yourself and talk about your current position at Gorillas Technologies GmbH?

My current position is Chief of Staff for the German market. I have been with Gorillas since the early days.

Question 2: How does the operations at Gorillas work?

The customer orders via our Gorillas app. There the customer will find a variety of food and hygiene products. If the customer completes the order process by paying online, the order is automatically sent to our warehouse. There, a "picker" accepts the order. The picker has a device to find the order and position of each product in the dark store. The shelves for storage are oriented to take up as little space as possible, and the picker can move quickly through the aisles. After the order is completed, a rider takes over the order and delivers it to the customer on an e-bike.

Question 3: How did Gorillas change its operations as a response to Covid-19?

Exactly, generally speaking, I was actually part of the Corona crisis management team at the time. We had a crisis team for the office, the office management team, and one for Corona. In general, it was important for us to have enough masks and disinfectants both in the office and in the dark stores. However, when the government passed new rules, we had to make further changes in order to be allowed to continue delivering. Normally, a startup needs all the resources for itself and doesn't have to deal with regulatory issues. That was different for us. When the mask requirement became mandatory, we had to deliver as many masks as possible to the individual dark stores as quickly as possible. That was the first problem. But the second real problem started when the documentation started. The government required that all dark store employees and riders be tested twice. Everything had to be written down and documented. In addition, trained personnel had to perform these tests. And of course, that's a big challenge for a startup. Above all, we had to implement everything within a week. So in that week, we organized 8,000 tests, trained staff and hired trained people, and set up processes and communicated with all the relevant people. Nobody in our company knew where to get the tests or how to proceed. Nevertheless, we got everything implemented within a week.

Question 4: After Gorillas introduced its business to Europe, what strategy was pursued?

Our strategy at the beginning was quite simple. Expansion was the goal. Grow as fast as we could. In retrospect, I dare to doubt whether a super detailed analysis was included for every city. Nevertheless, we expanded relatively quickly into more than 25 German cities, as well as into the Netherlands, Belgium, Denmark, France, Italy, Spain and the USA.

Back to the strategy. The fact is that Gorillas received a lot of funding. This then resulted in these massive growth figures. Whether the strategy was ultimately dictated by the CEO or by the investors, I can't tell you. Nevertheless, the goal was to reinvest the money as quickly as possible. This naturally leads to inefficiencies. As mentioned before, I dare to doubt whether every city in Germany made sense in retrospect.

In the case of the countries, we paid attention to various KPIs. How is the country positioned macroeconomically? What is the demand in the countries for this business model? What about digitalization? Here in particular, countries such as France, the UK, Spain and the USA were no-brainers for expansion, as these countries are digitally far ahead of Germany.

We sometimes had a weekly target of 20% growth, which of course is a tough target. But then employees got infected.

Question 5: Did Gorillas make adaptations to the strategy due to Covid-19?

Exactly, Covid.19 regulations were treated differently in the individual countries. At least as I understood it at the time, covid.19 regulations were never that big an issue in Holland and the UK, for example, except that you had to comply with the mask requirement. But, we then said that we have to take the issue seriously because the health risk was of course big and the governments could at some point say that there are too many Covid-19 outbreaks and the dark stores had to be closed. In addition, it also often happened that employees got infected and dark stores had to be closed. At some point, we had no employees in certain dark stores. The quarantine rules at the beginning were also very harsh and could change very frequently. So we introduced relatively quickly that you had to be tested by a qualified person 30 minutes before starting work every day. If someone had a positive test, the person had to go straight home. In general, when new strict Covid 19 rules had to be introduced in Berlin, for example, we immediately introduced them at all

sites. In addition, we worked to be a prioritized company because we provided food for the citizens. This then allows for earlier vaccinations.

Question 6: To what extent is Gorillas able to recognize internal and external market signals?

Difficult to say. I think the fact that we are a startup means that things sometimes work better, sometimes worse. For example, we realized before our competitors that students as a target group don't help us to become profitable. Therefore, we put our focus on young families who are financially a little stronger.

Question 7: As you know, the Ukraine war and the inflation is heavily impacting the market environment. How does Gorillas adapt to the new situation and how quickly do these things adapt?

It is difficult to make a statement on the subject of inflation, as it has only just begun. We are partially passing on prices so that margins remain stable. Nevertheless, we have not yet noticed that fewer orders are being placed. We'll have to wait and see until winter. Nevertheless, we are now focusing extremely on profitability. This is reflected at various levels. For example, we are now looking at every single dark store to see what the financial situation is and what needs to be done to achieve profitability. Our mindset is now strongly KPI driven so that overall profitability can be achieved. Before, growth was the only thing that really mattered. Now we are looking if we can become more efficient somewhere or what can be done to generate cash. So we are working hard to reduce cash burn. In addition, I also believe that other competitors are increasingly going out of the market. That's easing the market. For example, Getir is trying to gain market share by using a lot of coupons. So they must have a huge cost.

