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BACK TO THE DARK AGES?

Q-COMMERCE, RAPID RETAIL AND THE CHANGING LANDSCAPE OF RETAIL WORK

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EXECUTIVE SUMMARY

The Covid-19 pandemic has led to a boom in the online grocery market and rapid-delivery services, with the emergence of new quick-commerce (q-commerce) startups delivering from "dark stores." These firms promise super fast delivery times, often 30 minutes or less, and use worker-intensive methods to provide convenience to consumers. This report focuses on q-commerce startups and their impact on work in Europe.

Q-commerce firms have an advantage over traditional brick-and-mortar retailers and aggregator platforms in providing faster delivery times. Still, their business landscape is highly fluid and uncertain, with crossovers between business models. Mergers and acquisitions characterise the sector as firms go bust or are acquired by rivals while new entrants continue to emerge. Despite the financial challenges, some form of q-commerce will likely continue, given the substantial investments made in the infrastructure of q-commerce.

The report also discusses the impact of rapid grocery retail work on workers, which shares similarities with the broader gig and platform economies. However, q-commerce firms currently often provide workers with a contract of employment and sell themselves on good employment practices, unlike traditional platform delivery services that engage self-employed, independent contractors. The existence of an employment contract may only sometimes protect workers from precarity. Pay and conditions in the sector depend on the evolution of competition, financial conditions, and workers' ability to organise and unionise.

The report draws on desk research, interviews with industry experts and stakeholders, and qualitative research with workers in the q-commerce sector in the UK, Spain and Germany to provide insights into the emergence of q-commerce and the rapid-delivery sector, business strategy in the sector, labour issues, and policy implications. The report concludes by emphasising the need for careful attention to the business practices of q-commerce firms, their impact on the kind of work being done in retail, and the employment practices therein.

It identifies the following European policy recommendations:

- EU policymakers should prioritise the adoption of the proposed Directive on improving working conditions in platform work to address issues in q-commerce related to algorithmic management, labour organisation, and access to information for public labour authorities.

- Legal arguments should be explored to protect q-commerce workers against spurious dismissal during probation periods and non-renewal of fixed-term employment as retaliation by the employer. The Directive 1999/70/EC should be revised to tackle the issue of the strategic use of fixed-term employment as a business model.

- While legal protections are imperative, their enforcement in practice remains a major problem. EU policymakers should further support the member states in enforcing labour law, by including specific provisions for enforcement in EU labour directives and increasing support for labour inspectorates, possibly via a bigger coordinating role for the European Labour Authority.

- National policymakers in the EU and the UK should adopt more proactive enforcement measures in the q-commerce sector, regardless of EU action.

In conclusion, the emergence of q-commerce demonstrates how digital platform technologies might upend business models in the retail industry in the medium term. The precarious financial foundations of q-commerce firms raise serious questions about the durability of the sector looking to discover a "path to profitability" and the consequences of these shifts for the workers involved. The report provides a starting point for further research and policy development. Since retail is the largest private employer in most European economies, it is crucial to understand the impact of rapid-delivery services on workers and the retail industry.

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GLOSSARY

Aggregator (platform)	A platform that connects a large number of producers with consumers, without owning core assets internally (e.g. Deliveroo, which connects independent restaurants with consumers)
Algorithm	A set of rules or instructions used to solve a problem. Algorithms, sometimes using AI or machine learning, are increasingly used to automate or allocate tasks
Cold-chain	A supply chain that is temperature controlled, usually for delivery of perishable goods
Dark store	(see Micro-fulfilment centre) Named as such because it is closed to the public
E-commerce	Retail services offered online
Final-mile delivery	The last leg of a product's journey to the consumer, usually from a fulfilment centre or store to the customer
Just-in-time	A system of manufacturing or provision of services aimed at achieving efficiency by ensuring goods and/or services are in place when needed and not before or after
Micro-fulfilment centre/store	Small warehouses located close to the consumer in order to facilitate shorter delivery times
Next-gen fulfilment centres	Next-generation fulfilment centre. Used to refer to fulfilment centres that are highly automated and robotised
Omnichannel	A retail strategy that aims to deliver a similar experience whether customers buy online or in a physical store
On-demand	Used to refer to services that can be provided at little to no notice
Phygital	A portmanteau of physical and digital, phygital refers to attempts to create an enhanced customer experience by blending online and offline retail channels
Q-commerce	A subset of rapid delivery aimed at achieving superfast delivery, often through the use of near-to-consumer dark stores
Q-commerce as a service (QCaaS)	The use of a q-commerce model or infrastructure to deliver goods for a third-party service
Radio-frequency identification (RFID)	A technology that uses electromagnetic fields to tag individual items so that they can be tracked at various stages of the retail journey
Rapid delivery	Online retail services that aim to deliver goods in around one hour or less **NB: Distinctions drawn between rapid delivery and q-commerce are loosely framed due the changing nature of the sector.*

1. INTRODUCTION AND SUMMARY OF THE REPORT

Online grocery markets boomed as a result of the Covid-19 pandemic.[1 2 3] One major driver of change in online grocery delivery is the ambition to build a market for rapid-delivery services – getting orders to customers in an hour or less.[4] While large retailers have benefitted from growth in this emerging market, new quick-commerce (q-commerce) startups engaging in rapid delivery from "dark stores" have boomed. Advances in digital technology, weak labour markets and abundant investment capital have collectively enabled firms to use worker-intensive methods to deliver impressive convenience to consumers.[5 6 7 8]

This policy study presents a cross section of rapid grocery retail in Europe, with a close focus on new q-commerce startups and their impact on work. While recognising that there may be some overlap, for the purposes of this report, we use the term q-commerce to refer to a subset of rapid-delivery services that tend to promise superfast delivery times (often 30 minutes or less). While the business models used and delivery time promises vary, firms offering such services tend to adopt the dark-store model, utilising a network of micro-fulfilment centres located close to consumers, while incumbent bricks-and-mortar retailers and aggregator platforms tend to offer slower rapid-delivery services (typically offering delivery times of around one hour or less). At present, q-commerce firms appear to have have stolen a march on their rivals. But the business landscape is extremely fluid, with growing crossovers between business models, and it remains unclear at present which will win out. In the q-commerce space, very large venture capital (VC) investments support unsustainably low delivery and unit prices, as loss-making firms attempt to corner markets and establish dominance. But capital markets are transforming with the global rise in interest rates. Inflationary cost pressures and a post-Covid economic downturn are adding to challenging and uncertain market conditions. As such, the sector is characterised by a kaleidoscopic pattern of mergers and acquisitions as firms go bust or are acquired by rivals, while new entrants (both startups and grocery incumbents) continue to emerge. Despite the deteriorating financial conditions in the sector and likely disappearance of major players, some variant of q-commerce will likely continue. This is because q-commerce pure players are "asset-heavy" platforms, making substantial investments in tangible capital (real estate, supply-chain agreements, equipment and vehicles) alongside intangibles (technology). As such, even if individual firms go bust or are acquired, it is likely that these investments laid down into the infrastructure of q-commerce will persist.

The situation is also in flux from the perspective of workers. Rapid grocery retail work shares much in common with the broader gig and platform economies, and so, to some extent, the rise in rapid delivery threatens the established working conditions and existing collective agreements in place in bricks-and-mortar retail. Despite similarities with the larger platform economy, however, firms operating the q-commerce/dark-store model often provide workers a contract of employment and sell themselves on good employment practices – unlike traditional platform delivery services, which engage self-employed, independent contractors without recourse to social and employment protections. The existence of an employment contract may not always protect workers from precarity, as this research shows, and the direct-employment model could come under pressure from the changing financial environment. Pay and conditions in the sector depend upon the evolution of competition and financial conditions, as well as workers' ability to organise and unionise. Major investments made in the industry imply it is unlikely to collapse overnight, making it worthwhile for unions to begin the work of recruiting in q-commerce. A companion policy study looks in more detail at strategies unions might employ in the sector.[9]

The policy study proceeds as follows. Drawing on desk research and interviews with industry experts and stakeholders, Section 2 charts the emergence of q-commerce and the rapid-delivery sector and discusses business strategy in the sector and its chances of survival. Section 3 reports on qualitative research with workers in the q-commerce sector, focusing on labour issues and what work in the sector is like. Section 4 discusses the policy implications arising from the research. Finally, Section 5 sets out the main conclusions emerging from the research.

2. BUSINESS ANALYSIS

2.1 INTRODUCTION

The grocery retail landscape is evolving at breakneck pace. While slower to develop compared with other kinds of e-commerce,[10] the Covid-19 pandemic catalysed an incipient trend towards online grocery shopping.[11 12] This shift toward grocery e-commerce in turn prompted the dramatic emergence of relatively new business models based upon *rapid delivery*, which aims to get produce to customers much faster than scheduled delivery models.[13] Using streamlined digital logistics systems to enable groceries to reach customers' homes in one hour or less, rapid-delivery providers have been major beneficiaries of changing consumer behaviour. It is predicted that Europe's online grocery market will grow by 66% from 2019 to 2023, adding $21 billion in demand.[14] While currently accounting for less than 1% of the total (in-store and online) grocery retail sector, the European rapid-delivery market is more than doubling in size year on year, and growing at far higher rates than any other grocery market segment.[15] KPMG estimates that, while growth is likely to slow, the industry will nonetheless triple in size from 2022 to 2030.[16]

Delivering low-volume, often low-value, orders of fresh food at speed and scale is a challenging business proposition. Three crucial preconditions have driven the emergence of rapid grocery retail. Firstly, the emergence of digital technologies for managing retail supply chains, warehousing, final-mile logistics (including managerial algorithms for courier dispatching) and demand forecasting, in ways that introduce the potential for efficient and profitable rapid delivery.[17 18 19 20 21] Second is the emergence in advanced economy labour markets – especially since the 2008 financial crisis – of a large un- and underemployed part of the workforce willing to accept highly flexible, lowly paid work on a casual basis.[22] Thirdly, the rise of large-scale private capital investors willing to extend substantial credit lines to private startups in the hope of disrupting incumbent firms in legacy industries.[23]

What strategies and business models are firms using to navigate this highly competitive emerging market? Our analysis suggests the co-existence of three major and distinctive rapid-delivery business models in the grocery sector, though with growing overlap. Firstly, existing major retailers are establishing in-house rapid-delivery services to deliver orders to customers (i.e. Tesco's "Whoosh"). Secondly, incumbents are engaging external platforms (Deliveroo, Glovo) for on-demand grocery orders. Thirdly, new q-commerce startup platforms (Gorillas, Getir) are engaging couriers and using "dark stores" (micro-fulfillment centres closed to the public). These are located close to the market to offer a wide range of grocery products available to customers in rapid time.

While novel, these first two business models largely serve to broaden the reach and expand the functions of existing bricks-and-mortar stores owned by incumbent grocery multinationals (with the second boosting the reach of aggregator delivery platforms in the process). However, recent years have also witnessed the emergence of q-commerce startups aiming to disrupt the markets of retail incumbents. New digital technologies, weak labour markets and generous VC investment led firms like Getir (a Turkish company) to experiment with rapid-delivery models as early as 2015. But the challenges to bricks-and-mortar incumbents during the Covid-19 pandemic provided the real impetus for a wave of startups to rush into the rapid-retail sector at scale.[24] This new wave of q-commerce firms manages networks of urban micro-fulfilment centres ("dark stores") located close to high-density markets. Using cycle, e-bike and moped couriers to collect orders picked by dark-store workers in these close-to-market sites, q-commerce retailers can achieve extremely rapid delivery (typically under 30 minutes), offering a limited, but still relatively wide, range of products.

Market research suggests that customers are responding positively to rapid delivery.[25] However, the industry is still at an incipient phase and facing the end of an investment boom, both of which makes forecasting its future development very difficult. Enormous quantities of VC investment ($18 billion in 2021 alone) have supported myriad attempts to "blitzscale" new q-commerce startups: firstly, corner markets through rapid growth, and only then establish profitability through exploiting economies of scope and scale.[26] Attracting outsized investment from VC has meant engaging in hype bordering on the fantastical (as demonstrated by the quotation from Kağan Sümer of Gorillas,[27] highlighted). Whether this represents a successful strategy for the future is difficult to adjudicate – not least because, for reasons detailed below, it is not clear that the q-commerce dark-store model enjoys the same network and scale effects as purely technological platforms. This is due to the need for substantial investments in physical capital. Regardless, at present, most q-commerce firms are racking up very considerable losses.[28] Consolidation through mergers and acquisitions is already a major feature of rapid delivery and can be expected to accelerate during the coming years.[29]

The investment environment dictates, to a considerable extent, the conditions of employment for rapid-retail workers. For those concerned about the degradation of work, the q-commerce sector is typically grouped with the platform and gig economies as part of a general trend towards precariousness and low pay in advanced economy labour markets. Mediated by apps and subject to management-by-algorithm, rapid-delivery work does have much in common with sectors like takeaway delivery and ride hailing. Rapid grocery retail remains at an early stage of its business cycle. Its firms usually offer relatively better conditions of employment than other platform work. Workers are, for example, typically offered formal contracts of employment and substantial signing-on and performance bonuses, although the latter appear to be rapidly vanishing. But platforms like Uber and Deliveroo also aggressively recruited drivers and riders with investor subsidies in their growth period of around 2014-2016. Using high pay and bonuses alongside formal employment contracts, these firms drove out many competitors in the labour market. Subsequently, pay cuts have been imposed, greater time discipline enforced and a shift to a self-employment model enacted once competition had been largely defeated.[30] Whether such a shift in employment practices will come to the q-commerce industry remains to be seen. But, despite firms' claims of positive employment practices, this policy study uncovers the systematically intense and precarious working model that already dominates the q-commerce sector across firms and national economies.

We will aim to reach 100% penetration, democratising instant delivery, like Nike did with sports and Apple with iPhones. We believe that we could help our customers to consume fresh, healthy food; be the best version of themselves; and make their lives easier because they will no longer have to worry about their day-to-day shopping needs… Once we have the platform and the products, we will leverage our unique consumption data and enrich it with other data sources to provide the best personalised offers and service to customers. For example, connected monitoring devices like sleep rings and smart watches can help us predict what you need, and those products can be automatically ordered and immediately delivered to your door. At this point, we will have the infrastructure to create a society that 'needs nothing'.

Kağan Sümer, CEO & Founder of Gorillas

This section reviews developments in the emerging European rapid-retail grocery market and considers how the sector is likely to develop in the future. The focus is on identifying q-commerce firms' business and financing models, before considering how these impact upon work and employment practices. We also connect these differences with existing cross-national differences in grocery retailing and labour markets.[31] Section 2.2 explains how technology, labour market and capital market trends have enabled the rise of rapid grocery delivery services. Section 2.3 outlines the main business strategies adopted in the sector and discusses the main threats the sector faces and how investments in infrastructure may lay the foundations for its continuation in some form. Section 2.4 summarises the main findings of the section.

