

## [BUSINESS ★★★] HOW I DID IT: MATT MALONEY OF GRUBHUB AND SEAMLESS

(P1) GrubHub co-founder Matt Maloney took his Chicago food ordering service from scrappy startup to a public company worth \$3 billion.

(P2) It was just another hungry late night at work, but Matt Maloney sensed an opportunity. In 2004, he and co-worker Mike Evans launched GrubHub, an online food-ordering service, in Chicago. Lately, business has been good. After making the Inc. 500 in 2010 and 2011, GrubHub hit \$137 million in revenue in 2013. It also merged with competitor Seamless (another Inc. 500 alum). In April, Maloney, who is CEO of the combined company, led GrubHub to a successful IPO. And, if he gets his way, no one will ever have to phone for a pizza again.

(P3) Innovation works best when there's a problem to solve. The eureka moment for GrubHub came when Mike and I were working as developers for Apartments.com. We were frustrated by the lack of dinner options as well as the pain in the ass of calling restaurants and reading our credit cards. At the time, we were working on geographic lookup searches for rental real estate. That's when I heard the screeching wheels in my head: Why wasn't there something like this for food delivery?

(P4) Mike and I collected hundreds of menus around my Chicago neighborhood, and he wrote some code. We thought restaurants would pay for the ability to capture the attention of hungry people. We initially charged them \$140 for six months of premium placement on our website. But when we started asking restaurants for money, most of them didn't see the value. They had spent thousands of dollars putting up crappy websites that nobody ever found, so the idea of paying for another site of unknown value wasn't appealing. Finally we said, "What if we take a 10 percent commission on whatever we sell for you?" Restaurants loved that.

(P5) We realized we had a really good product that was scalable. The next step was expanding to a second city. We tried to raise venture capital to do that, but it was taking too long. VCs are slow to say yes, but they'll never say no. The longer they can push you off, the more options they keep open. So we said, "Screw it! We're going to do it anyway." We flew out to San Francisco to sign up restaurants and do guerrilla marketing. We bootstrapped, and it paid off. The restaurants were really receptive, and the orders started coming in aggressively. People in San Francisco loved it, and investors noticed. We opened in San Francisco in October 2007 and closed our first capital round that November.

(P6) Still, expanding to a second market was really difficult, because we weren't living there. This business is hyperlocal. We didn't know the neighborhoods the way we do in Chicago. We wanted to be a national company, but we couldn't afford to put an office in every city in the U.S. So we had to figure out a way to build a market, drive awareness, and sign up restaurants without having to pay rent. We ultimately hired a San Francisco manager who physically went to restaurants, signed them up, and built our network. These days, instead of having managers in each place, we just have people on the ground in our top 10 markets. The rest of our sales team is in Chicago and New York City.

(P7) We're one of the few consumer internet companies for which offline advertising works really well--specifically, at transit hubs. People coming home from work around 6 p.m. are hungry and very susceptible to our message. We figured this out when we advertised on mass transit in Chicago. We had noticed that the person managing the outdoor ads was really bad at taking them down, so we knew if we bought a month of space, we'd get five. That placement worked very well. It has been a staple of our advertising ever since. In New York City, you'll see Seamless ads plastered on the subways and buses.

(P8) Before the merger, Seamless was our biggest competitor, so I was very aware of what it was doing. I would have been loath to say it before we merged, but the companies were similar--we were solving the same problems but in different geographies. Seamless consistently made very smart decisions, both with

product and marketing. My view on competition is, if someone comes along with an improved product at a cheaper price, then we damn well better do a better job, or we deserve to fail. So, we can copy what they do and make it better, or we can merge with them.

(P9) When we announced we were keeping both the GrubHub and Seamless brands, the **resounding** response was, "Why?" GrubHub was doing a really good job nationwide--but Seamless had incredible brand awareness in New York. It's like a religion there. By keeping both brands, we didn't have to spend money to promote Seamless in markets outside of New York or to promote GrubHub inside New York. We were able to **optimize** those marketing dollars and reinvest in our product.