For us, we have different options to become more scalable. For instance, delivering with one rider more orders. It enables to reduce the costs per order since more orders can be delivered with one employee.

Question 8: Can you elaborate about the competitive market environment by taking external factors like for instance supplier, buyer etc. into account?

We are of course tiny compared to the normal supermarket, and our order quantities are very small. Therefore, we are of course not so relevant for the suppliers. But due to the growth especially in the beginning, it was of course difficult to forecast the exact quantity. But we are maybe as big

as 5-6 branches of the German supermarket Edeka. Nevertheless, our negotiating power has improved enormously due to topics such as data analysis. Many manufacturers profit from this extremely. They can get precise insights from us, which of course improves our margins. Nevertheless, we still don't achieve the margins of an Edeka or Rewe. With regard to buyers, I said earlier that we are trying to attract more profitable customers by increasing the minimum order value.

So I think in the beginning, flink copied everything we did. Whether it's partnerships or prices. And of course you compete with each other on price, which also drives innovation. However, we don't look so much at third parties, but focus on our cash burn.

Finally, we can say that the industry is very attractive. Companies are trying to partner with us and we continue to receive a lot of applications.

Transcript Interview 2:

Question 1: Could you introduce yourself and talk about your current position at Gorillas Technologies GmbH?

Well, I've been with Gorillas for about two and a half years now. In other words, since day one, I've gone through several stations. I started as a business development intern, and then I went through different stations. Now I work in the CEO office. So together with Kagan Sümer, the CEO, I work on a variety of different projects. Depending on what's current. For example, the other day we analyzed the supplier contracts and looked at whether the suppliers were charging too much for the products.

Question 2: How does the operations at Gorillas work?

The order process is quite simple. The customer orders via App, the dark store processes the order, and the rider delivers the order to the customer.

Question 3: How did Gorillas change its operations as a response to Covid-19?

Okay, good question. I think there are several several things about how the corona has affected gorillas. First, of course, regular or hygiene measures. We had to make sure that all employees had masks and tests as soon as possible. In addition, we had to control that really every employee

also gets tested before the person starts to work. At the time, we were in this total growth phase and also faced problems getting the product. Nevertheless, everything worked out relatively quickly and smoothly in the end. However, infections posed a big problem. If too many employees were absent from the dark store, we naturally had an acute shortage of staff. We also had to close some warehouses for 1 to 2 weeks.

Question 4: After Gorillas introduced its business to Europe, what strategy was pursued?

Okay, interesting question. Well, we sort of started in Berlin, because that's where our founders came from. Secondly, this service did not exist in Berlin. And thirdly, Berlin has a lot of companies, a lot of young people who are trying out something new. These are the three factors that I think played the most important role first. Then we looked at the population density of the cities to expand. The decision to expand abroad early on was intended to show that our business model not only works in Germany. In addition, new markets naturally offer new cash flow, which increases the value of the company. For example, we expanded into the Netherlands because the cultural difference between the Netherlands and Germany is not so great now. In addition, consumers are very similar.

Question 5: Did Gorillas make adaptations to the strategy due to Covid-19?

Well, I already mentioned quite a few. However, one adaptation was as well to offer contactless delivery. Obviously consumers tried to avoid contact, so it was a reasonable decision.

Question 6: To what extent is Gorillas able to recognize internal and external market signals?

I think Gorillas was able to recognize that customers want to order food online. Of course, especially to alleviate the risk of infection. In addition, there has now been progress in digitalization. It's normal to pay for things with your cell phone. In other words, it has simply become easier. You don't have to call up websites and wait ten minutes for the page to load.

Question 7: As you know, the Ukraine war and the inflation is heavily impacting the market environment. How does Gorillas adapt to the new situation and how quickly do these things adapt?

As I said, we now have to look at becoming profitable. In order to reduce costs, there have been layoffs and we have exited from various countries. We are trying to make the company lean.

Through other measures such as private labels, we can get higher margins on our products. We can also provide data to manufacturers or companies can bid for their position in our app. There are various levers at the moment to achieve this profitability. In addition, our major advantage is that all implementations are very fast. So we are very flexible. General strategic measures are communicated very openly and transparently by the C-Level. So people know which goals we are currently working on.