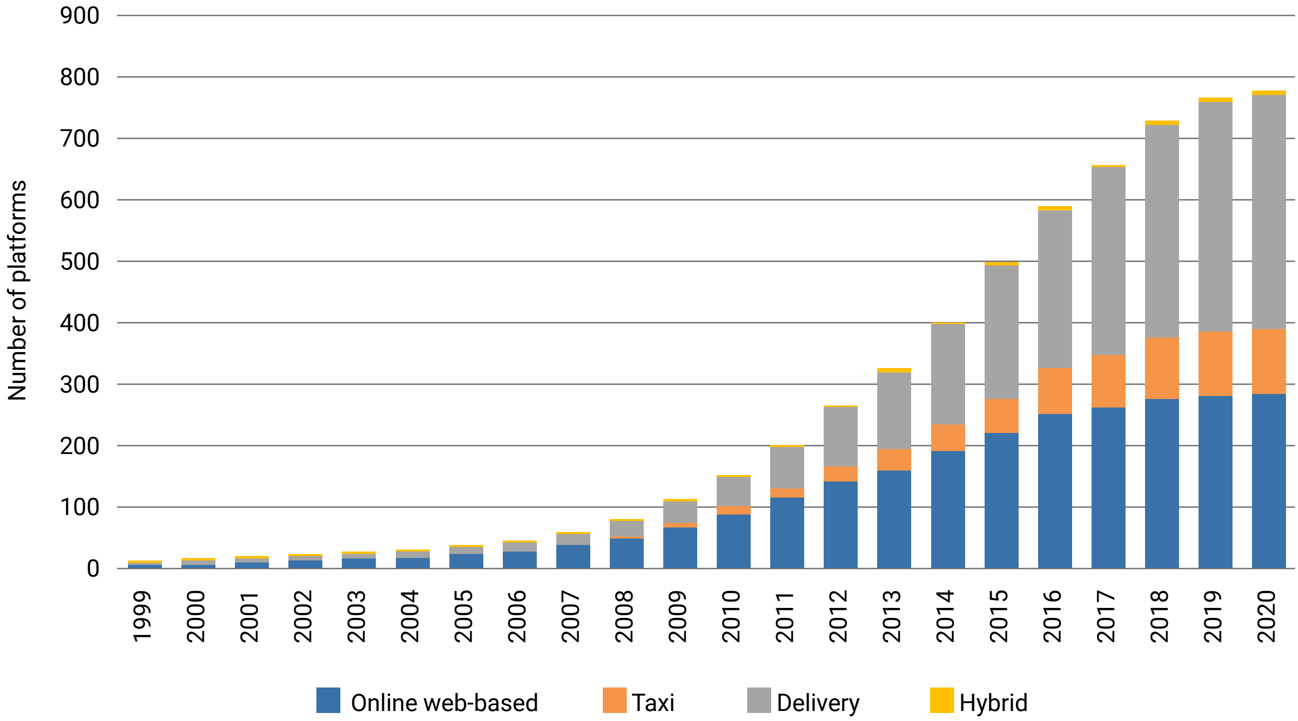
2.2 EMERGENCE OF RAPID-DELIVERY GROCERY RETAIL: UNEVEN GROWTH IN ONLINE RETAIL AND MACRO-TRENDS

2.2.1 Online grocery retail

E-commerce has boomed as a share of total retail sales in recent years.[32 33] Today, online channels make up around 10% of total European retail sales in relative latecomers (like Spain and Italy) and well over 20% in forerunners like the UK (28%) and the Netherlands (24%). The rise of a "delivery society"[34] is reflected in the boom of company formation for labour platforms since 2010, in areas like takeaway and grocery deliveries, as well as ride hailing (see Figure 1).

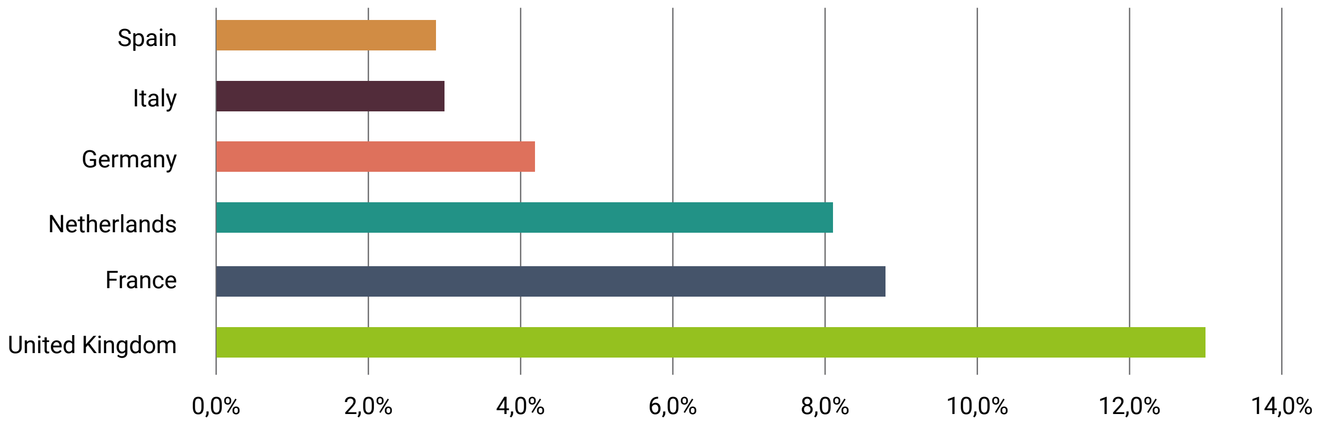
Online grocery shopping has remained significantly less developed than other types of retailing, such as clothing and electronic goods. The Covid-19 pandemic drove online grocery penetration in western Europe to 5.3% in 2020.[35] However, take up has been varied across Europe (see Figure 2).

FIGURE 1: GLOBAL GROWTH OF PLATFORM COMPANIES



Source: ILO Flagship Report, p. 47.

FIGURE 2: ONLINE SHARE OF GROCERY MARKETS IN EUROPE, 2021



Source: Delberghe et al. (2022), 7.

According to analysis by McKinsey, Europe's leading online grocery markets by penetration are the UK (13%), France (8.8%), the Netherlands (8.1%) and Sweden (7.5%).[36] There are then significant cross-national differences in the types of e-commerce used between countries. For instance, in both southern Europe and Germany, there are lower levels of online grocery shopping. Meanwhile, while rates are relatively high in France, pick up/click and collect (rather than home delivery) is the dominant online channel.[37] Projections for the future suggest online grocery retailing will continue to grow unevenly across European economies.

In summary, European e-commerce retail channels are booming, driving growing consumer expectations of rapid fulfilment. But, even in countries with strong e-commerce take up, online grocery services have been slow to take off. This lag has presented an open playing field for startups to take on grocery incumbents in the battle for share of a growing market. As it shuttered some physical stores and gave rise to long queues in others, the Covid-19 pandemic provided the perfect window of opportunity for new q-commerce market entrants capable of achieving *extremely rapid delivery* (usually in under thirty 30 minutes) to take off. In the year to September 2021, over 30 companies formed across Europe in the q-commerce space alone, while the size of the market doubled year on year to 2022.[38] McKinsey reported that by the end of 2021 the top 15 q-commerce firms had opened over 800 dark stores in Europe.[39] Before examining these firms in more detail, it is worth highlighting the deeper trends behind their emergence beyond the proximate cause of the Covid-19 pandemic.

> *“The Covid-19 pandemic provided the perfect window of opportunity for new q-commerce market entrants capable of achieving extremely rapid delivery (usually in under thirty 30 minutes) to take off.”*

2.2.2 Macro-trends

While grocery e-commerce has been growing for a number of years, stimulating demand and expectations around online retail, three major trends can be seen as facilitating the sudden expansion in provision of rapid grocery retail services: (1) the emergence of new digital technologies; (2) sluggish economic growth and weak advanced economy labour markets after 2008; and (3) transformations in capital markets.

New technologies

Delivering groceries at pace necessitates coordinating complex cold-chain, just-in-time supply networks with large out-of-town warehousing, and multiple close-to-market micro-fulfilment stores with on-demand final-mile delivery. Four key sets of digital technologies have emerged during recent years that facilitate this coordination. Firstly, supply-chain management systems incorporating software monitoring barcodes, radio-frequency identification (RFID) tagging and near-field communication (NFC) devices (amongst others) have significantly smoothed supply chains and improved traceability and stock planning/replenishment.[40] Secondly, warehousing technologies and workflow planning have significantly advanced. Combining some of the supply-chain technologies listed above with robotics and wearables, warehouse managers can achieve productivity improvements in picking and packing orders.[41] Thirdly, vehicle route optimisation and scheduling algorithms have generated improvements in final-mile logistics planning – even for orders generated at short notice.[42] Fourthly, algorithmic demand forecasting enables more effective ordering and planning.[43] The possibilities for combining these technologies to achieve profitable rapid grocery delivery is now generating considerable investor interest.[44]

However, expert interviewees agreed that technological innovation was not the key driving force behind the rise of q-commerce. Most of the technologies listed above have been available for at least one to two decades. Q-commerce is not based on technological innovation as such, but rather on bringing together pre-existing technologies (micro-fulfilment, on-demand logistics, demand forecasting and digitalised inventory management) with a new goal in mind. As such, other enabling conditions were also necessary for the sector's emergence.

Weak labour markets

Labour markets in the global north have become increasingly polarised since the 1980s between high-wage, high-skill professions and casualised low-skill, low-wage work. Some workers are increasingly confined to the lower end of labour markets, where stagnant wages and precarity are prominent.[45] This trend was exacerbated by the economic crisis of 2008, which generated significant unemployment in many European economies.

Economies gradually recovered through 2010s, and labour markets apparently followed suit. But during this period much unemployment became "hidden" from official statistics – due to various governments' use of statistical techniques aimed at disguising its extent,[46] [47] alongside the sharp rise in "alternative", "non-standard" or "atypical" work arrangements associated with the platform and gig economies.[48] Companies in the platform economy, therefore, make use of casualised labour, absorbing labour market surpluses.[49] [50] In these sectors, it is common to find underemployed workers in need of more hours (Figure 3). These trends are further evidenced by an increase in levels of in-work poverty across Europe.[51] This is evidenced in the UK by an increase in hours worked in the post-financial-crisis period, and the fact that 41% of Universal Credit claimants are currently in work.[52] [53] In-work benefits and minimum income schemes thus effectively subsidise low-pay sectors like much of the platform economy. These measures effectively conceal unemployment and underemployment from official unemployment statistics.

BOX 1: Platforms and q-commerce as labour market activation strategy: a UK case study

One hypothesis surrounding governments' reticence to more stringently regulate the platform economy is that platform work serves as a de facto labour market activation strategy. By encouraging the un- and underemployed into low-quality work, they are moved off of unemployment benefits and improve employment statistics. Crackdowns on platform firms that fundamentally undermined their cheap labour-reliant business models would threaten such an arrangement.

Q-commerce, despite its differences from the remainder of the platform economy, appears to serve this function. In the course of researching q-commerce work in a large UK city, researchers discovered a surprising arrangement between the city council, its inward-investment body, a private agency tasked with moving long-term unemployed into work and a major q-commerce firm.

When the firm became established in the city, it contacted the city council to see if it could help recruit labour. The council put it in contact with is inward-investment body – an organisation normally used for securing substantial investments in areas like science, technology and financial services from multinational firms. This body subsequently connected the q-commerce firm both with local suppliers for equipment (such as electric scooters) and with the employment agency. The agency, in turn, supplied substantial numbers of workers (riders and pickers) for the firm's new dark stores – typically up to half of the workforce, according to one interviewee. Unemployed benefit claimants risk being sanctioned if they do not comply with the terms of agencies to which they are referred.

The program was deemed a "success" by the agency and the firm, since a large majority of workers were still in post after three months – significantly longer than recruits hired on the open market. The program was frozen when q-commerce entered its current funding crunch in spring/summer of 2022 and stopped hiring. The example demonstrates how public authorities have come to view platforms as modes of absorbing labour surpluses, even where the quality of work is low.

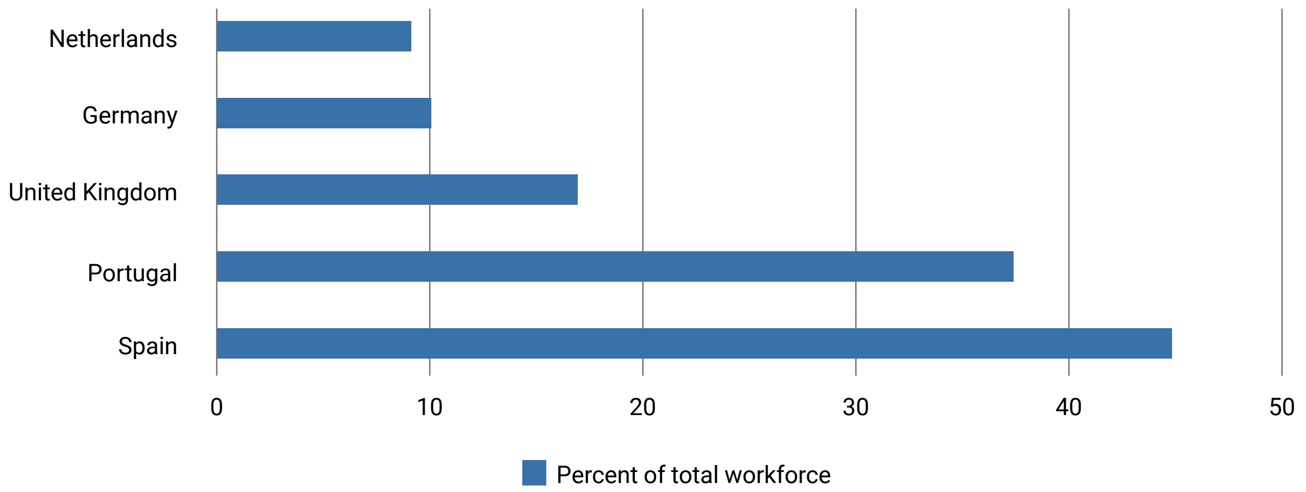
There is a higher prevalence of platform work in some countries compared to others (for instance, levels are reportedly higher in the UK, Germany and the Netherlands than those in Finland, Hungary and Slovakia).[54] While there are disparities in comparative country analyses of the development and extent of platform work, attributable to factors such as the extent of the country's digital adoption, the type of platform work being considered, terminology used, survey and sampling methods, and data collection, some broad trends can be observed.[55 56 57] Younger workers, in particular, are experiencing trends toward casualised, flexible labour most strongly.[58] Platform delivery workers are likely to be under 40 years old, male and often migrant workers.[59 60 61 62]

These trends toward polarisation and structural underemployment were deepened by the labour market shakeout during the Covid-19 pandemic. While some labour market segments ran hot and experienced shortages, the pandemic also produced surpluses of low-wage, low-skilled labour.[63] This period saw firms capitalise on these pools of available workers to cheaply and rapidly expand home delivery services.[64 65 66] This pool of underemployed and physically able younger workers – the main source of labour for the platform and gig economies – also serves as the main labour pool for rapid grocery delivery services.[67]

Transformed capital markets

The "get big fast" model involves rapidly expanding ("blitzscaling") startups attempting to disrupt existing markets, eliminate competition and achieve market dominance -- subsequently reaping the rewards of network effects. Blitzscaling was pioneered during the dot.com bubble at the turn of the millennium,[68] but has taken on new salience in the contemporary tech economy. It involves a near-exclusive focus on expanding revenues and market share during the first phase, with a focus on profitability only once sufficient scale has been reached. Today's tech economy shares many of those characteristics with firms' high stock price-to-earnings ratios rivalling those of 1999-2000.[69] The practise, however, is no longer confined to the technology sector but proliferates through the real economy.

FIGURE 3: UNDEREMPLOYMENT IN SELECTED EUROPEAN COUNTRIES (2018)



Source: Eurostat (2019) "8 million part-time workers in the EU would prefer to work more".

Blitzscaling and the growth of rapid grocery retail also comes in the context of:

- historically loose monetary policies in the USA and Europe;
- the significantly greater exposure of both retail and institutional investors to private equity markets (and so, to private technology firms); and
- apparently "irrational" investor behaviour of extending deep credit lines to highly unprofitable firms for long periods.[70 71]

This age of "patient VC" enables firms to engage in prolonged, loss-making competition and is critical to the investments rapid grocery retailers are making in technology, real estate and in building up customer bases.[72] However, recent cutbacks and closures of some firms to establish pathways to profitability (see Section 2.3) are evidence that this patience may be running out. Uber provides an instructive example of these market dynamics (see Box 2).

BOX 2: Uber: from patient VC to pathways to profitability

Since its launch in 2009, Uber has burned $32 billion of investor capital, losing money on each ride on average. Only around 10% of this outlay has flowed into investments in assets, technology and R&D – with the large bulk spent on subsidising driver pay and consumers' rides, alongside marketing – in an attempt to conquer cab markets.[73 74] The "Uber Files" investigation revealed that Uber had subsidised driver pay to the tune of $17.50 per hour in Madrid – nearly double the hourly fare of $9.10.[75] Despite finally turning its first quarterly profit in 2021, Uber slipped back into loss-making territory in 2022, and its share price fell dramatically.[76] It remains unclear whether investors' patience will pay off.