(P10) We're constantly working to improve our technology. We launched our mobile platform in 2010. That was major--it's a lot easier to pull out your phone and order with three thumb taps. But that's obvious. Our tablet technology, on the other hand, wasn't so obvious. We realized that certain restaurants were having a hard time keeping up with the volume of orders. Historically, we'd send them by fax--but the fax machine runs out of ink or gets **jammed**. So we built a tablet app for restaurants to confirm and complete orders, send messages back to us, change a menu item or the restaurant's hours--whatever they need. Now, nearly half of our 175,000 daily orders go through our tablet technology. We give tablets to the restaurants doing high volume. I want them to have one, because then they can process orders better and faster. And that means everyone is happier: the **diner**, the restaurant, us. It's just smart.

(P11) Everyone talks about next-day delivery being a **coup** for online companies--at GrubHub, we execute the delivery experience within 60 minutes. That's the unsung part of our business. To do this, we have a team of more than 300 customer care agents in Chicago **proactively** managing the status of meals nationwide. If your order hasn't been confirmed within five minutes, someone from GrubHub is calling that restaurant, because we don't have time to spare. If your order's not out the door in 20 minutes, then we're on the phone figuring out what's wrong. There's still the issue of the delivery drivers, so we're working on a tool to help them be more efficient.

(P12) The IPO process, at a fundamental level, exposes what makes every company **tick**. If that message is complicated, the IPO process is tricky. In our case, it was very simple. We have a business model that everyone understands. Not a lot has changed since we went public. The big difference is that we have an extra \$200 million on our balance sheet. You can't let financing drive the strategy of the company, but the company needs to grow and **evolve** and get stronger. Having money helps.

**Words:** 1,203

**Source:** <http://www.inc.com/magazine/201411/liz-welch/how-i-did-it-matt-maloney-of-grubhub-and-seamless.html>

## DISCUSSION QUESTIONS

If you found the passage difficult to read or had problems understanding specific words or idiomatic expressions, please discuss them with your tutor. The following discussion questions should be answered in your own words and with your own arguments.

1. Briefly summarize the content of the article in your own words.
2. How did Maloney and his co-founder come up with the idea of Grubhub (P2-3)? What was their first attempt (P4) to solve this problem?
3. What were the major problems that the company faced when it was trying to scale up in different cities (P6)? What marketing method worked well for them (P7)?
4. Briefly summarize the story behind the merger with Seamless (P8-9). Why is GrubHub keeping the brand Seamless?
5. Why is Grubhub trying to go public (P12) and how does Maloney feel about the process?
6. Is there similar services in the country you reside in? Share the stories if you know any!

---

## WHAT / WHO / WHERE ARE THEY?

### GrubHub

(Company) a mobile and online food-ordering company that connects diners and corporate businesses with thousands of takeout restaurants in more than 700 U.S. cities and London. GrubHub Inc. employs a transactional business model, and the service is free for diners. In 2013, the company sent more than \$1 billion in gross food sales to local takeout restaurants, processing roughly 174,000 orders on a daily basis. GrubHub Inc. has served more than 4.19 million unique diners in the last 12 months.

### Matt Maloney (from Grubhub website)

(Person) Prior to the merger with Seamless North America LLC, Matt served as CEO of GrubHub Inc., a company he co-founded in 2004. He led the company through five rounds of investment funding, the acquisition of DotMenu and the 2012 launch of OrderHub. Matt currently serves as an advisory board member for The University of Chicago Booth School of Business, Polsky Center for Entrepreneurship, is a member of ChicagoNEXT, an organization dedicated to driving growth and opportunity in the Chicago business community, and serves on the board of directors of Merge Healthcare Incorporated (Nasdaq: MRGE). He is the 2012 Built in Chicago Moxie Award winner for CEO of the Year and a regular contributor to The Wall Street Journal's The Accelerators blog. Matt holds a B.S. in psychology from Michigan State University and an MBA and MSCS from the University of Chicago.