On the subject of inflation, it has to be said that our supplier contracts have unfortunately not been concluded quite so well. This means that inflation is not yet as noticeable. In general, however, we are trying to make our customer base healthier. We have therefore introduced a minimum order value of 15 euros. If this is not reached, the customer has to pay extra. As an incentive, we also have free delivery if the order value is over 50 euros. However, the individual values vary from country to country.

Question 8: Can you elaborate about the competitive market environment by taking external factors like for instance supplier, buyer etc. into account?

Yes, so firstly order volume Over time, of course, our order volume has increased. In addition, Gorillas is a well-known name. Suppliers and consumers usually know who Gorillas is. Of course, that was not the case in the beginning.

In terms of the customer, of course, you're just looking at how to find an equilibrium. But if the customer orders less, we naturally have to look at what the reason is. Then you ask yourself, for example, whether you are too expensive. then you can of course quickly make a benchmark. This gives the customer a certain amount of power. In addition, it was of course the case in the beginning that the customer could ask us for products today, and tomorrow they would be in our range. In the beginning, of course, many tests were bought, which was a main revenue driver at that time.

Right now we are looking to become extremely profitable. So the focus is on how we can achieve this. So we are looking less at the competition, but especially with prices you have to look left and right. Unfortunately, other companies have overtaken us as pioneers after 1 ½ years, but now we have to focus on ourselves and pursue our own profitability strategy. In some technical areas, we

are also definitely further ahead than the competition. Nevertheless, the new market situation demands profitability from us. That's where we have to focus on ourselves.

Our general strategy is, of course, to reduce delivery costs in particular. There is a lot of leverage there. On the other hand, there is great potential in the dark store, especially in the area of automation.

Transcript Interview 3:

Due to the similarity of answers for the questions 2 and three, they are left out.

Question 1: Could you introduce yourself and talk about your current position at Gorillas Technologies GmbH?

After my bachelor's degree, I started as the first employee at Gorillas. I did various jobs until I became Director of Operations. I built for instance the central operations team and was at a time leading over 150 employees.

Question 4: After Gorillas introduced its business to Europe, what strategy was pursued?

Our initial strategy was, of course, an extreme growth strategy. We tried to test our business model on a lot of people in as small a geography as possible in the first three months. We quickly realized that the demand was definitely there. Then the hypergrowth started through aggressive expansion. We knew that since it worked in Berlin, it would work in other cities. Then, when it worked in the first other cities, we got more venture capital and tried to reach as many customers as possible nationally and internationally in the shortest possible time.

In the beginning, there was a lot of gut feeling involved in expanding to other cities. Population density was still the most relevant target figure. We looked at how many young people live in an area, what the GDP of the country is, what the consumer is like in the country, and what the situation was in terms of digitalization. Furthermore, at the beginning we also looked at how many students lived in the area, since they naturally had a greater affinity for technology. Those were the core variables. Maybe one more, and that was how many food delivery companies there were already in the cities. That, of course, allowed us to see if our service was catching on. The

Netherlands was a no-brainer. For one thing, consumers are very similar, and for another, PicNic already existed. Of course, the pandemic gave us a nice growth boost. Nevertheless, it has to be said that orders haven't really flattened out to date. That speaks for the company and the industry. And especially for the changing consumer behavior. People need this service. The more you expand then, the better. Our strong retention rate of 70-80% has also contributed to our growth. Of course, there are also phases in the summer when certain products are more in demand, or there are more orders in the winter. But in general, the number of orders is very constant.

For us, it was very important at the beginning to have a first-mover advantage. In this way, we were able to win over customers that our competitors had to buy away from us afterwards with a lot of money. No matter how loyal the customer is, if the customer pays 10 euros for the same shopping cart at Flink and 20 euros at our company, he will of course order from Flink. You take the customer away from the competitor by virtually giving the customer money. Nevertheless, if you are the first to go to the market, people naturally know you. Nevertheless, in retrospect you have to ask yourself whether that was the right decision.

In addition, our expansion was driven by the market. The market demanded Gorillas. If we were not present in a certain city, the customer actively requested that Gorillas comes to their city.

Question 5: Did Gorillas make adaptations to the strategy due to Covid-19?

In the beginning, we relatively quickly introduced mandatory masks in all camps. Even when it was no longer mandatory. We wanted to protect employees and avoid total breakdowns in the warehouses. Minimum distance was also clearly communicated. In addition, we naturally also indicated in the app that customers could order without contact. So the drivers then just put the bags down.

Question 6: To what extent is Gorillas able to recognize internal and external market signals?