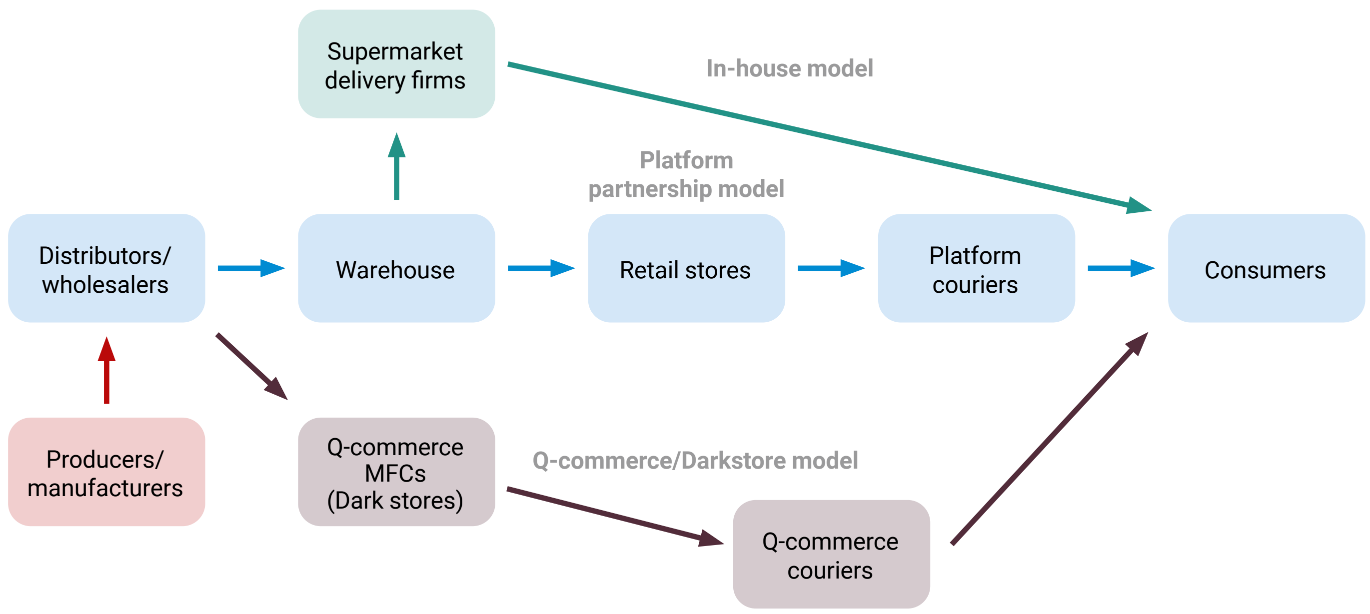
2.2.3 Rapid-delivery supply-chain models

These structural trends of new combinations of digital technologies, weak labour markets and patient private capital markets have existed for well over a decade. But it was the catalysing effect of the Covid-19 pandemic in 2020, and the overnight doubling in size of Europe's online grocery market associated with lockdowns and homeworking, which drove firms to offer rapid delivery at scale.

Grocery retail combines long shelf-life products with fresh foodstuffs requiring complex cold-chain storage. Individual products and orders are largely low to very low value, and profit margins for grocery retail are between 1% and 3% in western Europe and the USA. Supermarkets succeed by trading in very large volume on these low margins, but they make the added costs of final-mile delivery a major commercial challenge.[77] Grocers struggle to break even on e-commerce, with many firms continuing to make losses on each order (recouped through in-store sales).[78]

For this reason, new business models have emerged in an attempt to render home delivery a viable enterprise. An overview of the companies involved in rapid grocery delivery suggests there are three business models in operation in the sector: in-house supermarket rapid delivery; supermarket/platform partnerships; and q-commerce startups (see Figure 4).[79]

FIGURE 4: VISUALISING THE GROCERY RETAIL RAPID-DELIVERY SUPPLY CHAIN



Key: In-house model (green arrows), platform partnership model (blue arrows), q-commerce model (purple arrows).

In-house supermarket rapid delivery

Firstly, traditional retailers are developing their provision of omnichannel retailing by upscaling in-house rapid-delivery services in response to consumer demand and growing competition. The UK's large legacy retailer Tesco has developed its own rapid-delivery service named "Whoosh".[80] Sainsbury's have similarly developed "Chop Chop", and M&S have partnered with online retailer Ocado for their rapid service called "Zoom". In France, Carrefour has set up "Livraison Express", and Monoprix has launched its "Monoprix Plus" service. Similar examples can increasingly be found at many legacy European food retailers. These models bolt improved digital logistics and light-vehicle delivery services onto pre-existing home delivery systems, and so, require fairly modest investments. Equally, some firms are making more significant investment to ensure systems are equipped for omnichannel retailing, with the development of "next-generation fulfilment centres".[81][82] These centres, heavily invested in robotics and AI, use high-tech solutions to select and pack goods for delivery on a large scale. Requiring significant investment, such bespoke facilities are currently only being developed by firms such as Walmart and Tesco.

Supermarket/platform partnerships

Secondly, incumbent grocery retailers are also partnering with established platform delivery companies, such as Uber Eats (in the UK with Iceland and Sainsburys), Deliveroo (in the UK with Sainsburys, Co-op, Morrisons and Waitrose, among others) and DoorDash (Loblaw in Canada).[83] ASDA has partnered with Just Eat to offer a range of 1,000 items. Uber has similarly partnered with Carrefour in Paris. These third-party platform providers provide riders, and sometimes picking services, usually from in-store. This business model offers less control over availability and consistency of services, given that platforms typically use independent contractors likely to have little or no knowledge of supermarket product ranges, customer service etiquette, or access to stock and product databases and ordering systems. On the other hand, it means virtually no investment from legacy retailers or platforms (given the real estate and supply chains are already in place), while opening substantial new markets and the option to scale up and down extremely quickly. For instance, Deliveroo in the UK grew from 1,200 store partnerships at end of 2020 to 1,800 by the middle of 2021.[84] However, this model presents serious profitability challenges to platforms, given the time-consuming nature of collecting and delivering small, low-value orders. It typically offers a more limited range, intended as a top-up shop to complement a larger weekly order with slower delivery times.

Q-commerce startups

Finally, the most prominent of the models, and the major focus of this report, is the *q-commerce model*. Largely involving very new startups, this model is defined by its vertically integrated business structure, use of micro-fulfilment centres ("dark stores"), engagement of cycle and motorcycle couriers, catering to the instant-delivery needs of consumers, and very high investment rates. While many q-commerce firms formed in the years immediately prior to the Covid-19 pandemic, 2020 nonetheless greatly escalated their growth.[85] These dark stores typically range from 280-930 square metres in size.[86] Typically, they carry around 1,500-2,000 items (stock-keeping units) – equivalent to a small urban supermarket. The challenges associated with this business model include product expiration of fresh foods and managing the range of goods that are stocked, high investment costs in real estate and staff onboarding, and recruiting and retaining customers in an increasingly crowded marketplace.

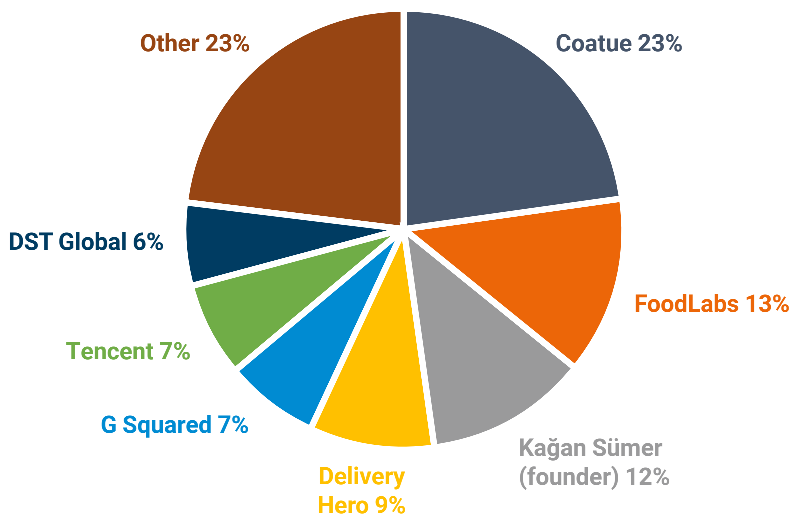
In reality, these business models are not entirely distinct. Individual cases demonstrate a great deal of overlap. The example of Wolt (Finland) illustrates this point. They deliver from legacy bricks-and-mortar retailers (existing partnerships include Spar, Carrefour and ICA) alongside running their own micro-fulfilment centres. In this way, they are able to offer a range of services – expanding into takeaway delivery, to now also providing services such as the larger weekly family shop. Similarly, Spain's Glovo operates a dark-store network alongside picking up from legacy bricks-and-mortar retailers, while also engaging in hot food deliveries. Just Eat is partnered with Getir in much of Europe, and in the UK, q-commerce firms GoPuff and Zapp enable collections from their dark stores by Uber Eats drivers. Flink is partnered with Rewe in Germany and Carrefour in France, both of whom have investments in the firm. As a result of these shared functions, it makes sense to understand q-commerce firms both as part of a wider rapid grocery retail sector and as part of the "platform economy" more broadly.

Current shifts in the market suggest further blurring of these models is likely. The industry experts we spoke with described how the challenge of reaching profitability means firms need to think laterally about how to maximise income. Partnerships between q-commerce firms and legacy retailers, such as Gorillas with Tesco, Gopuff with Morrisons and Cajoo with Carrefour, demonstrate how firms are evolving to cut costs.[87] Jiffy has shifted its business model entirely. It now focusses on rapid-delivery software, stressing the "shorter horizon" to profit enabled by the move.[88] Firms are shifting their business model to operating in overlapping ways and expanding their offering to customers. To illustrate, Gorillas has now opened a coffee shop with a click-and-collect service at one of its London dark stores. Operated by social enterprise "Change Please", it will be staffed by homeless people receiving the London living wage.[89] Deliveroo Hop, in partnership with Morrisons, have opened a "phygital"[90] walk-in click-and-collect store.[91] Wolt is intending to expand its rapid delivery offering beyond grocery delivery into areas like clothing, pharmaceuticals and electronics.

2.2.4 Financing, ownership and profitability

More than $4.5 billion was invested in the q-commerce sector in Europe alone during 2021.[92] The role of VC in sustaining these substantial investments is at the core of the rise of q-commerce – although the investment environment is now changing dramatically, as we detail below. To take the example of Getir: in a March 2022 private financing round, it was valued at $11.8 billion, up more than tenfold in two years. During that fundraising event, Getir raised $768 million in capital – overwhelmingly from private equity investors like Mubadala Investments, the Abu Dhabi Growth Fund, Alpha Wave Global, Sequoia and Tiger Global. Accounting research has also demonstrated that Gorillas is heavily owned by VC firms like Coatue, DST Global and G Squared, along with food and technology firms Tencent and FoodLabs (see Figure 5).

FIGURE 5: GORILLAS MAJOR SHAREHOLDERS, AS OF JANUARY 2022



Source: adapted from Partington, M. and F. Pratty (2022) "Who owns the biggest stake in Gorillas and what does a sale mean?"

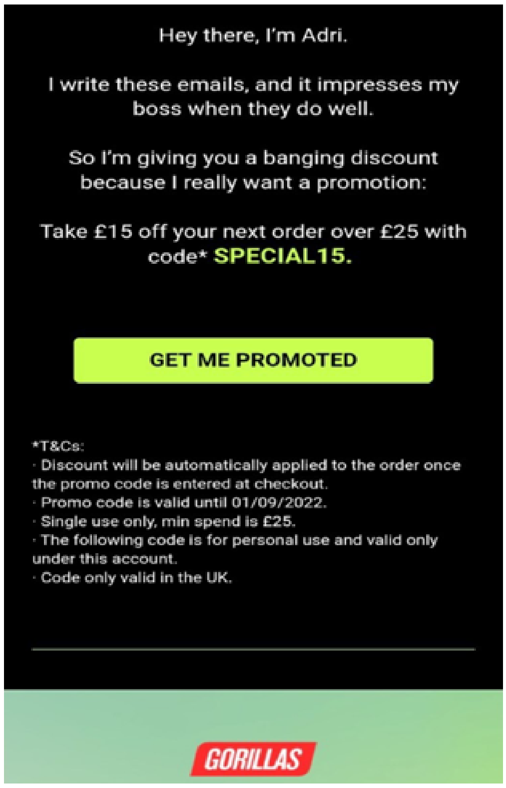
Traditional grocery retail is associated with small profit margins (1-3%). Profitability arises through selling extremely high volumes of low-cost items and externalising costs by having consumers travel to stores and pack items themselves. Q-commerce and the ultra-fast delivery it promises places immense cost pressures on startups, which can only be borne by "patient VC" willing to accept a very high burn rate today in the hope of future profits.

VC funds typically raise money from investors for a fixed period of three to seven years. Within this timeframe, they must strive to make outsized returns for their clients (from which they take a percentage) by investing in rapidly scalable firms. Typically, VCs handpick impressive firms and inject them with both capital and expertise, taking partial operational command to help ensure successful growth. The recent period of unprecedented low interest rates and cheap financing, however, has made quality startups "scarce relative to the abundant supply of capital".[93] As such, VC firms have been forced to take greater risks over extended windows. According to analytics firm AgFunder,[94] in 2021, global VC investments in rapid grocery retail totalled $18.1 billion. This represents an extraordinarily high rate of investment for less than 1% of the grocery market, in a market segment where profit margins are typically negative. As Quaid Combstock, e-commerce consultant, told us, the pandemic was partially responsible for the investment boom:

> [VCs] got sold the dream. The beginning of Covid-19 really acted as a catalyst to this on-demand [grocery] proposition. You have people at home needing groceries. But the VCs are also working from home. You very rarely go to a VC's office. They will come to you, and that's done rather intentionally because they want to test you… they want to work out what is going on in your office. You will see them go walking… and just bump into a colleague. They're asking a random colleague – the most junior associate, the cleaner – questions. They do it very intentionally. And that is so they can find out what is truly going on rather than the bullshit that the founders are trying to feed them... If you've got all these VCs working from home, they can't do that. They can't quiz you the way they normally would. So you've got these VCs sitting on monster capital. They can't make lots of investments because they're not in the office, the market's not working the way it should, and they've all got emotionally too involved in [q-commerce]. Their hearts led, rather than their heads.

Losses racked up by q-commerce players are enormous: one report suggests that Getir made a loss of $1 billion during 2021 alone.[95] Another reports that, before its recent purchase, Gorillas was losing more than €1.50 for every €1 of revenue generated.[96] Hypercompetitive discount strategies are substantially responsible for adding to these cost pressures (see Figure 6). This is analogous to other delivery platforms, such as Uber and Deliveroo, which have ploughed billions into worker and consumer subsidies to hyperscale by grabbing market share at breakneck speed.[97] Like q-commerce, many such hyperscaling platforms are yet to turn a sustained profit.