### Seamless

(Company) Seamless is an online food ordering service that allows users to order food for delivery and takeout from restaurants through their web site or suite of mobile apps.

### IPO (Initial Public Offering)

(Finance) Initial public offering (IPO) or stock market launch is a type of public offering in which shares of stock in a company usually are sold to institutional investors (that price the company receives from the institutional investors is the IPO price) that in turn sell to the general public, on a securities exchange, for the first time. Through this process, a private company transforms into a public company.

### Apartments.com

(Company) Apartments.com is a national online resource for individuals looking for an apartment whether it is down the street or across the country. To simplify the process of finding a new place to live, Apartments.com offers renters one of the most comprehensive databases of millions of apartments around the country. By incorporating the most relevant products to reach renters, including personalized searches, walk-through video demonstrations, community reviews, a

responsive website and apps for both iPhone and Android phones, Apartments.com delivers a multimedia experience renters want while creating easy access to listings from any computer or mobile device.

In addition to serving renters nationwide, Apartments.com is a leading advertising destination for professional property management companies, private landlords and classified listings. Apartments.com is a subsidiary of Washington, DC-based CoStar Group, Inc. The Apartments.com network of rental websites includes Apartment Home Living and RentalHomesPlus.com.

## VOCABULARY

Scrappy	(adj) 허접스러운
Merge with	(v) ~와 통합, 합병되다
Eureka moment	(expression) a moment at which a person realizes or solves something
Pain in the ass	(expression) (idiomatic, slang, ) Something or someone that causes discomfort or frustration
Screeching	(adj) 새된 소리를 지르는; 술에 취한
Premium placement	(expression) 프리미엄 가격에 더 좋은 위치에 광고를 보여주는 것
Commission	(n) (위탁 판매 대가로 받는) 수수료
Scalable	(adj) (크기·규모를) 확대할 수 있는
Push [someone] off	(expression) to apply pressure to and force someone or something off someone or something. (Of is usually retained before pronouns.) e.g. He continued to come at me, but I managed to push him off me and escape. I pushed off the attacker.
Keep open	(expression) retain rights to
Guerrilla	(adj) 게릴라
Bootstrapped	(adj) relying entirely on one's efforts and resources; 허리띠를 졸라맨
Paid off	(expression) 성공하다[성과를 올리다]
Aggressively	(adv) (원하는 바를 이루기 위해) 공격적인
Close capital round	(expression) close nth round는 n번째 투자를 유치하다로 해석
Hyperlocal	(expression) hyper+local; 굉장히 지역적인
Afford	(v) (…을 살·할·금지적·시간적) 여유가 되다
Drive awareness	(expression) 인식을 늘리다; drive---to send, expel, or otherwise cause to move by force or compulsion: to drive away the flies; to drive back an attacking army; to drive a person to desperation.
Transit hub	(expression) Transit은 환승; hub는 (특정 장소·활동의) 중심지, 중추. 서울역 버스 환승장같은 곳을 뜻함
Susceptible	(adj) ~에 약한; …을 허용하는; …할 수 있는
Staple	(n) 주된, 주요한 (것)
Plaster	(v) (그림·포스터로) 도배를 하다시피 하다
Loath	(adj) ~하기를 꺼리는
Consistently	(adv) 일관하여, 지속적으로
Resounding	(adj) 굉장한, 완전한
Optimize	(v) …을 최대한 좋게 만들다; 최적화하다
Jammed	(adj) (막히거나 걸려서) 움직일 수 없는
Diner	(n) (보통 음식 값이 싼) 작은 식당
Coup	(n) (힘든 일의) 성공, 대단한 성취
Proactively	(adv) 상황을 앞서서 주도하는
Tick	(v) 시계 등이 짹[똑똑]거리다; 여기서는 회사가 하는 아주 작은 행동을 의미
Evolve	(v) (점진적으로) 발달하다