We have the great advantage that we are super flexible within the company and can therefore adapt quickly to market changes. Now the trend is extreme that we have to look at profitability in order to continue to get funding. Thus, we have relatively quickly practiced cost-cutting and intensified the focus on profitability. Within a very short period of time, this led to the layoffs, for example, which many companies subsequently followed.

Question 7: As you know, the Ukraine war and the inflation is heavily impacting the market environment. How does Gorillas adapt to the new situation and how quickly do these things adapt?

Because we are a consumer business, we can react very quickly on the customer side. We also looked very quickly at where we were spending our money and whether it was really necessary. The investor market has completely turned around as a result of the crises you mentioned. Away from growth, towards profitability. We now have to follow that. At first, we said we simply won't expand anymore, but we will concentrate on what we have. That means we are also optimizing the portfolio we have. This then has to do with the fact that we have closed dark stores. It has to do with the fact that we have left cities. But it also has to do with the fact that we finally left Italy, Spain, Belgium and Denmark and concentrated only on our five markets. That was of course the first biggest step. The second thing is that we said we also wanted to be lean in the organization. So we just laid off 33% of the employees at headquarters and carried out a restructuring. We have now, as a company, constantly reviewed what our priorities are and how they contribute to the issue of profitability.

We can now take the dark store as an example. Of course, it takes time for a dark store to become profitable. Nevertheless, there are signals to see how big the potential is for the dark store to become profitable. You can see that from customer behavior and how much they shop. That's why we've left the toughest student cities in particular, because the business model simply doesn't pay off there and you incur huge losses.

Question 8: Can you elaborate about the competitive market environment by taking external factors like for instance supplier, buyer etc. into account?

Especially in the beginning, you could see that Flink was very much oriented towards us. They followed us to all the cities. After that, Getir is active in some cities. Nevertheless, Flink is the main and strongest competitor. Then, of course, there are smaller players, but they have no chance because of their size. For example, there was a time when there were 15 active quick commerce players in London. There was a strong fight for market share. However, it has been observed that the whole thing is consolidating relatively quickly. However, it must also be said that the business model is not difficult to copy. When you do that, the quick commerce players then try to win customers through vouchers. In the end, of course, the customer has low switching costs.

In terms of suppliers, we filled our warehouses the first few times by simply shopping at REWE. We then brought the products to our dark store. Then we started to build a network with local and big retailers. Now we work about 80% with retailers and 20% with local suppliers. This also differentiates us from our competitors in terms of product range. Nevertheless, our order volume is very low. So our margins with most suppliers are very poor. However, partnerships in Germany with Alnatura, in the Netherlands with Jumbo, or in France with Monoprix are helpful. In general, large retailers are afraid of missing out on the digital transformation, which is where Gorillas comes in handy.

Customer pressure was huge, especially at the beginning. If we got feedback at the beginning, we offered the products directly at Gorillas the next day. Of course, hygiene products and tests were very much in demand, especially at the beginning. In general, however, we naturally look at how the customer trend is developing in the various regions. What do other suppliers have that we don't?

In terms of shopping carts, we are on the right track. For example, the average order value in the Netherlands has increased by 100% in the last 12 months. On the other hand, we are looking at how we can make the cost per delivery more favorable. For example, you can become more efficient by having one cargo bike deliver larger or more orders if possible. On the other hand, the consolidation naturally contributes to spending less money on marketing in order to keep or gain customers. In general, the average order basket at Gorillas is well over 20 euros.

Transcript Interview 4:

Question 1: Could you introduce yourself and talk about your current position at Gorillas Technologies GmbH?

Sure, I joined Gorillas during the beginning and I got recently promoted to Chief of Staff.

Question 2: How does the operations at Gorillas work?

Yes, of course, so with us the customer orders via app. The order is received by us in the warehouse, where an employee is shown the order on a device. The device shows each individual product as

well as the location of each individual product. The shelves are all positioned so that the picker can pack as quickly as possible. Once the order is packed, the rider takes over. The rider scans a QR code and is shown the order and delivery address. The rider then rides the e-bike to the customer and delivers the order to the desired address. This can be a park, home or the address of friends. Ideally, everything happens within 10 minutes. This is possible because our delivery areas have an average distance of 1.5 km. This varies slightly from area to area.

Question 3: How did Gorillas change its operations as a response to Covid-19?