FIGURE 6: EXAMPLE OF GORILLAS DISCOUNTING STRATEGY IN THE UK

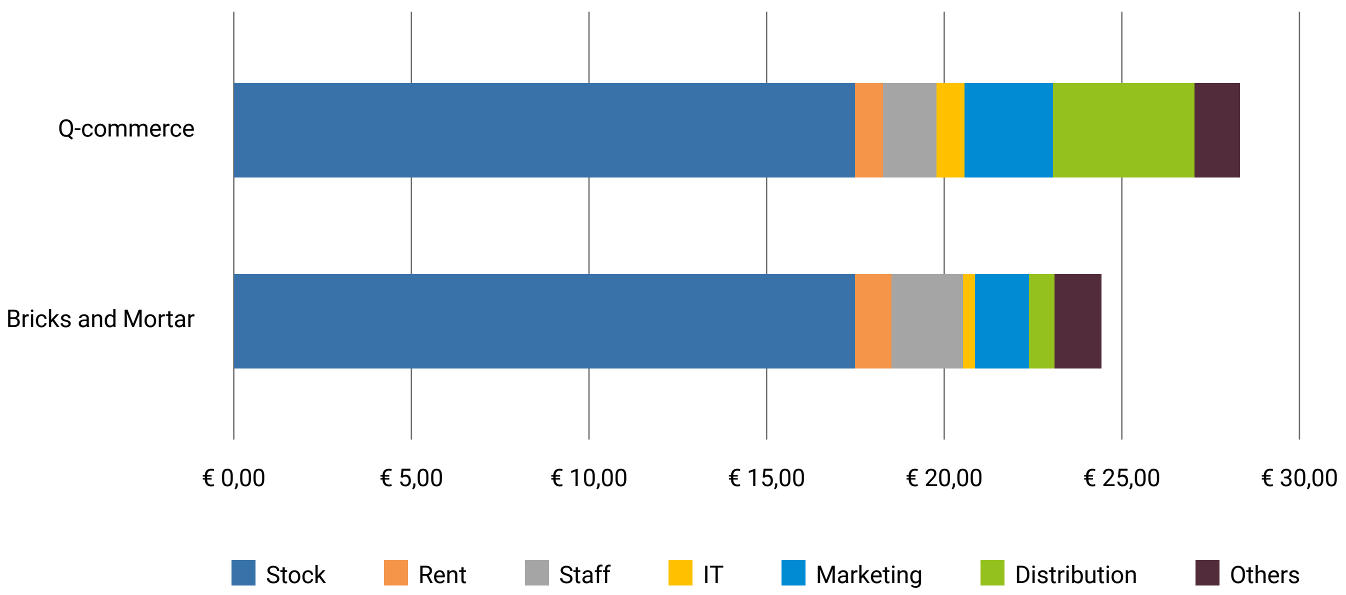


A second – more serious – reason for the major losses being racked up by q-commerce firms is the demanding economics of achieving profitable final-mile delivery. Delivery costs represent a substantial proportion of the final price of any given order. Retailers struggle to drive customers towards larger basket sizes to achieve profit through volume and to schedule orders far enough in advance to ensure the smooth stocking and supply-chain operations. One report estimates that regular supermarkets lose an average of 15% on home deliveries, while q-commerce firms lose 11%.[98] Achieving profitable home grocery delivery – and particularly rapid delivery – consequently remains a major challenge.[99] [100]

This is best illustrated through a simple example drawn from interview data. A rider in the UK may (optimistically) make three drops of £20 grocery orders in a typical hour of work. On this £60 of revenue, 5% may be taken as profit by the q-commerce firm (£3). After deducting £12 for hourly rider pay plus bonuses, the firm loses £9 per hour (though this loss is likely to be bigger after factoring in overheads). By charging a delivery fee of £3 per order, this becomes a break even. Only by increasing basket size, increasing the number of drops made per hour, removing consumer subsidies and/or driving down worker costs can deliveries be made to turn a profit. Carrying multiple orders during one drop is another option, but this is likely to undermine the sub-30-minute delivery guarantees most q-commerce firms have used as a selling point.

Figure 7 draws from Foley Retail Consulting and other interview data to compare bricks-and-mortar costs versus those for q-commerce, on the assumption of a €25 order.[101] The supermarket would make a profit of 2.4%, while the q-commerce firm would make a loss of 13%. As the order size scales, the relatively higher share of variable costs for q-commerce firms (staff, marketing and distribution) would translate into worse unit economics, while bricks-and-mortar profits would scale more efficiently due to their higher share of fixed costs (rent, IT).

FIGURE 7: COST STRUCTURE OF A TYPICAL 25 EUR ORDER FOR Q-COMMERCE VS BRICKS-AND-MORTAR RETAIL



Source: authors' illustration using data from Foley Retail Consulting (2022).

Because of the high entry rate, dramatic capital injections and high capital burn rate, the landscape of firms is highly erratic. Mergers and acquisitions are commonplace. Established players have all grown their profiles through these acquisitions and partnerships. For example, during recent months, DoorDash acquired Wolt and Getir in the UK merged with its smaller rival Weezy. In the midst of a recent round of redundancies, Gorillas alluded to the current shifts in the market as a process of natural selection, as key players become established.[102] After months of speculation, Gorillas itself was acquired by Getir in December 2022. The striking terms of the "stock-only" deal emphasised the distressed financial state of the firm, with Gorillas shareholders compensated solely in Getir stock and forced to invest an additional €100 million in cash. It remains unclear what the future for the Gorillas firm and brand is.

Merger and acquisition activity has led to substantial consolidation in the q-commerce space, but a wide range of players remain active across Europe (see Appendix A). In part, this is because q-commerce firms serve quite different market niches due to their limited product range. Some, such as Weezy, aimed to serve high-disposable-income markets for luxury foods (e.g. organic ice cream and premium wines), while others (Zapp) have aimed toward the kinds of products found in corner stores (snacks and store-cupboard essentials). As such, even larger players remain likely to face hypercompetitive struggles for survival in the short to medium term.

BACK TO THE FUTURE?
Kozmo.com – a case study in instant-delivery failure

Today's boom in the digital economy appears to share much in common with the dot.com bubble at the turn of the millennium (Aspray et al., 2013). Then, like today, digital startups with fuzzy business models could ride a wave of VC to reach scale rapidly. And while these firms were typically loss making, the hope was to corner enough of the market quickly enough to be able to one day turn a profit (after eliminating much of the competition).

In some cases (Amazon, eBay), this succeeded. But in most it did not – due to the impossibility of repaying the vast sums of debt accumulated with the slender profit margins most firms achieved. Early during the year 2000, internet firms began to experience cash-flow problems because of growing investor reticence and weak profitability. Around the same time, the US Federal Reserve engaged in a series of interest rate hikes aimed at cooling the growth in soaring stock markets. The ensuing recession wiped out 52% of dot.com firms by 2004 (Goldfarb et al., 2007).

Kozmo.com was one such firm. Established in 1998, Kozmo initially offered free home delivery of rental movies in New York City. It operated via a network of cycle couriers and return drop boxes around the city, including in Starbucks stores – with whom it developed a partnership. After a remarkable round of capital raising, the firm expanded aggressively into rapid home deliveries of groceries, books, music and more – ordered through the firm's website – across multiple US cities. It used tactics familiar to those in today's platform economy, such as aggressive advertisements, discounting and worker recruitment, offering wages and bonuses above market averages for bicycle couriers (Hirakubo and Friedman, 2002).

As financing conditions tightened in 2000, the firm streamlined its operations and cut courier pay (Cogswell and Feit, 2000). Despite turning its first meagre profit of $200,000 over the year to December 2000 on its New York operations, investors pulled the plug and refused to supply additional capital needed for a merger to salvage operations in March 2001. Investor losses totalled $280 million and 3,300 workers were laid off (Blair, 2001). The notion of q-commerce would not re-emerge at scale for two decades. Kozmo.com's experience raises the question of whether tightening financial conditions and the end of the tech boom will similarly threaten the viability of rapid delivery firms today, or whether the sheer scale of investment and technological advancement makes it "different this time".

2.3 BUSINESS STRATEGY AND SURVIVAL OF THE SECTOR

Rapid grocery retail – and the q-commerce model, in particular – expanded rapidly in cities across Europe until early 2022. Since then, growth has plateaued, as the industry has faced significant headwinds. This section outlines the main business strategy and identifies two key threats to the industry: economic and political (regulation and urban planning). The section then outlines why, even if individual q-commerce firms face existential threats, rapid grocery delivery in some form is ultimately likely to be here to stay. By investing heavily in tangible and intangible assets, q-commerce firms are shifting consumer expectations and, in the process, laying down the infrastructure for future structural shifts in retailing.

The key advantage q-commerce firms have over bricks-and-mortar supermarkets is lower labour costs due to the absence of checkout staff and a reduction in shelf-stacking work (due to no customer-facing inventory). Moreover, as dark stores are not required to be spatially optimised to host customers and make sales, q-commerce firms can make far more efficient use of high-cost urban space than supermarkets. However, q-commerce is typically associated with smaller order sizes (baskets of around €20 – around one third of the value of scheduled supermarket orders) and impulse purchases, where demand forecasting is harder to achieve. This makes supply-chain management, warehousing and inventory stocking far more complex than for supermarkets. Profitability is further constrained by the high costs of warehousing in city centres (where the densest and wealthiest markets for q-commerce exist), alongside ongoing inefficiencies in final-mile delivery and the costs of onboarding a new workforce. The model has apparently improved somewhat upon supermarket performance, with one analysis suggesting a 15% negative operating margin per order for aggregator platforms using in-store pickers, compared to an 11% negative operating margin for dark stores (before delivery charges are added).[103] As such, within the grocery delivery landscape, the q-commerce/dark-store model does come with economic strengths compared to legacy retailers in significantly smoothing the flow of picking and distribution.

The new, post-pandemic normal for grocery shopping is far from resolved.[104] In the race to achieve profitability, companies are considering pricing and business strategy. Industry expert Brittain Ladd believes the "gimmick" of superfast delivery will die. When speculating about the future of the sector, he suggests q-commerce firms will have to diversify to survive, as existing retailers increasingly harness the benefits of robotics and automation. Each business model is faced with different challenges, as consumers shop interchangeably between different channels.[105] For example: what variety of goods and branded items do customers expect when ordering from a dark store? For third-party deliveries, how is it possible to work with rivals (legacy supermarkets) to ensure product availability? Can customers be incentivised to increase order values to boost profits?

FIGURE 8: EXAMPLE OF GORILLAS MARKETING CAMPAIGN.

And for deliveries from existing retailers, how can negative customer feedback concerning sharing shopping aisles with pickers be addressed?[106] Companies may balance competing costs through delivery charges, bulk-buying items, peak-hour charges and advertising in their apps. Industry expert Viv Craske highlighted how firms are targeting marketing campaigns to drive larger basket sizes (replacements for mid-week urban grocery shops) as a means to achieve profitability (see Figure 8). It remains unclear how successful this has been, though.

2.3.1 Economic threats: interest rates, finance and the return to business as usual

Q-commerce firms have experienced a downturn in sales since spring/summer 2022. The end of most restrictions associated with Covid-19, and a partial return to the office, hit sales for all forms of e-commerce. For grocery incumbents, given the losses often made on home delivery orders, encouraging a return to instore "business as normal" makes financial sense.[107] For instance, in January 2022, Aldi removed 130 stores from the Deliveroo platform,[108] in order to focus on in-store retail and its in-house click-and-collect model. Reports suggest the UK's online grocery delivery market has shrunk by one fifth from levels reached during the pandemic.[109] Since summer 2022, q-commerce orders have dipped in line with the reduction of consumer subsidies 2022, as capital has withdrawn from the market (see below).

In addition, cost pressures arising from the re-opening of the hospitality sector, inflationary pressures, supply shortages and weakening consumer demand collectively mean grocery retailers are experiencing financial pressure and reduced consumer spending.[110] [111] [112] This "perfect storm" of conditions poses a threat to q-commerce players. However, most dangerous of all is the shift in capital markets since early 2020.

Guided by the US Federal Reserve, the years to 2020 saw a very gradual attempt to return to post-2008 interest rate "normality" (4-5%). But the stock market panic unleashed by Covid-19 led rates to rapidly return to zero. As inflation mounted in late 2021, the Federal Reserve once again began to increase rates. However, this time, rate rises have been sharp, reaching 4.5% in December 2022, with the expectation of ongoing hikes through 2023. Rate hikes led to VC funds rapidly drying up. The effect has driven a shift from "blitzscaling" to gain market share to the current "paths to profitability" demanded by investors.

Amidst these challenging market conditions, Gorillas quietly withdrew their ten-minute delivery promise in December 2021.[113] Between December 2021 and July 2022, Jiffy (UK), SEND (Australia), Wuplo (Germany), Quicko (Australia), Buyk (US), 1520 (US) and Airlift (Pakistan) all ceased trading.[114] In May 2022, Gorillas laid off nearly half of their staff, signalling an intention to halt expansion and focus on key markets in Germany, France, the Netherlands, the UK and the USA.[115] Getir made 14% of its global workforce redundant in an effort to reach profitability, Zapp withdrew from cities outside of London and Gopuff cut operations in Spain.[116] In this context, it seems likely that, rather than pushing for further investment-led growth, firms will increasingly seek to consolidate or grow through acquisitions.

2.3.2 Political threats: city planning and environment

In cities across Europe, there are increased concerns around the volume of traffic, noise and the reduced value of properties that neighbour dark-store locations.[117] [118] [119] Resistance has been voiced in Lyon, Paris, London, Berlin and Rotterdam (among others) over complaints concerning reckless riders, increased traffic and congestion.[120] Reports of intimidation, harassment and violence around dark-store locations have prompted communities to organise and resist developments.[121] As a consequence, Amsterdam and Rotterdam placed a year-long hiatus on new dark stores in 2022, while in Barcelona planning is rarely granted for dark stores in the inner city.[122] [123] France has amended town planning laws to re-categorise premises as warehouses, rather than stores, thus compelling a number of sites to close and stemming further development.[124] Due to strict alcohol-licensing laws, dark stores in the UK must go through extensive planning approval, so most are sited some distance from residential and other areas likely to generate complaints (e.g. near schools).

"

Amsterdam and Rotterdam placed a year-long hiatus on new dark stores in 2022, while in Barcelona planning is rarely granted for dark stores in the inner.

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The demand for warehouse space is also seeing demand rise and other smaller businesses being priced out of locations.[125] This knock-on effect is having further unintended outcomes, as new firms emerge to support this evolving marketplace.[126] For instance, the rise of q-commerce firms opens new possibilities for them to compete with aggregators like Deliveroo, Glovo and Uber Eats in servicing dark kitchens during quiet periods for orders from their own dark stores. But sensitive to concerns about the "death of the high street", local authorities are likely to be resistant to the rise of dark stores. Consequently, as we look to the future, it is likely to become harder for q-commerce firms to acquire the necessary space for dark stores.

2.3.3 Hype cycling or infrastructure building?

Along with the structural problems associated with the q-commerce business model discussed above, these headwinds have led many commentators to forecast the imminent demise of the sector. Unquestionably, the blitzscaling approach is highly risky — and has led investors to fall foul of the "hype cycle" for new technologies and strategies.[127] However, this would be to ignore how the vast amount of capital that has already flowed into q-commerce is likely to leave a lasting impact on the grocery retail landscape. This is because these firms have been (perhaps unwittingly) engaged in *laying down infrastructure for the future of rapid-delivery retail*. This points to the crucial difference between q-commerce and pure platforms like Uber. The latter can scale at a dramatic pace because they *own few tangible assets and employ few staff*. As such, costs to start operations in new locations are minimal and can be done at rapid speed. Indeed, Uber has invested around 90% of its capital in consumer and driver subsidies, and just 10% on staff, technology and real estate.

Q-commerce firms do not conform with the "asset-light" logic of pure platform players like Uber and Deliveroo. Analysts estimated that, while around 70% of investment by q-commerce firms has flowed into consumer and rider subsidies (as part of efforts to compete with rivals and corner markets), the remaining 30% has been spent on a mixture of tangible and intangible assets (including warehousing, stock, supply-chain management, contracted staff, equipment and technology). As such, while any individual q-commerce firm can of course fold, its assets (along with large customer databases) do not simply disappear — but instead are available for rivals to scoop up at cut prices. While this may lead to some consolidation and disposal of worthless assets, it is unlikely to dramatically diminish the overall q-commerce market size. A major attraction to Getir in purchasing Gorillas was the latter's prize real-estate assets in cities like Amsterdam (which, as noted above, is clamping down on new dark stores). Indeed, legacy supermarkets — left behind by the q-commerce boom — also appear to be eyeing up the sector. Tesco's partnership with Gorillas in the UK was rumoured by analysts to be a move towards its acquisition (though this did not ultimately take place). KPMG estimates that the UK market, for example, could comfortably host three large q-commerce firms — as the market for such services is anticipated to more than double by 2030.[128] Consumers appear highly receptive to such services. According to one survey, 26% of Londoners report using a q-commerce app in the last 18 months, and a total of 37% some form of rapid grocery delivery service.[129] By changing consumer expectations around delivery times, it is unlikely that supermarkets will be able to avoid expanding their rapid-delivery offerings during the coming years.

Along with market consolidation and/or pursuit of acquisition by bricks-and-mortar supermarkets, q-commerce firms are likely to expand their sales by moving toward provision of "q-commerce as a service" (QCaaS). This service would enable existing retailers to offer rapid delivery of their products. While this could involve more extensive partnering with established brands, it could also mean following Wolt into offering q-commerce services to new market segments without their own in-house capability (clothing retailers, pharmaceuticals, electronics, etc.). This would likely require remaining reasonably "asset heavy" for most q-commerce firms, since warehousing, dark stores and proprietary vehicles would likely be required to fulfil many such orders at pace. Analysts interviewed were sceptical that Jiffy, which ended its q-commerce delivery operations entirely in May 2022 to become a pure software provider, will be likely to succeed against rivals offering delivery and micro-fulfilment operations.

