

The App With a Courier On Every Corner

● Rappi has snagged \$185 million to take its orange delivery bags all across Latin America

In Bogotá's busiest neighborhoods, the men with orange caps, bags, and the occasional vest or windbreaker stand on almost every corner. They work for Rappi, a two-year-old delivery startup that's a mashup of Uber Eats, Instacart, and TaskRabbit. Summoned via smartphone, Rappi's couriers deliver poke bowls, groceries, and even cash, running errands that include paying bills. Regular customers average more than four orders a week, and courier Israel Montes says demand is keeping him better paid than his old minimum-wage job. He delivers restaurant orders on his blue bicycle and has also been hired to give a massage and play video games. As he waits curbside near other couriers, Montes says, "All the time I'm seeing new faces, so many."

Rappi, which charges customers about \$1 an order or a flat \$7 a month, has become such a hit in Bogotá and Mexico City that the company has raised \$185 million—a near record in Latin America—to set up shop in each of the region's major cities. Chief Executive Officer Simón Borrero, a Colombian, says Rappi has at least a toehold in 14 cities and will more than double that over the next year. "We're going to be in every country in Latin America, including the smaller Central American ones," he says. The goal is to remove "the hurdle of logistics in Latin America, where things could take days to get delivered."

Some of the funding came from venture firms (Andreessen Horowitz, Sequoia Capital), but \$105 million was from Delivery Hero AG, a leading online food ordering company and a Rappi



competitor in Colombia. Borrero says he'll remain independent from Delivery Hero as he's laying the groundwork for a broader service. "We did a round of that size not because we're in a battle but because we had that vision of being a little more bold, of being an everything store," he says. (Bloomberg LP, which owns *Bloomberg Businessweek*, is an investor in Andreessen Horowitz.)

Borrero and his two co-founders started Rappi in Bogotá as an app for delivering liquor and soft drinks from local shops. They were lucky, he says, to have included a blank box in the app for unlisted items. Customers started ordering what they really wanted, including dishes from restaurants that didn't deliver, as well as cash from ATMs that's then charged to them through the app. "They're making my life easier because they're bringing me groceries, they're bringing restaurant orders, and they're agile," says Maria Angelica Trujillo. "It's less than 30 minutes if you order a few things."

In mid-2015, Rappi's eight-person team got people to download the app by handing out doughnuts. Getting new sign-ups has gotten tougher, Borrero says, but the network now includes 9,000 Uber-style contractors, who work for it more or less full time, and serves more than 1 million customers. It isn't yet profitable. Restaurants make up a little less than half the orders.

One of Rappi's challenges, as with Delivery

Hero, Uber Eats, and other rivals, is to keep attracting customers who can afford frequent takeout and errands. The other part is to keep demand high enough throughout the day, rather than only at mealtimes, so couriers can earn enough to keep working for Rappi without making prices so high that customers shy away. Some couriers say they make as much as double the minimum wage, which is below \$300 a month in Colombia. Charles Moldow, a general partner at venture firm Foundation Capital, says the efficiency Rappi couriers gain from using bikes and motorcycles (as opposed to cars) persuaded him to invest. "It just was amazing how much more margin there is in that business," he says.

Borrero's expansion will take him into territory where Uber Eats and other companies are well-established, and he'll have a lot of work to do to make Rappi feel indispensable to both customers and partners while keeping couriers satisfied with their cut. He says he's going to keep betting on an ever-wider list of delivery items and services. "We're giving the user a bigger variety of restaurants and a lot more variety in services," he says. "Thankfully, the numbers are showing it."

—Christine Jenkins Tanzi

THE BOTTOM LINE Rappi says its reliance on bikes and motorcycles can help keep costs low enough to build a sustainable delivery business across Latin America.

▲ Rappi couriers in Bogotá await their next assignment