Of course. Well, we started in the Corona pandemic, which means that we were always somehow affected by it. But okay, of course there were somehow harder phases where you had to pay more attention to it. Of course, we had to wear masks throughout and had to provide enough material so that backpacks and bicycles could be disinfected after each trip. And, of course, we also had to make sure that we were not in direct contact with the customer, but rather put the bag outside the door. Often, customers didn't even open the door, but simply waited until the delivery was dropped off. The additional testing naturally added considerable complexity and cost.

Question 4: After Gorillas introduced its business to Europe, what strategy was pursued?

So our founder always made the comparison that today we can somehow fly to the moon. But we still have to go to the supermarket, stand in line and waste our time shopping for food.

So we are trying to make food available to people instantaneously. This model did not exist in Germany before, of course. So we expanded relatively quickly within Germany. But also abroad, so we expanded quite quickly into the Netherlands, UK, USA, France, Belgium, Denmark, Italy and Spain. But now back out of four markets, because of the new market conditions. But yes, in the first year we grew very fast and very aggressively and opened sometimes dark stores per month in a new country.

In Germany, we stayed in the metropolitan areas where we knew the demand would be there similar to Berlin. The Netherlands was the first foreign country with Amsterdam. The first thing that comes to mind is, of course, the proximity to Germany. Accordingly, the main feature was cities with a high population and similar consumer behavior to Germany. Then we gradually opened dark stores there.

Of course, this rapid growth helped us to be the first player in many markets. However, there were already other players in the UK, for example, before we expanded there. So of course we didn't shy away from other markets. The plan was to open locations all over Europe.

Question 5: Did Gorillas make adaptations to the strategy due to Covid-19?

The Corona pandemic was a driver for growth for us. Of course, we were also a little lucky that consumers increasingly looked for online solutions because they didn't want to shop in supermarkets. It supported our expansion strategy.

Question 6: To what extent is Gorillas able to recognize internal and external market signals?

Of course, the investors play a decisive role here. So for the first 1 1/2 years, you were strongly focused on growth. That's why we expanded strongly month by month, so that we could grow as quickly as possible in orders. After the Ukraine war and inflation, the tide changed accordingly, and there was a sharp shift from growth to profitability. Nevertheless, profitability is of course also our goal. What speaks in our favor, however, is the speed of implementation. In May, for example, we decided to withdraw from four markets. This was done within a few weeks, and we were even able to discontinue operations overnight.

Question 7: As you know, the Ukraine war and the inflation is heavily impacting the market environment. How does Gorillas adapt to the new situation and how quickly do these things adapt?

Of course, there is potential at all levels where we can become more profitable. For example, we are trying to increase the average basket of the customer and general margins. In addition, it is of course possible to raise prices, especially in the face of rising inflation. Furthermore, the customer himself must know how much he appreciates the service of Gorillas. There is question, does the customer pay extra for this ultraconvenience service? Then we have for it either a minimum order value or an additional fee, if this is not ordered. The problem with the whole thing is that, despite the new market rules, the market is still very competitive. This means that, in case of doubt, customers have several suppliers at the same time and very low switching costs. When it comes to prices, of course, you have to be very careful and watch out for the competition. But in general, if someone in the market raises the price, everyone follows suit.

We are working hard to become more efficient at the riders and in the dark store. Nevertheless, innovation and automation require cash. And in the new market situation, that is of course only available to a limited extent.

But what is important for us, especially in this crisis, is to cooperate with larger retailers. Partnerships naturally have various advantages. One of them is that you can fall back on their supply chain. Especially at times when there are a lot of supply chain issues. Furthermore, you have to do less marketing through the new partners, because the partners already bring a certain clientele with them.

But it is also the case that more and more takeovers are now taking place or market participants are leaving the market. This leads to consolidation. We recently took over the Dutch part of Zapp or Frichti in France. But the fact that others are now leaving the market naturally strengthens our market position. Customers who have previously bought from customers usually have all the apps from all the anibetern. So they automatically go to us.

But to come back to it, the exit from the countries, some cities and the closure of dark stores naturally saves us costs. The same with the restructuring. Furthermore, it is currently the case that we have virtually no more orders under 10 or 15 euros. The competition has copied this after us. We have also increased prices of products that the end consumer is not even aware of. Nevertheless, we are still at supermarket level. We have also made savings in marketing. We do less marketing through targeted marketing. We try to distribute vouchers only to customers who are profitable for us and order regularly.

Question 8: Can you elaborate about the competitive market environment by taking external factors like for instance supplier, buyer etc. into account?