While q-commerce players may come and go at dramatic speed, the industry experts that we spoke to agreed that the coming decade is likely to see further expansion of the rapid delivery of groceries, although the sub-30-minute delivery promises of some q-commerce firms may be extended or quietly dropped (as already highlighted in the case of Gorillas). Such a change would enable platforms to cover a wider area, be located in cheaper sites and/or collect from existing stores.

2.4 SUMMARY OF BUSINESS TRENDS

Despite consolidation, rapid grocery delivery remains an open playing field and a hypercompetitive space. Its biggest players are typically only 2-3 years old. These q-commerce firms have challenged legacy retailers and achieved remarkable growth in a short space of time. The scale of the investments involved in the sector combined with intense competition means we can expect dramatic turbulence in markets during the coming years.

Three main business models exist for rapid delivery of groceries. Two involve legacy retailers (delivering in-house or through platform services), while the third, q-commerce — the main focus of this policy study — involves startups fulfilling orders at rapid pace through extensive investments in micro-fulfilment centres, delivery riders, inventory and supply-chain management.

Volatile financing and precariously low (or negative) profitability in q-commerce make turbulence in the sector even more extreme. It necessitates reliance on provision of new financing by "patient venture capitalists" across multiple rounds. Few players have yet turned a profit, and interest rate increases are drying up this pool of patient capital. We can, consequently, expect a wipe out of weak firms and a continuing of the consolidations/acquisitions already witnessed in the coming years. For those that remain, "paths to profitability" will be hard-earned and necessitate a systematic reduction of costs along with new innovations.

Should this leave us with a highly consolidated q-commerce market, where firms feel comfortable withdrawing subsidies and charging higher fees for deliveries, the model might survive in its current instantiation. If the sector remains very competitive, it is likely that legacy retailers who can afford to cross subsidise slightly slower deliveries with profitable in-store retail will eventually win out.

3. LABOUR ISSUES

3.1 INTRODUCTION

Rapid grocery delivery retail draws its labour mainly from the same pool as the platform and the gig economies. However, due to the time and scheduling demands posed by sub-30-minute delivery windows, workers usually have employment contracts. Moreover, firms are eager to appear as “good” employers and to distinguish themselves from negative impressions of platform work. This may be in anticipation of case law developments and regulatory reform. Unlike pure platform players, q-commerce firms make heavy investments in real estate, equipment and other tangible assets. These concentrate workers together in space and appear to present opportunities for labour organising. On the other hand, some expect workers to experience a degradation of work, similar to the platform economy, as economic pressures intensify and investors demand returns: cuts in rates; hours; bonuses; and/or jobs, alongside an intensification of delivery and working time pressures through delivery algorithms. The question then arises – will “paths to profitability” be paved over the backs of workers?

“

Will "paths to profitability" be paved over the backs of workers?

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This section presents the findings from primary research with workers at q-commerce firms in the UK, Spain[130] and Germany. Drawing on in-depth qualitative interviews with workers, the section is structured around key themes and labour issues that emerged from the interviews. These themes and issues related to work conditions in the sector, including a lack of training, poor work environment and health and safety practices, work pressure, intensity and wellbeing, and work relations (the way work is organised, algorithmic control and poor management practices). The section describes what it is like to work in the sector and identifies some of the main associated labour issues. The insights and experiences of dark-store workers build on the market analysis and business trends discussed in Section 2 of this report. This section paints a picture of a hybrid sector that increasingly resembles work in the platform economy, whilst retaining some aspects of bricks-and-mortar retail. The findings reveal some highly negative aspects of working in such a rapidly evolving sector, revealing an environment where health and safety checks and employment protections are variable.

The research involved semi-structured interviews with 16 riders and warehouse operatives from four q-commerce firms (Getir, Deliveroo/Hop, Gorillas and Glovo) across the three countries. All four firms operated the dark-store model, although one firm (Deliveroo/Hop) involves a partnership between a supermarket (Morrisons) and a platform delivery company (Deliveroo). Video interviews were conducted online between August and December 2022, with one interview carried out face to face. Interviewees included in-store pickers, warehouse managers, and shift leaders and supervisors, alongside delivery riders (moped and e-bike). Respondents were recruited via union contacts, various forms of social media and face to face. The snowballing method was then used. The timing of interviews was driven by respondent availability and was typically slow to arrange, with long hours and conflicting work schedules often reported. Interviews typically lasted between 30 and 60 minutes and were mostly carried out in English, although some were conducted with an interpreter. They were then translated where required, transcribed and thematised, highlighting both similarities and differences in the key issues raised.

The interviews provide an opportunity to understand how organisational priorities translate for workers and the challenges of working in such a rapidly changing environment. While this research cannot claim to provide a generalisable picture representing all work in the sector, it does provide an insight into work practices in some establishments and the experiences of some workers. This rich interview data also informs a separate analysis of trade union organising strategies adopted in the respective countries, presented elsewhere,[131] and feeds into Section 4 of this policy study on policy recommendations.

This section is organised as follows. Firstly, we outline the main job roles in the sector and present a profile of typical workers. Secondly, the pay and contractual status of workers in the sector is described, providing evidence of the increasingly precarious nature of work. The third section outlines working conditions in q-commerce, including issues related to training, health and safety, equipment, work-life balance and wellbeing. Finally, we examine work relations related to the organisation of work, algorithmic control, management practices and discipline. Despite the promise of decent work offered by the direct-employment model, we find evidence of precarious working and non-compliance with health and safety and other employment protections in all three countries. These negative outcomes appear to have been driven by and are directly related to the q-commerce business model.

3.2 JOB ROLES AND WORKER PROFILE

To understand the labour issues highlighted in this section, we first provide a brief overview of the main job roles in the sector and profile the workforce.

3.2.1 Job roles and basic operational model

The sample of respondents used for this research was relatively small, only covering four firms; however, a common mode of working was evident, confirming the trends identified in Section 2. Dark-store size varied by location, with anywhere between 20 and 60 workers per store. The main job roles identified were as follows:

- **Riders** – main responsibility is to make deliveries, usually via bicycle, e-bike or moped. In some companies, these workers may also contribute to picking in the warehouse. Riders are generally directed by an app on their smartphone. Most are directly employed by the q-commerce firm on an hourly rate, but, in some cases, they are self-employed. They are expected to meet certain delivery targets, sometimes receiving bonuses when these targets are met.

- **Warehouse operatives/pickers** – main duties are to pick items for orders and help with restocking, alongside cleaning and upkeep of the warehouse. They are directed by an app using a handheld device. They also have task targets, although often these are without bonuses. They are usually employed directly on an hourly rate.

- **Shift leader/supervisor** – warehouse operatives with additional duties and responsibilities. These include supervising riders and warehouse colleagues, overseeing equipment/systems, and accepting deliveries. In some firms, these are salaried positions, while in others they are employed on an hourly rate.

- **Store manager** – ultimate responsibility for overseeing the warehouse and riders, monitoring performance, ensuring the store meets targets, disciplining workers where necessary, and being accountable for health and safety and legal responsibilities. Often on a permanent contract with a salary, but sometimes on a fixed-term, hourly paid contract.

The main working model reported by respondents is broadly as follows. When orders come in, warehouse operatives are directed by an app loaded onto a handheld device to pick the required items. Riders are then directed by the app (usually on their mobile phone) to collect the order(s) and deliver it (them) to the location(s) shown. Shift supervisors also fulfil orders in the warehouse but have additional responsibility for supervising staff, overseeing deliveries and replenishment, and ensuring other warehouse tasks are completed. Store managers have ultimate responsibility for the warehouse and employees, including scheduling, managing workers and operations, reporting up to regional offices, and meeting store targets.

3.2.2 Profile of the workforce

As highlighted, the number of respondents in each country was relatively small; however, the profile of workers confirmed the typical profile of on-location (as opposed to online) gig workers more broadly.[132]

The cohort of UK interviewees included a majority of well-educated migrant workers, a significant proportion of students and young people, alongside a small minority of older workers who tended to stay in post longer. Most workers were combining a number of jobs to maximise their income, alongside a minority who were employed full time and entirely committed to the one company. While there were a small number of women working within stores as pickers, the rider workforce was exclusively male. All interviewees commented on the high turnover of staff and lack of any career development opportunities.

In Germany, workers were reportedly mostly young. Many were either migrants or on student or working holiday visas. Respondents proposed that this was because the job provided flexibility for students to fit the work around their studies and was an opportunity for those without German language skills to access work. While the exact make-up of the workforce varied from location to location, it was reported that the workforce in some stores was entirely non-German and in many cases English was the *lingua franca* within the store.

Respondents in the UK, Germany and Spain who had been working in the sector for a year or more noted that the sector had initially been seen as a fun place to work. Some workers in Germany described how this social element had included impromptu parties in warehouses. However, such practices reportedly no longer happened, either due to company policy, as firms sought to foster professionalism, or because of increased time pressures.

3.3 CONTRACTS AND PAY

Expert and stakeholder respondents, interviewed as part of the business trends research, indicated that the q-commerce business model requires scheduling contracted workers to ensure sufficient labour during peak periods. However, while the worker interviews revealed that the majority of q-commerce workers are directly employed, some still have variable and uncertain contractual status (i.e. zero-hour contract or self-employed). This was dependent upon the firm, job role and the location of employment. Some of the workers we spoke with were directly employed in one company but working on a self-employed basis in another.

> *One employee described his contract as "make believe… a zero-hours contract masquerading as a contract. Rather than fire people, they just don't give them hours. That's how they manoeuvre around employment law".*

In the UK, the contractual status of q-commerce workers was varied and changeable. While some firms offer guaranteed hours and permanent contracts for employees, others do not. The "path to profitability" now required by funders is also prompting greater use of zero-hour contracts. Getir is a prime example of this uncertainty, particularly given the different franchises in operation.Our research revealed the erosion of contractual entitlements, such as the reduction of hourly pay and/or shifting employees onto zero-hour contracts. One employee described his contract as "make believe… a zero-hours contract masquerading as a contract. Rather than fire people, they just don't give them hours. That's how they manoeuvre around employment law" (Rider, UK). Other firms, such as Deliveroo Hop in the UK, offer a mixture of contracts. While those working as pickers within dark stores are contracted as employees, riders are self-employed. In contrast, Beelivery just use the self-employed, independent contractor status.

Riders and warehouse staff at both firms covered in the UK were generally employed on an hourly rate slightly above the minimum wage (ca. £10-13 per hour).[133] Hourly rates are common in the industry due to the use of employment contracts. Rider incomes have significantly benefited from various bonuses, including for signing up to the service, and hitting performance targets. For instance, Getir in the UK advertised a £600 signing-up bonus and up to £400 in additional performance pay every month (however, this is variable, depending on the franchise in operation, and such incentives are seemingly becoming less common). However, these non-contractual bonuses have been subject more recently to reduction or removal. Some riders and warehouse operatives in the UK described how they used to receive bonuses for meeting certain targets (i.e. number of completed orders), but these have since been removed, or set at unrealistic levels and, therefore, unobtainable. One store manager interviewee described how they were initially employed on a salaried contract of circa £28k, but more recently their employer had attempted to move them to a £10 per hour zero-hour contract.

Amongst the UK cohort, several employees described how associated employment protections/entitlements, such as overnight rest breaks and paid holiday, were not honoured. For example, one employee described how she had not received any paid holiday, despite working for the company for over a year (the annual statutory entitlement for a full-time worker in the UK is 28 days). Others described having to threaten legal action to ensure they were paid for the holiday they were entitled to. At this point, interviewees explained how their employer would capitulate and pay. One older worker suggested one of the reasons they generally employ young men is because they are typically less aware of their rights and "less likely to speak up" (Rider, UK). The problem is compounded by very high turnover of staff who do not understand how they should be treated. While he has told his colleagues to join a union, he described how they are more likely to leave than challenge bad practice.

At Gorillas in Germany, all q-commerce workers (warehouse operatives and delivery riders) were directly employed by the company. Riders and warehouse staff were reportedly employed on fixed-term contracts with fixed minimum hours of 20, 30 or 40 hours, or were on "mini-jobs" contracts, which equates to around eight hours per week. Riders and warehouse operatives were paid an hourly rate of €12, with the former also receiving bonuses for meeting delivery targets. Store managers were employed on a fixed-term salaried contract, nominally with an expectancy for 40 hours per week, but one respondent reported far exceeding this number of hours on a regular basis (unpaid overtime) and feeling like they were constantly on call to deal with problems at the warehouse. All workers at the firm were eligible for paid holiday at the statutory level in Germany and were covered by statutory sickness insurance (this pays at the full hourly rate for time off sick for up to six weeks).

While these terms appear preferable to those of q-commerce workers in the UK, turnover was reportedly high, and there were also concerns around transparency, non-payment of pay and bonuses, and precarious work practices (as outlined in the following section). One rider in Germany noted that when he started the pay was above the minimum wage;

however, as the statutory minimum has increased, the differential has not been preserved. He also noted that, although they were supposed to receive bonuses (i.e., for joining, for staying longer than three months and for performance targets), some of these were not forthcoming, and it was not clear how they were calculated on the app. In some instances, payments were delayed for two weeks to a month. Furthermore, the rider noted that he did not receive a payslip for the first few months because the company had changed the contractor who managed the payroll. Similar issues were described by Spanish workers. One complained that:

> We are abused in so many ways. You have to fight for everything. The company charges more for deliveries when it's raining, but us employees don't get that bonus… Customers can tip riders [through the app], but we only get 30-40% of that, not the entire tip. (Rider, Spain)

TABLE 1: SUMMARY OF REPORTED PAY, EMPLOYMENT STATUS AND BASIC CONDITIONS AT FIRMS COVERED BY THE RESEARCH.

FIRM, COUNTRY	CONTRACTUAL STATUS AND CONDITIONS
Deliveroo/Hop, UK	Warehouse staff employed directly (£9.50 per hour), supervisors on a permanent contract (£10 per hour), statutory sick and holiday pay (statutory minimum 28 days), pension contributions as per legal requirements. (Riders are self-employed.)
Getir, UK	Warehouse staff and riders employed directly (£10.50 per hour), statutory sick and holiday pay, and pension contributions. Increased used of zero-hour contracts as g-stores (Getir dark stores) were franchised out and bonuses variable.
Gorillas, Germany	Warehouse and riders directly employed (20/30/40 hours fixed-term contracts or mini-job), €12 per hour (+ tips, e.g. €600 per calendar month), sickness insurance, can indicate shift preferences, automated scheduling for riders, manager on salary (40+ hours, always on call and unpaid overtime)
Glovo & Getir, Spain	"Riders law" (2021) mandated all riders are employees. While Glovo ignored the ruling in takeaway/hot food, it does employ q-commerce riders – as does Getir. Pay is typically around €10.85 per hour for riders and pickers, plus bonuses (although these are increasingly being withdrawn).

3.4 PRECARITY

As noted above, while the main business model adopted in q-commerce should give workers in the sector greater security than the uncertain contractual status of some other platform workers, this does not necessarily translate into greater stability for workers. Certainly, interviewees in the UK and Germany reported unpredictable hours and shift patterns, and colleagues being fired on spurious grounds or not having contracts renewed. For example, nearly all respondents reported high turnover of staff with some new starters only lasting a week or as little as a single shift. Turnover was attributed to a number of factors, including work demands, lack of training and organisation, unpredictable hours or shift patterns, and lack of income.

> I mean it's obviously a much more demanding job [riding]. In the winter it's insane. The resignations are flying in. Which I just think is natural for the job that it is. I mean, it's snowing, people don't want to carry 15 kg on their back and walk up and down [stairs] and go out in the snow and the cold. (Manager, Germany)

In Spain, work intensity and a lack of opportunities for progression (see below) was reported as a major contributor to worker turnover.

> Labour turnover is high. They burn people out in three or four months, mostly. There are some exceptions, with some workers being there for around three years. But there is not much motivation to stay because there are few benefits to doing so... there is no opportunity for progression within the company. You have to fight for every bonus [to be paid]… you are treated like a number, like cattle. (Picker, Spain)

Furthermore, dismissals were readily made by management. In Spain, workers reported mass layoffs shortly after one large firm acquired smaller rivals: "After the acquisition, they wiped out nearly all the people from [the smaller organisation]. It was very drastic… very swift. We'd been working together for a year. Speaking to workers in other cities, I've heard similar stories" (Rider, Spain).