Of course, the markets all differ somewhat. Nevertheless, there is a fierce price war. That's how the various players align themselves with each other. Sometimes you are a pioneer, but you have to have a certain amount of courage. Unfortunately, we also had to lay off 300 people from our headquarters due to these changing market conditions. Nevertheless, you could see afterwards that the competitors were following suit. Getir even laid off 4400 people. Nevertheless, Gorillas was criticized for being a pioneer. The same applies to entire cities and locations that we have left and closed because they simply do not become profitable.

If I take a look at the suppliers, it's unfortunately the case that we don't have much bargaining power. We order too little for that. But then again, our advantages are the partnerships, because our partners can draw on our data analysis, and of course we can use their purchasing conditions. These are better than ours, of course. We benefit from the supply chain of Tesco, Monoprix or Alnatura, for example. But in terms of producers, we can of course offer them something that retailers can't offer them. That is access to customer data. We can collect this data from the app and sell it to the brands. Brands can also position themselves directly with us in the app. For example, Coca Cola can get insights about individual customers in certain areas through Gorillas. Our customer profiles show exactly what is being bought, what else is being bought, how old the customer is, where they live, and so on. This is of course incredibly valuable insight for brands.

What we are doing now is that we are focusing on our five core markets. That's where we make over 90% of our revenue. We also license our platform to other retailers in other countries. This means that we automatically generate profit for every order placed with another company. This is of course no effort and super easy profit.

The marketing of user data is of course also a revenue driver. At the end of the day, you can also do a lot through pricing, especially in times of inflation. What brands do with us, for example, is that they buy positions in our app at auction via a webshop. This is done according to the auction principle. Of course, this is also a revenue driver where you don't have to do much.

Ultimately, we are also looking more and more at the issue of automation. Picking in particular is becoming an exciting topic.

Transcript Interview 5:

Question 1: Could you introduce yourself and talk about your current position at Gorillas Technologies GmbH?

Yes, I am working as a manager of a warehouse or dark store for Gorillas in Berlin

Question 2: How does the operations at Gorillas work? *After the customer ordered, we receive the order in the dark store. Then, a picker takes over the order with his gadget. The gadget shows the order with all items and as well, the location of each item. We do have a shelving system that*

enables quick collecting. After the order is collected, a rider takes over and delivers the order to the desired location of the customer. Everything happens within 10 minutes.

Question 3: How did Gorillas change its operations as a response to Covid-19?

Yes, so at Gorillas we had one dedicated office management team, that actually dealt with Covid-19 guidelines for the headquarter. They communicated clearly the rules and provided masks, disinfection, and rules about minimum distances. Further, if someone was tested positive, home office was declared overnight. If one had a problem, we had a possibility to contact the emergency staffing for urgent cases. We were able to contact them in the case of problems. In terms of technical difficulties the IT team was able to support. However, most of the employees are quite young and familiar with the IT stuff. The second crises team dealt with the masks, disinfection and tests at dark stores. At some point, mandatory testing was introduced and personal was for instance trained to overview the testing.

Question 4: After Gorillas introduced its business to Europe, what strategy was pursued?

Gorillas was expanding super quickly, but as well investing a lot in marketing. That is why it was difficult as well for dark stores to manage the weekly increasing order volumes since it is hard to anticipate the needed amount of SKUs and employees. Especially during times of Covid-19.

Question 5: Did Gorillas make adaptations to the strategy due to Covid-19?

Yes, at some point mandatory daily testing was introduced at the dark stores, to avoid the spreading of Covid-19. Obviously, it helped to make the workplace safer and avoided the closure of dark stores.

Question 6: To what extent is Gorillas able to recognize internal and external market signals?

In terms of Covid, Gorillas certainly did. On the hand obviously based on the hypergrowth, so consumers asked for the service. On the hand, for instance, when we introduced daily testing. It actually helped to keep the dark stores open, even though it was not required by the government. So, when infection rates got worse and worse, we secured our business.

Question 7: As you know, the Ukraine war and the inflation is heavily impacting the market environment. How does Gorillas adapt to the new situation and how quickly do these things adapt?

As far as I know, Gorillas left several countries and even closed dark stores within different cities who do not become profitable. So the general strategy is to reduce costs.

Question 8: Can you elaborate about the competitive market environment by taking external factors like for instance supplier, buyer etc. into account?

If I related that topic to our dark store, it was quite tough at some point to gain new riders since the market was highly competitive and all quick commerce players needed new riders. So that was one tough topic to deal with, especially during peak times.

Transcript Interview 6: External Interview

The next interview was conducted with an expert of the industry. After having small talk during the beginning I introduced my case study. Afterwards, the interview started.

Question 1: Could you please introduce yourself?

Hey, yes, I am working for a company that is for instance providing end-to-end solutions for courier gear and providing business intelligence to food and grocery delivery. And I'm also an enthusiast about the quick commerce industry, having a podcast about the whole quick commerce and on demand, economy and last mile delivery market and like to post news about what is happening in the industry.

We have been working with many e-commerce companies throughout 2021 and saw it from the stage where it was born, how it was evolving, how it was getting all these crazy investments and still working and keeping an eye on the industry nowadays. And I will be very happy to answer the questions over the interview.

Question 2: Could you comment on Gorillas starting strategy?

Definitely. Well, Gorillas strategy was to grow at all cost, open as many dark stores as possible and gain as much market share as possible. They were getting a lot of cash and they were burning a lot of cash at the same time. Yeah. And like if we evaluate the strategy for the quick commerce boom, it definitely worked in 2021. They were able to become the fastest unicorn and

got a valuation of 3 billion within like one and a half years. So it definitely worked in terms of drawing attention, getting the VC money, getting the hype about the movement by itself. And many companies entered the market, I believe, because of Gorillas. Gorillas was as well able to get a super strong brand and established it. They were faster in everything and got to the scale. When you were scaling as fast as you can, as much as you can to be the first mover on the market and to get this advantage and for the hyper growth market for the state of 2021, that was the game.

Question 3: Would you say the competitors followed Gorillas strategy?

I would say that Getir was the one who was also using the same strategy in terms of hyper growth and hyper evolution on the market. And definitely these guys had a lot more experience before they started scaling since they started in 2015. Yeah, actually they wanted to scale long time earlier, but because of the technological situation and Turkish economical situation it was not possible. However, due to being longer in the market they should have an advantage in being data driven. In comparison, Flink was more local in its strategy. But as well because of the capital needed. To do hypergrowth, a lot of capital is needed to build the IT product, but as well for your offline operations. You have to pay the couriers, you have to maintain dark stores, the rent, the SKUs and so on. So these companies that got less investment, they concentrated on smaller portions of markets to try and to become the market leader there. But I think that Flink also did the scaling. They just decided to stay within within the Central Europe. Right. They have Netherlands, they have France, Austria and Germany. Generally, the business models of all the different players are very similar right? So, they all deliver within 10 minutes, Flink and Gorillas just charged 1,80€ during the beginning. And Getir did not even charge a delivery fee.

Question 4: You already mentioned the first mover advantage. Did they as well have other advantages?

Well, I data data could be a thing that they could be gathering earlier. It really depends on the tools, like what tools they were using and if they were getting this data and leverage in it. They had definitely the time to develop the product. And like in general, when you have the first mover advantage, you get more time to figure out things and you make more mistakes in some cases, but at the same time you learn and fail much faster, right? And you start getting the customers faster, you start getting data faster, you start getting traction faster. I would say that the biggest advantage

was in terms of the VC money, that they created this hype and managed to build this strong brand that everyone's interest. That was that was definitely the move.

Question 5: How do you assess the innovativeness of the quick commerce business model then?

Well, the whole idea that you can get things instantly, that's that's the innovation part because like we are we're in Europe. Everyone is quite used to Amazon two day delivery next day delivery. Right. But it's not that you can get things instantly. And with the food aggregators, it all picked up very much during the COVID pandemic period, right? When you can get food within 36 minutes. But this instant experience that you can get your groceries if you're missing something that you're you can get your snacks, water, beers and delivering it instantly, getting it instantly. This was the innovation because if we're talking about the drugstore model, we shouldn't also miss on Gopuff, who was also in the market with the dark store model for a while too, for the same time as Getir. They also started in 2013 and they didn't have this instant experience of 15 minutes. But the general idea of delivering stuff from dark stores was also on the table. So I think that the biggest innovation and the biggest like. Experience change that Gorillas brought was this instant experience that you're ordering and in like minutes, it's already with you.

Question 6: How do you assess the new market environment as a threat for quick commerce companies like Gorillas?