And in Germany, summary dismissal of a Gorillas worker in Berlin prompted wildcat strikes, which led to mass layoffs, as detailed elsewhere[134] and reported by one of our interviewees. These firings prompted further worker mobilisation and, ultimately, resulted in the establishment of a works council, although the works council continued to struggle to prevent further dismissals on dubious grounds: "Well, there was like [a] work[s] council that was created after a massive firing of people last year. […] it's really like they have really limited resources." (Rider, Germany)

In the UK and Germany, a lack of morale also led to some workers resigning. Some interviewees reported that the friendly, sometimes family, feel that had existed when they started working during the pandemic had disappeared. This was associated with firms attempting to become "more professional", alongside bonuses being withdrawn and workloads increased.

> I treat it like a game [picking orders], I compete with myself, but just recently they've franchised and the new management has cut the bonuses. It used to be like a family, but no one cares anymore. I've just resigned. (Warehouse, UK)

> There's friendship, of course, but right now I think it's less than it definitely used to be. The turnover rate is probably too high, and the days are too difficult, and now it's one or two good spirited days out of five. (Manager, Germany)

Furthermore, the existence of an employment contract did not necessarily mean that employees were insulated from being let go. Respondents in both the UK and Germany reported that colleagues had had contracts terminated on spurious grounds, such as petty theft that was hard to prove or for failing to meet certain targets. One manager reported that there was pressure on managers to offload staff if their sickness absence was high or if performance was low. Weaker protections for workers on probation in Germany were apparently exploited for this purpose: "In probation, you can terminate without a reason. But after probation, after your six-month period, it needs to be three [warnings] for the same thing." (Manager, Germany)

A worker at the same company and works council respondents voiced concerns that workers were not having their contracts renewed after six months to avoid putting workers in a less precarious position.

> [W]hat happens is that you don't get your contract renewed like it happened to me, and like two other colleagues. [...] My two colleagues were really good, everybody knew that. But they started at the same time as me. So it was more like 'Okay, we're not going to renew your contract because maybe we have to give you a longer contract because you've worked for us for a year'. (Rider, Germany)

Thus, in all three countries, the existence of a direct-employment relationship does not appear to have translated into less precarity. Fixed-term or zero-hour contracts, summary dismissals and abuse of probation periods mean workers were often at the mercy of the employer, and low morale meant turnover was high.

3.5 WORK CONDITIONS

3.5.1 Training

In all three countries, the respondents we spoke to reported that there was very little in the way of training for riders and warehouse operatives. One shift supervisor in a UK dark store described a nominal three days of training. They explained how only a small proportion of this time was spent learning anything related to the job, and they had not been trained on any health and safety procedures. It was only during a subsequent health and safety inspection that the supervisor had learned about the health and safety checks they should have been doing. Respondents in Germany similarly reported limited training for riders and warehouse operatives. While a manager noted that riders were supposed to receive training before being sent to the dark store, one rider said that he received only basic instructions as to how to use the app before being sent on his way. A manager in Germany explained that, while warehouse operatives received some basic food hygiene training, they were given very little instruction as to how processes operated in the warehouse.

> It's a shame. With the riders, I'm not really involved with that, it's just a training course one time, and then the warehouse staff are the same. They do like an online food safety, kind of like the basic standard you need to legally have. In terms of, you know, operations like how the processes work inside the warehouse, it is pretty much just get it and go. I mean, I would prefer to know how to train them, so it would come down to me essentially. But there's no kind of training package like 'this is how we go about training these new members of staff'. It would just be up to me to do it. (Manager, Germany)

Training for managers also appeared to be inadequate. In the German firm, there was supposed to be 40 hours of training for store managers, including a whole shift of on-the-job training for each of the different roles and tasks in the store. However, in practice, this only amounted to a couple of hours in each job, and the training was reported to have been badly organised. The respondent felt that this was woefully inadequate, given the legal and moral responsibilities they had for the store and its staff.

Similar reports of inadequate training were also made by respondents in the UK. One shift supervisor reported that the training they had received had been poor, noting: "The lack of training from head office, essentially, leaving the training of your people to people who have not been trained to train people. Who don't understand the various facets of training" (Shift supervisor, UK).

3.5.2 Work environment, equipment, and health and safety

Health and safety concerns were frequently discussed during interviews. In both the UK and Germany the range and severity of issues discussed during interviews were significant and related to both the physical and mental wellbeing of workers. In Germany, while a works council was in place and better statutory provisions around sick pay meant workers there would still be paid when off sick (for up to six weeks), there were still substantial complaints about safety and equipment. This included the working environment, work related injuries, poor equipment, and workplace stress and pressure. In describing numerous serious health and safety concerns, one interviewee stated, "health and safety couldn't be further from how it should be" (Rider, UK).

In the UK, interviewees described receiving very limited training, if any, on health and safety requirements/checks. One worker highlighted the lack of any first aider on site and how during a recent inspection she did not know if they had a control of substances hazardous to health (COSHH) cupboard, where dangerous chemicals (e.g. cleaning products) should be kept, or what one was. In Germany, while there was some basic food hygiene training for warehouse staff, there was very little other health and safety training. For riders, there was only basic training on how to use the app.

Building, fire safety and working environment

In all three countries, dark stores are typically old warehousing units and suffer from poor ventilation, lack of heating/insulation or in the summer have no air conditioning. In the winter, warehouses were reportedly very cold, and in summer temperatures could be excessively high.

In the UK, interviewees described how the stores are not fit for purpose and are not maintained. One rider described how he once volunteered to conduct an emergency light check for his employer. He subsequently found and reported three emergency lights as not working. Months have passed and these have still not been fixed. Despite the statutory requirement for monthly checks, he is not aware of any check having since been carried out. He went on to describe the poor state of the fire safety equipment. Extinguishers are unmarked, so it is impossible to identify them or ascertain whether they have ever been serviced. He said, "it amazes me that they're [the company] that bad... the fire extinguishers have never been serviced. What happens if... These are the things people go to prison for, and more importantly people come to harm. They just don't get it" (UK, Rider).

In the warehouses covered by the research in Germany, health and safety audits were in place, but these did not always happen in a timely manner:

> I mean, we do have regular audits. So that happens. That's something that's in place, I guess. All of the makings to have proper working conditions and equipment are there, but it can sometimes just be left on the back burner if there are other more important issues to deal with. (Store manager, Germany)

For riders, concerns about the working environment related to the effect of inclement weather on driving conditions. UK riders described how the company are slow to act when the weather conditions are bad. The constant monitoring and pressure to increase speed and intensity of the work has added to these potential hazards. When describing the extreme conditions riders are sent out in, one interviewee recollected, "I've been blown off the bike; I've been hit by a wheelie bin; I've come back to the bike to find a fence panel on it" (UK, Rider).

Similarly, in Germany, where it gets much colder in the winter, the conditions for riders working outside were felt to be difficult, with increased risk of injury. A rider and store manager noted that carrying loads of up to 15 kg up and down stairs in icy conditions was an injury risk and vibrations from riding on cobbled streets commonly led to back pain (as noted in the following section).

First aid and injuries at work

The workers we spoke to in the UK were not aware of any protocols relating to industrial injuries. They did not know who the onsite trained first aider was, despite most having had accidents themselves or witnessing those of colleagues. Workers were unaware where the accident book was, and none could recall an accident or injury at work ever being reported. One rider described an accident he had had, and his concerns over how he would cope financially, given the time off needed to recover. Despite frequent enquiries to management about company insurance, given this was a work-related injury, he was forced to take holiday to recover, given the low level of statutory sick pay (SSP) in the UK.[135]

Injuries among riders were reportedly also commonplace in Germany. One rider complained of regular backaches related to the increased loads he was carrying, which could lead to up to a week off work. When he started working for the company, riders could choose to take fewer deliveries in one go if their back was hurting; however, deliveries were now assigned and could weigh up to 10-12 kgs.

> Yeah, I guess I don't know how many times in the year [I got injured], […] sometimes you hurt your back, or something, or your ankle. Because this is something that was commonly happening, you know. When you're just climbing stairs, and with the weight, you twisted up your ankle or stuff like that. (Rider, Germany)

Some more serious injuries were also reported. For example, one rider in Germany reported that there had been three more serious injuries in the time he had been there: "Maybe, like three people got hurt. One was kind of serious, the person didn't come back to work and sued the company, because they weren't paying for the insurance or something like that" (Rider, Germany)

Machinery safety and repair

Respondents in all three countries reported issues with bike maintenance and safety checks. Interviewees in the UK described how the maintenance of mopeds was insufficient. Servicing was often delayed, and they were unaware of any preventative maintenance on the bikes, even after accidents. One UK rider described how mopeds have been crashed 20-30 times, yet they are only patched up if they stop working entirely. The same employee recollected being on a bike recently that had no lever for the back brake.

The employed UK riders we spoke with described how their firm asks riders to carry out basic driver checks on their mopeds. However, they have not been trained on how to maintain or service them, no one does them and they are not enforced. One interviewee suggested these checks were a way of management transferring responsibility to riders should they use a defective vehicle, despite their lack of qualification, understanding of manufacturer requirements or regulatory standards.

Interviewees in Germany described how, while regular bike maintenance was scheduled, again this was not always carried out:

> The bikes are serviced every three or four days. But let's say that the one guy from that company doesn't come that day. It's not like they're gonna say, 'Well, we can't open. We're gonna close, and we can't ride.' It's kind of like do what we can. It's very much a 'We want to have this in place. We want to be good.' But if it's not happening, we still kind of need to get on with it. (Store manager, Germany)

This was corroborated by a rider, who noted that, while servicing used to occur regularly, this seemed to have gotten worse recently:

> I don't know, they [the bikes] used to be good. But with time they just weren't so careful with them. Because we had bikes with, I don't know, but maybe something was failing and nobody had

> said anything. I could see the bike [maintenance documents] one week, and then the next week it's just going to be the same. So no one said anything. It wasn't going to be checked by the supervisors, because, but the supervisors weren't mechanics, you know they're not mechanics kind of used to fixing bikes or something like that. (Rider, Germany)

In Spain, negotiators from the workers' collectives at Getir and Glovo have been able to secure commitments for regular company-organised safety checks for vehicles (e-bikes and mopeds). However, interviewees also independently observed that the firms frequently did not live up to such commitments, and that this formed a frequent contention between unions and management.

Personal protective equipment

In both Germany and the UK, issues with personal protective equipment (PPE) were reported by interviewees. Some PPE was provided in the German firm covered by the research. However, interviewees highlighted that some equipment, such as winter gear, was inadequate, delivered late and had to be fought for (as also detailed in the Fairwork report[136]).

While wearing PPE was not always enforced by the firms covered in the UK and Germany, most riders reportedly complied out of concern for their own safety. UK participants flagged concerns with the provision of PPE. For those working inside dark stores, the use of protective clothing was often not enforced. Despite faulty cages (equipment used to store food deliveries) and frequent minor incidents, PPE such as gloves and high visibility vests were rarely worn.

As in Germany, for riders in the UK firm covered by the research, the provision and enforcement of PPE was also problematic. One UK interviewee described how their company was very slow in providing seasonally appropriate uniforms. This was problematic during periods of extreme weather. Another flagged how the lack of PPE was accompanied by a lack of enforcement from management to ensure riders wear it. He described how a colleague had:

> Ruined his knee. He wasn't wearing PPE. His shoe was melted to his ankle where it had dragged along the floor. There was blood everywhere. The boss said, 'you still have to be in for your shift tomorrow'. He never even filled in a form. (Rider, UK)

One interviewee described how it was common during the hot weather for riders to wear shorts and T-shirts whilst on mopeds. While they acknowledged that management may send a berating message to the staff WhatsApp group, no further action would then follow.

3.5.3 Work pressure, intensity and wellbeing

Workers interviewed in all three countries reported high levels of work pressure, which seemed to have increased in intensity over time. This appeared to be linked to tightening financial conditions that firms were operating under and had significant consequences for morale and wellbeing.

Workplace stress and pressure

The tightening financial conditions and consequent retrenchment (discussed earlier in this report) had material consequences for pressures being placed upon workers in both the UK and Germany. UK interviewees described how the closure of one local dark store made it physically impossible to reach customers within the promised delivery time. Riders were under pressure to deliver quickly, which can be particularly treacherous during extreme weather, with leaf fall on the road, etc.

One employee discussed how management failed to take account of appropriate overnight rest breaks when drawing up rotas. She described working until midnight one evening and being scheduled for a seven am start the following day. Another described how rest breaks are not scheduled. Riders are instructed not to take them during peak times, but this can often mean riding for over six hours without a break (the UK statutory maximum period). These issues can also be related to a lack of understanding of the requirements associated with the UK's Health and Safety at Work Act and the poor management issues flagged later in this report.

One warehouse operative who was intending to leave said, "I shouldn't be taking workplace stress home with me when I work in a warehouse!" (Picker, UK).

In Spain, a Getir rider explained how, on first joining the firm, typically riders would deliver one order per trip (typically consisting of one bag of groceries). However, as work intensity has ramped up, riders are expected to deliver four or more separate orders per trip:

> As soon as I get to work the stress starts with the high volume of orders… Sometimes it's very complicated to handle them all. At the beginning, when I started, we would never carry more than one order in a ride. Now we usually go around with two, and sometimes with three and four and more. (Rider, Spain)

For pickers, while 90 seconds was permitted to pick an order initially at one large Spanish operation, this had been repeatedly reduced – first to 60 seconds, and more recently to 45 seconds. Moreover, as basket sizes become bigger, both workers and riders are forced to carry heavier loads – frequently up to 25 kg in weight.

In Germany too, work was reported to have become more intense. Warehouses were expected to operate with fewer workers on a shift, meaning fewer pickers fulfilling the same number of orders. This issue was compounded by high levels of sickness absence. Interviewees related this to both scheduling issues and generous sickness insurance. According to one store manager, it is easier to call in sick than swap shifts. Similarly, the number of riders scheduled on any one shift has been reduced. Consequently, riders have to carry more orders on every delivery, and a change in the order assignment system means that orders are often assigned even before the rider has returned to store.

> So it's got worse actually. Before if you were feeling like, 'okay, maybe my back isn't working today, I want to take not so many orders, or maybe not so heavy'. Yeah, you could do it. But [with] the [assignment system,] basically they are riding to the warehouse, and like one block away, you already had another assigned. So you cannot rest a lot because every time you wanted to rest, then you had to sign off the app and tell your supervisor. (Rider, Germany)

The situation was not much better for store managers in the German firm covered by the research. One store manager reported that their contract was from 9:00 to 17:00, five days a week (including some Saturdays). However, the store was open from 6:30 until 23.30, and they could be called up at any time during that period to deal with a problem that would otherwise halt operations. They described regularly having to come in early or on days when they were supposed to be off work. As such, they always felt on call and took a lot of stress home with them: "[You are] thinking about work the minute you wake up. Not kind of resting until the minute you go to sleep. There's no energy or time for social activities. There's nothing else. It's not good at all." (Store manager, Germany).

For ordinary workers, low pay often forced workers to work multiple jobs in order to cover costs of daily essentials. One worker interviewed was working as a picker for one major q-commerce firm during the day, before switching to work as a rider for a large rival during the evening. He regularly worked more than 60 hours per week across the two firms, but still took home less than €2,000 per month in pay.