Right. Well, first of all, I think that it is very important to mention here that even before the whole kind of environmental shifts that we saw throughout spring, it was already very understandable in fall that the model needs adjustments. It is. Burning a lot of cash and without the adjustments of stacking orders, without the adjustments of leverage in the partnerships like Gorillas for example did, it is difficult to sustain. You need to add new verticals right? Besides groceries to grow the basket because you really have low margins on the basket. So you need to add other categories like apparel, like beauty products. Without all these, like quick commerce is doomed to lose money because when you're when you deliver, like in 15 minutes, your rider costs is super expensive. You are in general, your cost is just too high. If you add the rider cost there, it's just like too big of a scale to earn money, right? So I wouldn't say that it's only the shift of the environment, but it's also the general evolvement of the companies that that had to happen much earlier as we see especially now. That actually allowed the quick commerce to go where we are. Where we are right now is

basically with the model where it's losing money on the on every order and companies are scaling down, slowing down and need to adjust themselves to the path to profitability. Right now, we see that companies left a lot of markets like Gorillas withdrew from for markets already and are scaling down their activities within the markets. Other companies are likely to follow. And we already see what's happening in China where like companies who have been doing it for over from 2016, 2014, they are running out of money, even having more product scale available in terms of groceries. So you definitely need bigger partnerships. You definitely need more products in your availability to provide higher baskets plus slowing down in terms of getting the right or efficiency. I think that all of the companies are adjusting and changing reactively. Gorillas just announced one Partnership last year. The one with Tesco. During the time we thought, wow, this is a big announcement. But this is this is about the the only thing that that was anticipated. There were some tries in terms of the private label introduction by Gorillas this year. Thy especially benefited from Frichti's experience in terms of private labels. They can get some more margins there, obviously, because it's private label, but at the same time you need much bigger scale. And if you are only driving your sales through the promo codes like you're also eating up the margins of your private label as well. One additional point, the partnership with Alnatura in June was massive. It is super valuable to make use of the different benefits of your partner during such times. Use their real estate, the supply chain, you know?

Question 7: Where would you position Gorillas in the current quick commerce market?

Look, right now, we need to understand that it's all about the cash burn and it's all about the money. Right. So whoever has the funds can continue in the game? Definitely. Gorillas lost a lot of their positions in terms of the coverage and in terms of the market share in general, like even on the established markets like Germany, like UK. During the beginning with the competitive advantage, they received probably the most orders, obviously had a high burning rate as well, but they received plenty of orders right. Gorillas has changed that strategy. So during the beginning they knew growth was important to receive the capital like the money from the VCs. Yeah, right now you said, for instance, the market leader and it's all about like who has the highest funds, right. And the companies were quite fast then at some point and understanding our right to receive more money from the VCs, we need to change our strategy because all VCs are right now looking for profitability. So how can we go to profitability? And so Gorillas adapted its strategy and other

companies adjust their strategies in different ways, actually. So they are not market leader anymore.

Well, like if we're talking about Europe, we still have left three major players, right. It's Flink, Getir and Gorillas. All of the players are very silent about everything at the moment. But it is about retention. It is about growing the order basket. It is about scaling down the expenses that you have. All of the companies had the cuts in terms of the people and in terms of the marketing budgets. Right now, I think that there needs to be time when they can provide some results in terms of what happened, because it has been like around three or four months since all the changes were started being implemented and scaled down. And it's a lot about like what cash burn these companies are going to have. I don't think that Gorillas is going to give up or anything. They have quite a strong management team. They are very motivated. And the team in general is very powerful in terms of getting what they want and push it through the boundaries. So in terms of intention, in terms of competitiveness, Gorillas still competes at the top. However, they lost market share and burned much money.

Question 8: How do you see the future of the quick commerce industry?

That's a tough one because honestly, in the current, I don't mean to draw a devil on the wall, but in the current market stage, in the current status of the customers and the upcoming inflation, it's a lot about the price rather than the convenience. Maybe in the future a delivery within 30 to 45 minutes is more realistic. However, take a look at Glovo. They are leveraging their existent network of couriers for food delivery. They are delivering plenty of different things and can easily enter the quick commerce industry. One takeaway is planning to test in Germany as well. I think that from this perspective, quick commerce being a part of food delivery and this whole last mile convenience delivery itself is possible as an independent case. The numbers show however, it is very expensive. Right. So you need to charge the customer a lot for this and the basket needs to be quite high for it to make sense both for you and the customer. And from this perspective, I'm not really sure how this is going to work out and play out.

Right now, everyone needs to survive the storm. When investors see more certainty in terms of providing more cash to these companies, definitely the problem is that they already have quite high

valuations. And we already saw recently that the news that Gorillas is trying to get 350 million at a lower valuation, which makes a lot of sense because the three 3 billion company that is burning 50 million per month is just too high. And with this investment, like with more investments after the storm kind of comes down, they still burn a lot of money. However, they can easily focus on other areas additionally. When you have the network of fulfillments, you can do the groceries, you can do t shirts, you can do electronics from there. And this is like this fulfillment kind of as a service and last mile delivery. This is this is what could work because you will have scale from different places.

I think that the companies really need to try and leverage their partnerships, the software, and the network of fulfillment.