Morale and wellbeing

In both the UK and Germany, respondents reported that these pressures had eroded the camaraderie and social aspects of the work that had existed when they had started working in q-commerce (during the pandemic). However, correlating with increased cost pressures for firms, alongside tightening of the labour market potentially slowing down recruitment efforts, most also noted how this has changed in recent months. Both riders and pickers revealed how the workplace has become increasingly pressured and less sociable. During the course of our interviews, we were told all of the "long-term" staff had left, or were intending to. Under-recruitment and short staffing meant that the work had become relentless:

> I think there used to be a lot of camaraderie, I mean, when it first started [The company] they want to be like the cool, company. Like we're a family and come and you know we have parties in the warehouse, and we do this and like we're really fun. But then they realised that that was really problematic for them operationally, because you would have people coming for the party, and then not actually doing any work. And so they got very strict and so a lot of that kind of culture was forced out. And now it's trying to be more professional, I suppose. (Manager, Germany)

One rider in Germany attributed the tightening of work conditions and work intensification with the financial performance of the firm:

> Well, I guess at the beginning it was I don't know. I had the feeling that it was more like I could do more stuff. But then we just got like, they tightened up, you know, like, okay, you cannot do this. The last three months, for example, we cannot take food out to our homes because they started to sell this cheaper, but they [used to let us take] that which was going to expire. [...] yeah, I don't know, like it started to be all over the news that the company was doing really bad and they just started to squeeze and a squeeze every time I'd work. Like all your, yeah, all your sort of like small rights in the workplace. (Rider, Germany)

Similarly, in Spain, new forms of time discipline imposed by management affected the quality of the service and led to lower customer satisfaction. As one rider complained:

> During the Covid pandemic, riders had to take groceries to the door of the customer, climbing stairs inside apartment blocks and so on. People became used to this service. Now there is no support for going upstairs… we can only deliver from point A to point B, the entrance of the building, as directed by the app. You are strictly working on the clock. (Rider, Spain).

3.6 WORK RELATIONS

3.6.1 The organisation of work

As noted in Section 3.2.1, when orders come in warehouse operatives are directed to pick orders by an app loaded onto a handheld device. Once orders are ready for collection, riders (who are also directed by an app) collect the order(s) from the dark store and deliver them to the location or locations shown. Shift supervisors' time is divided between fulfilling orders and attending to other duties, such as supervising staff, overseeing deliveries and replenishment, and ensuring other warehouse tasks are completed. Finally, store managers are generally responsible for oversight of warehouse and delivery staff but also report up to regional offices in relation to store performance against targets.

In all of the firms covered by the research, warehouse operatives and delivery riders are mostly directed by the app. And while managers have a greater degree of autonomy, this meant that organisational structure and management practices were patchy. A shift supervisor in one UK dark store reported that the manager was largely absent, and there was little organisational structure in place. Staff were effectively largely left to work things out for themselves. Similarly, one manager in Germany reported that, while they had a degree of autonomy, because of the sheer workload and because certain tasks have to be completed by certain days (and the extra shifts they have to cover doing warehouse work), it doesn't always feel like they have much freedom:

> I mean so for me and a lot of the other managers, the position is, we find ourselves really constantly having to cover shifts in operations because the sickness, the cutbacks, the high demand. Somebody has to do it. We don't get really, you know it's not like. Well, there's no one to do it, so we'll just stop operations, that's not really possible. We need to jump in, but then our tasks are also pending, and we still have things as a warehouse manager that we need to do. And so we find ourselves just constantly playing catch-up because we just have so much to get done in a day. (Store manager, Germany)

In addition, the manager reported that there had been a lack of structure at the firm, in terms of the store manager role, but that things were starting to improve:

> There is no kind of you need to do. We've got certain meetings, and we have certain tests to be done by a certain day, but it's not like at 12 o'clock you need to be here. I need to be doing this. It is quite free. There was actually quite a problem with that. I think they're trying to kind of impose a little bit more structure to help us now, because when you have so much to do, and then with no structure or kind of decision on when it needs to be done, or when you need to say 'No, you really need to do this. Let's make it work. Let's find ways to help you.' If you are having to jump in on the bike or you're having to help process food, it was just chaos. I mean, people were emailing you, sending you messages like 'this needs to be done by this time', but then nobody could find the information again to remember to, you know it was very much onto us. I mean, I was using Google notes and just had my own little like list of like, okay, this warehouse needs to be done. The bikes things needs to be done here. The contract needs to be done here and there's a mess, and there was no structure. So it's much more, much more helpful. (Store manager, Germany)

The manager put some of this down to the pace at which the company had grown and expanded into new markets:

> Things are definitely getting better, but a lot of things that should be regular standard procedure are just not here, with it being a startup. And with the growth that happened in the startup and the amount of time I mean, they basically had, like €1 billion in funding… expanded, expanded... And then decided that later on they would, you know, kind of come back to the professionalism of some of these processes. (Store manager, Germany)

Apart from organisational issues, problems could also arise because of errors with the app, or if managers or workers did not use the app correctly to fulfil orders or when replenishing stock. A shift supervisor in the UK reported that the store manager did not seem to be able to use the app properly when moving stock, which could lead to difficulties locating items when fulfilling orders. An issue that could seriously impede pick rate and would lead to frustration. A store manager in Germany reported that there can be lots of issues with the app and systems that are in place to control orders and stock, which can make work quite "chaotic". Ordering levels can be quite irregular, and they often get too much or too little of certain items. This can mean that things are out of stock, or there is no shelf space to stock them properly. In addition, when it gets busy, products can be waiting around to be restocked. This can mean that riders are brought in to restock things without necessarily knowing the correct protocol, so mistakes are made. On top of this, sometimes there are just errors in the app.

3.6.2 Algorithmic control of work

Work allocation, monitoring and timing

Most delivery and warehouse tasks are managed and/or directed by the device/app. The device will direct warehouse associates what to pick and where to find items in order to prepare orders. It is also used to log and replenish items from deliveries.

None of the UK workers understood the allocation of work via algorithm, though they assumed it was related to the rider's proximity to store. They described how during peak times multiple orders get bundled together, which riders are unable to separate or amend, even if the bike is overloaded. One interviewee recalled being assigned an order of 36 litres of water. He went on to share experiences of how dangerously overloaded the bikes frequently are. In high winds, this is particularly problematic: "The box at the back is full of heavy stuff and it acts like a sail. The software is so controlling there is no autonomy for the store or the rider [to amend the amount assigned to each bike]" (Rider, UK).

Some interviewees in the UK and Germany described how their bonus system had changed. Previously, this related to targets for the number of orders they had delivered over a week. A recent amendment now includes additional monitoring related to speed and requires a turnaround time to be achieved on every order. Riders understood that this was intended to speed them up, but found the targets unrealistic and unattainable.

While UK pickers were still expected to meet certain targets (i.e. pick rate and number of orders), bonus schemes seemed less common. One picker described with both pride and incredulity that, while he had achieved the UK's highest pick rate, there was no reward or even recognition from the company.

Workers also highlighted how monitoring is used punitively by the company. For those who do not meet the required standards, the consequences are severe. One UK participant described how a new starter, only six shifts in, was dismissed for being too slow. A rider at one UK firm highlighted how the technology is also used to alert the company when they are stationary for seven minutes or more. With the pretext of it being a welfare check, he described: "You get an auto dialler from Turkey, it's very Big Brother" (Rider, UK).

In Germany, riders are also given targets, including a target delivery time of 20 minutes (although ideally they should return in 20 minutes, so 12-13 minutes for delivery) and have target ride speeds (i.e. 15 km/h). If they go slower than six km/h, they will be asked why they were going so slow. They can take multiple orders at one time, and there is a push from above to carry more and more orders at a time. If riders repeatedly do not meet targets, they will be sanctioned, using a "three strikes and you're out" approach. Warnings are not needed during probation, and so, terminations were reportedly quite a regular occurrence. During probation someone could miss just one shift and store managers are told to "get rid of them" by their superiors.

Automated inventory systems

Interviewees in the UK and Germany described how the dark-store inventory system was seemingly managed centrally with very little input from those working in-store. This reportedly led to serious inefficiencies and had consequences for both stock and staffing.

One UK respondent was baffled at some of the stock they continually receive, with the same items remaining unsold. He believed the same system is in operation at every store, with no attempt to use data to focus on local preferences and meet the needs of their customer base. He described how "they don't know what they want to sell or who they want to be".

Similarly, in Germany, a store manager reported that they did not fully know how the algorithm works and that it was controlled centrally by head office. They thought that it effectively made a forecast of labour needs based on the previous week's sales; the number of riders available; hourly orders; the weather; alongside a buffer for potential sickness. This could mean the number of staff on a shift could vary a lot, depending upon the previous week's sales (i.e., one week there could be seven riders on a shift and the following only three).

3.6.3 Poor management practices and discipline

Across all three countries, there were reports of poor and despotic management, and extensive use of discipline (either through the algorithm or from managers) to meet organisational targets. As noted above, the q-commerce firm in Germany operated a "three strikes and you're out" policy on meeting targets, fewer for those on probation. And while it was ultimately the store manager's decision, whether to fire someone or not, there was pressure from above if store targets were affected:

> We have to keep a very close eye on the performance of each and every rider, and it's disciplinary action if they don't improve. We find ways to give warnings. So three warnings for the same thing is a termination. [But] In probation, you can terminate without a reason. It's very regular. When people are in probation, they could miss one shift, and we're told, 'just get rid of them'. (Store manager, Germany)

This was corroborated by others at the same firm. They reported stories of workers being fired on spurious grounds, either because the store manager did not like them or because their performance levels were not as high as others (but not bad enough to fire otherwise). One German rider felt that some workers had not had their contracts renewed because they had been at the company for a while and the company wanted to avoid giving them longer-term contracts. There was also a suspicion that they preferred workers who were students or were from countries with lower work standards, because they had less knowledge of their rights and lower expectations. This echoes the findings of research by the Gig Economy Project, discussed during the expert phase of the interviews.[137]

Furthermore, riders were commonly disciplined by management for failure to deliver on time – although this was due to algorithmic errors in reporting to customers that delivery was already completed, leading to complaints being made by customers:

> If you are slow [to deliver], you may get a warning from management. Usually it is management's fault, because the system claims delivery is fulfilled before it actually arrives, or management illegitimately uses WhatsApp communications with customers [to claim an order is about to arrive when it is not]. So management causes problems which riders have... With three warnings, you are out. (Rider, Spain)

In one UK dark store, a picker described how their manager was regularly late, did not seem to know what he was doing and yet was quick to apply double standards. "You're five minutes behind because of your boss or because of an issue and you get a raining?!" (Warehouse operative, UK). The same firm had set up a suggestion scheme, which was subsequently overwhelmed with complaints. However, workers had little confidence that any suggestions would be taken on board.

Discussions with workers in another dark store described a complete communication breakdown between staff and management. They felt that managers were unwilling to listen and should you complain they would cut your hours in response: "If you talk, you become the enemy and they cut your hours" (Warehouse operative, UK).

High turnover of managers is one consequence of a weak corporate organisational framework. As one Spanish worker interviewed commented:

> Due to organisational problems, we have had a change of management three, no, four times during recent months in my dark store. This is a common problem in stores across the city. It's also the same at the regional level – we've had a wipe-out of management recently. (Rider, Spain)

Moreover, issues with management seemed to be systemic, rather than incidental. Many of the negative characteristics of q-commerce work identified above (pay, health and safety risks, work intensification, etc.) appeared to be connected to these systemic weaknesses in managerial structures. A Spanish trade unionist working in the sector complained that:

> They have a lack of consistency in management from the headquarters. They do not standardise procedures or operations, there is no manual. Every manager in every city does their own thing… there is no unity or consistency. Managers have freedom to do what they want to try to make money. (Trade unionist, Spain)

Bad management: evidence from franchised UK Getir store

Getir acquired Weezy in November 2021 and some dark stores were franchised out (see Box 3 for some background). Interviewees described how their Weezy terms and conditions had been transferred across, as per the TUPE regulations.[138] The g-store was subsequently franchised out. Interviewees described how this rapid churn in ownership impacted workers. Participants from one of these franchised locations noted how this ongoing change process had gradually eroded their terms and conditions. They described how, despite the new management being present on site, WhatsApp is regularly used for all communication. Other workers highlighted problems with scheduling. They were frustrated with rotas that were produced last minute (sent by WhatsApp on Saturday or Sunday for the Monday), resulting in very poor work-life balance. In addition, interviewees described how rotas were frequently changed and appropriate rest and overnight breaks were not scheduled. The arrival of new management had prompted a group of core relatively long-term staff to leave. They described how guaranteed-hour contracts had been eroded. Staff were unable to manage on reduced hours/pay or unwilling to stay given the chaotic approach to management. These experiences highlight how employment protections are vulnerable to the broader uncertainties in financing and ownership, outlined in Section 2.

BOX 3: Franchising Getir

Section 2 of this policy study argued that q-commerce represents a partial evolution in the platform economy. Rather than using the asset-light model of typical platforms (like Uber, which owns no cabs, or Deliveroo, which owns no restaurants), q-commerce startups are relatively capital heavy. They invest not only in technology, but in a network of micro-fulfilment centres, vehicles, supply contracts with wholesalers and employment contracts.

However, intense financial pressure is forcing q-commerce firms to re-evaluate aspects of this business model. Above, we describe considerations being paid to changing workers' employment status (from employees to independent contractors). Another example is that of Getir's turn toward dark-store franchising. Getir successfully implemented a franchise model for its network of "g-stores" across Turkey, and they are now rolling out this approach internationally. To illustrate this trend, we describe developments in the UK.

The firm launched in the UK in January 2021. While its first stores were directly operated, Getir began franchising new and existing outlets in late 2021.[139] For an initial investment of between £130,000 and £220,000, the firm suggests franchisees should achieve a return on investment within 2.5 years. Reports suggest 75% of UK sites have now been acquired.[140]

Since then, virtually all of Getir's UK stores have been moved to franchise arrangements. Through franchising, investors can manage their own g-store. While this enables Getir to continue scaling up its operations, despite tight financial constraints, it risks intensifying the poor quality of management and dis-coordinated forms of development described below, as corporate headquarters lose control of local operations.

Dispute resolution and engagement with works councils

As detailed in our companion policy study on trade unionism and q-commerce, in both Spain and Germany, workers' collectives and unions have established works councils at prominent q-commerce platforms. Experiences of managerial engagement with these were uneven when dealing with disputes between workers and management. In Spain, where established union confederations were involved in the works councils, there was some evidence of management engaging with works councils constructively. For example, one rider and union delegate to a works council commented that, following worker complaints:

> We have negotiated with the company to ensure the correct uniforms for changing weather are provided, and that maintenance plans for vehicles are provided in a timely manner. We are also working on establishing a joint working group for health and safety with the company. (Rider, Spain)

However, there was also evidence of reluctance to engage with works councils across both major q-commerce firms. In Spain, a trade unionist complained that management at one firm:

> just pretend to listen [to works council concerns]… but they don't care. Often, they say they are going to do what we ask for [during consultations], but they don't do it. So, despite some achievements, that's the main dynamic at the moment. (Trade unionist, Spain)

A store manager in Germany reported that there was a grievance and issue reporting process in place. If staff feel that something is not being dealt with by a manager, they can report it to a third-party company. The manager also reported that, alternatively, workers could go to the works council:

> I mean, ideally, they would directly come to me, that's the first point of contact. If they didn't feel comfortable coming to me, we also do have a different platform where they can kind of send in their complaints, and if there's anything they don't feel like is being properly conducted ethically, or for whatever reason, anything at all like that. There is a kind of a poster with the QR code that they can go to. So, we do have that. (Store manager, Germany)

All disciplinary warnings and processes reportedly have to be approved (or not) by the works council. However, works council representatives reported that they were more or less expected to rubber stamp company decisions and that the firm frequently ignored their objections. All those interviewed at the firm reported that the relationship between the works council and the firm was fraught. The store manager reported:

> I don't know the exact specifics of it. I know that there is somebody in head office that kind of oversees it and deals with them. But they [the works council] are quite heavily involved in a negative way. But it's not a good relationship with the Workers Council, let's say. But everything that we do has to go through them, and it does. Every warning that we send has to be sent to them. Every termination request has to be sent through them, every contract, you know, we send everything through them. Everything is approved or not approved by the workers' council. (Store manager, Germany)

And while this did indeed seem to be the procedure, it was reported that in cases where the works council objected, management generally ignored their objections.

One rider noted that a works council had been created last year during a period of mass layoffs. While he believed they were nice and wanted to help people, he felt that they were probably underfunded (in terms of their time):

> Well, there was like [a] work[s] council that was created after a massive firing of people last year, or something like that. In the beginning the company was like, 'okay you have this workers' council' and they assigned an office to it. 'You can come here like these days of the week' and stuff, but it's something that I don't know how it works. I tried to go twice, as I mentioned, when I was unhappy with my payments and there were nice people there. But then I think it's actually something that they do extra in their lives. I mean, they're not like being paid in some way by the company to do that, they have limited resources. (Rider, Germany)

He also noted that there were left-leaning unions in Germany that supported the riders, but that riders were not inclined to join, unless there was a major issue. He reflected:

> There are, like unions, like lefty unions. And yeah, you could just like get your membership really easily. But I must say it's not so many of the riders get unionised. I mean maybe if it's something we need. I have. What happened in [the company] last year, and there was like this massive firing of people. But, usually, people don't get involved in that, because sometimes maybe they don't know or haven't been in a union before. So yeah. (Rider, Germany)

3.7 SUMMARY OF LABOUR ISSUES

Applying the on-demand logistics model to retail is challenging, in part, due to the low profit margins inherent in the industry. The "blitzscaling" strategy, described earlier in this report, means q-commerce firms have rapidly expanded through investments and subsidies. However, as investment capital has become less patient, demands for companies to find "paths to profitability" have become more intense. This section has shown how these distinct financing conditions have impacted workers, presenting evidence of associated labour issues and a lack of regulatory enforcement in the three country case studies.

Q-commerce firms are organising work and using similar systems across different geographical locations. Despite some differences between firms and across national economies, there are striking similarities in the kinds of work involved, contracts used and workers themselves. The profile and rapid turnover of workers accords with wider trends in the platform economy. However, despite what may be perceived as a preferential employment status, employees described the myriad of challenging labour issues they still face. The hypercompetitive business environment has seemingly fed through into the organisation of q-commerce work, resulting in an increased precarity for workers. In addition, firms are seemingly willing to bypass labour laws, leaving workers to endure the consequences.

Workers described a host of issues relating to pay, health and safety, and working conditions. While some firms may offer contracted hours, these are often variable and uncertain. Recent cost pressures have led to the erosion of terms and conditions for some. Alongside these uncertainties, associated with financial constraints, workers described how statutory employment protections are not always respected. Work is both intense and precarious for many. Despite the allure of algorithmic management, in reality, the system is often chaotic and despotic. The rapid turnover and age of those working in the sector seemingly contributes to enabling these conditions to persist. In a companion report, we draw upon these findings and analyse, in detail, the successes and challenges so far of workers organising in q-commerce to inform trade union strategies in the sector.

4. POLICY IMPLICATIONS

4.1 INTRODUCTION

The previous two sections demonstrate that the q-commerce sector poses serious concerns with regards to the quality of working conditions in the sector. These issues are not dissimilar to those seen across the broader platform and gig economies: a low level of health and safety, consisting notably in an elevated risk of occupational accidents and physical injury (linked to, among other things, a lack of training; the vulnerable profile of many of the workers, in terms of age and language; and the high-pace nature of the work); elevated levels of stress (linked to, among other things, the intense and constantly monitored way of working); and uncertainty among workers with regards to their precise legal entitlements.

> *That most q-commerce workers seem to already hold worker/employee status poses something of a puzzle as to the cause of their, nevertheless, precarious working conditions.*

It is, however, striking that – in marked contrast to the widely reported, generalised practices of (bogus) self-employment deployed by online platform companies – q-commerce workers generally seem to be, at least currently, offered formal contracts of employment. In the online platform economy, the lack of employment status has been considered one of the major causes of the precariousness of work, since, under both national and EU law, most of the labour protections are not (fully) applicable to independent contractors. Legal action aimed at securing employment status for online platform workers has thus been one of the major strategies deployed to improve the working conditions in the sector. That most q-commerce workers seem to already hold worker/employee status poses something of a puzzle as to the cause of their, nevertheless, precarious working conditions – a puzzle that needs to be solved to be able to contemplate any potential policy response.

In particular, it is useful to establish whether the applicable (substantive) legal standards are inadequate to provide sufficient protection to q-commerce workers, or whether the issue resides rather in a lack of enforcement of these standards. As Section 4.2 sets out in more detail, various EU Directives provide relevant protections for workers in the q-commerce sector. If these had been complied with, many of the situations reported in Section 2 would not have occurred. Indeed, as Section 3.3 discusses, the major problem that appears to plague the q-commerce sector, at this moment, is the lack of enforcement of these standards. An effective policy response aimed at improving working conditions in q-commerce would, therefore, be best directed at improving the enforcement of existing regulation – although there is also scope for the adoption of new rules (Section 4.4).

4.2 REGULATING WORKING CONDITIONS

The study of on-the-ground working conditions in q-commerce reported in Section 3 reveals a number of problematic practices experienced by q-commerce workers that are, at least partially, covered by EU-level legislation setting minimum standards of worker protection. Indeed, as set out in this section, there are several EU Directives that feature protection against precisely some of the practices the q-commerce workers have reported, such as abusive zero-hours contracts, including de facto dismissals by non-allocation of work, lack of paid annual leave, and a lack of decent health and safety standards and equipment. While the UK is no longer bound by EU law since its withdrawal from the EU, the previously implemented Directives have not (yet) been repealed. This section discusses the most relevant EU-level standards for q-commerce workers.

4.2.1 Directive 2019/1152 on transparent and predictable working conditions: on-demand, zero-hours contracts and probation periods

It was reported in Section 3 that some q-commerce companies have been shifting to a greater use of zero-hour contracts recently. While these are still formally contracts of employment, with (most of) the attendant protections, as one employee described, such contracts are in reality "masquerading as a contract. Rather than fire people, they just don't give them hours. That's how they manoeuvre around employment law" (Rider, UK).

> *Relevant for zero-hour contracts is that the Directive bans exclusivity clauses, and requires a minimum degree of predictability for workers with unpredictable work patterns.*

Zero-hours/on-call contracts have been considered problematic due to the uncertainty they pose, not just in terms of work and income, but in terms of continued employment altogether (with the attendant consequences for the enforcement of any other applicable labour standards, since the employer can de facto dismiss such zero-hours workers at any time when they try to claim their rights by no longer attributing them any hours of work). In view thereof, Directive 2019/1152 on transparent and predictable working conditions was adopted. It entails a revision of the 1991 Written Statement Directive,[141] and reinforces the rights granted by the original Directive about the information a worker is entitled to receive in their employment contract. The Directive does not allow member states to exclude from the scope of application of the Directive contracts where no guaranteed amount of paid work is predetermined.[142] Apart from specifying which elements the worker should be informed about, the Directive defines several core labour standards. Particularly relevant for zero-hour contracts is that the Directive bans exclusivity clauses,[143] and requires a minimum degree of predictability for workers with unpredictable work patterns, by requiring the indication of reference hours outside which worker does not have to accept work. Furthermore, the Directive obliges member states that allow the use of on-demand or similar kinds of contracts to take measures to prevent abusive practices, consisting of limitations to the use and duration of on-demand or similar employment contracts, a rebuttable presumption of the existence of an employment contract for a minimum number of paid hours based on the average hours worked during a given period, or other equivalent measures that ensure effective prevention of abuse.[144] The Directive, furthermore, provides several provisions to protect the worker who seeks to enforce their rights under the Directive. Article 18(1) obliges member states to "take the necessary measures to prohibit the dismissal or its equivalent and all preparations for dismissal of workers, on the grounds that they have exercised the rights provided for in this Directive". The mention of "measures with equivalent effect" in Article 18 provides protection against precisely the reported practice of no longer giving a worker on a zero-hours contract any hours rather than firing them officially.

Section 3 indicated that there have been questionable practices regarding dismissal of workers on probation periods. Neither Directive 2019/1152, nor any other EU measure, specifically addresses this issue. Directive 2019/1152 does set a maximum duration to probatory periods of six months.[145] This provision does not, in itself, prevent the lack of protection against dismissal during a probation period,[146] but it does provide some limitation of the overall duration of such periods, and thereby, limits the potential extent of this practise.

4.2.2 Occupational health and safety, working time and paid annual leave

There have been some reports (see Section 3) about q-commerce workers having problems receiving paid holidays or having to take holidays while recovering from illness. The EU Working Time Directive 2003/88/EC provides minimum rest periods, maximum average weekly working time and a right to minimum paid annual leave of four weeks. The Court of Justice had held that sick leave and annual leave serve different purposes, namely, the former is to recover from illness and the latter to relax. While EU law does not regulate sick leave directly, it requires that workers on long-term sick leave remain entitled to their annual paid leave. Upon termination of the employment, annual leave not taken should be paid through an allowance in lieu.

More significant than issues with working time and leave, it transpires from the research presented in Section 3 that there have been (dangerous) issues with a lack of occupational safety and health (OSH) standards, and a lack of paid leave for sickness and/or holiday, in the q-commerce sector. Directive 89/391/EEC (the OSH Framework Directive) is the central piece of legislation, establishing the employer's general obligation to ensure the safety and health of workers in every aspect related to work, and, in particular, to (1) evaluate all the risks to the safety and health of workers, including the fitting-out of work places; (2) take into consideration the worker's capabilities, as regards health and safety, when they entrust tasks to workers; (3) consult workers on the introduction of new technologies; (4) take the necessary measures for first aid and action required in the event of serious and imminent danger; (5) keep a list of occupational accidents and draw up, for the responsible authorities, reports on occupational accidents suffered by their workers; (6) inform and consult workers and allow them to take part in discussions on all questions relating to safety and health at work; and (7) ensure that each worker receives adequate safety and health training.

4.2.3 Fixed-term work

Section 3 reported the use of fixed-term employment relationships in the q-commerce industry. Specifically, as regards probation periods in fixed-term employment, Directive 2019/1152 provides that member states shall ensure that the length of such a probationary period is proportionate to the expected duration of the contract and the nature of the work. In the case of the renewal of a contract for the same function and tasks, the employment relationship shall not be subject to a new probationary period.[147]

As regards fixed-term employment more generally, Directive 1999/70/EC sets out the minimum standards at EU level.[148] Most importantly, it provides the right to be treated equally with regards to all working conditions as permanent workers, and it obliges member states to provide protection against abusive successive fixed-term employment. It does not, however, provide protection against a practice by a company to systematically employ workers on fixed-term contracts, and to hire new workers in their place at the end of the legal limit of successive fixed-term employment – a corrosive practice that is possible in a situation where a labour market offers a surplus of workers prepared to accept low-quality employment.

As regards occupational health and safety, in addition to the OSH Framework Directive previously discussed, Directive 91/383/EEC concerns the safety and health at work of workers with a fixed-duration employment relationship or a temporary employment relationship, providing specific rules on training, information and emphasising the employer's responsibilities, with a view to ensure that workers with a fixed-term employment relationship are afforded, with regards to safety and health at work, the same level of protection as that of other workers in the user undertaking and/or establishment.

4.2.4 Algorithmic management

It should be noted here that there is currently a legislative proposal being negotiated by the European Parliament and the Council on online platform work.[149] The proposed directive would apply to "digital labour platforms", defined as any natural or legal person providing a commercial service that is provided, at least in part, at a distance through electronic means, such as a website or a mobile application; at the request of a recipient of the service; and involves, as a necessary and essential component, the organisation of work performed by individuals, irrespective of whether that work is performed online or in a certain location. This would seem to comprise q-commerce companies.

The first part of the initiative concerns the establishment of a rebuttable presumption of employment for online platform workers. As already mentioned, the lack of employment status of online platform workers, who, instead, are being contracted as independent by online platform companies, such as Uber and Deliveroo, has been considered one of the major causes of the precariousness of work, since under both national and EU law most of the labour protections are not (fully) applicable to the self-employed. However, this does not seem to be at the root of the problem in the case of q-commerce. It nevertheless would provide a relevant "safety net" should q-commerce companies consider shifting their employment practices towards (bogus) contracting out, much like we have seen in the online platform economy, where initially many riders and drivers were employed only to instead become contracted after the companies had established themselves on the market.

The second part of the legislative proposal concerns algorithmic management – an issue that has posed issues also in q-commerce, as set out in the previous sections. The proposal of the Commission aims to increase transparency in the use of algorithms by digital labour platforms, and to ensure human monitoring with respect to working conditions and gives the right to contest automated decisions. Article 6 of the proposal provides that

> Member states shall require digital labour platforms to inform platform workers of: (a) automated monitoring systems which are used to monitor, supervise or evaluate the work performance of platform workers through electronic means; (b) automated decision-making systems which are used to take or support decisions that significantly affect those platform workers' working conditions, in particular their access to work assignments, their earnings, their occupational safety and health, their working time, their promotion and their contractual status, including the restriction, suspension or termination of their account.[150]

Moreover, Article 7 of the proposal provides:

1) Member states shall ensure that digital labour platforms regularly monitor and evaluate the impact of individual decisions taken or supported by automated monitoring and decision-making systems, as referred to in Article 6(1), on working conditions.

2) Without prejudice to Council Directive 89/391/EEC and related directives in the field of safety and health at work, digital labour platforms shall:

   (a) evaluate the risks of automated monitoring and decision-making systems to the safety and health of platform workers, in particular, with regards to possible risks of work-related accidents and psychosocial and ergonomic risks;

   (b) assess whether the safeguards of those systems are appropriate for the risks identified in view of the specific characteristics of the work environment;

   (c) introduce appropriate preventive and protective measures. They shall not use automated monitoring and decision-making systems in any manner that puts undue pressure on platform workers or otherwise puts at risk the physical and mental health of platform workers.

3) Member states shall require digital labour platforms to ensure sufficient human resources for monitoring the impact of individual decisions taken or supported by automated monitoring and decision-making systems in accordance with this Article. The persons charged by the digital labour platform with the function of monitoring shall have the necessary competence, training and authority to exercise that function. They shall enjoy protection from dismissal, disciplinary measures or other adverse treatment for overriding automated decisions or suggestions for decisions.

If successfully adopted, this Directive will significantly boost the protection of both online platform and q-commerce workers in the EU with regards to a currently under-regulated aspect of their working conditions: the negative impact on their occupational health and safety and working conditions more generally of management through algorithms.

4.2.5 Labour organisation

The proposed Directive on online platform work, discussed in Section 4.2.4, furthermore aims to facilitate labour organisation. This would be especially relevant for both online platform work and q-commerce specifically, as these feature a structural weakness in (the conditions, and opportunities for) collective action, due to the transient nature of the work, the competitive methods of work organisation, high levels of stress due to constant monitoring and demanding targets, the vulnerable profile of the workers, and high turnover.

More specifically, the draft Directive features in Article 9 an obligation for member states to ensure information and consultation of platform workers' representatives (or, where there are no such representatives, of the platform workers concerned by digital labour platforms) on decisions likely to lead to the introduction of or substantial changes in the use of automated monitoring and decision-making systems. The provision also foresees that the platform workers' representatives or the platform workers concerned may be assisted by an expert of their choice. Where a digital labour platform has more than 500 platform workers in a member state, the (proportionate) expenses for the expert shall be borne by the digital labour platform (Article 9(3) of the proposal).

4.2.6 Access to information for public labour authorities

Finally, it should be noted that the draft Directive on platform work features a provision relevant for the access to relevant information on platform work. The current draft Article 12 provides that where labour, social protection and other relevant authorities exercise their functions in ensuring compliance with legal obligations applicable to the employment status of persons performing platform work and where the representatives of persons performing platform work exercise their representative functions, member states shall ensure that digital labour platforms make the information available concerning (1) the number of persons performing platform work; and (2) the general terms and conditions applicable to those contractual relationships. Labour, social protection and other relevant authorities and representatives of persons performing platform work shall have the right to ask digital labour platforms for additional clarifications and details regarding any of the data provided. The digital labour platforms shall respond to such request within a reasonable period of time by providing a substantiated reply.

4.3 POLICY IMPLICATIONS: STANDARDS OR THEIR ENFORCEMENT?

4.3.1 Standards

The precise legal protections of q-commerce workers depend on the country in which they work. There are important labour law aspects, such as individual dismissal and pay standards, that are not, as such, directly regulated at the EU level.[151] Indeed, recurring problems were reported in Section 3 in relation to certain issues where EU law does not (yet) directly set minimum standards, most notably:

1) dismissal during probation periods (EU law only regulated the length of probation periods);

2) systematic use of fixed-term employment (EU law only regulates abusive successive fixed-term employment of the same worker, not the replacement of the workforce by a new "load" of fixed-term workers); and

3) the implications of algorithmic management.

Furthermore, although concerning the latter issue an EU legislative proposal is being negotiated that – if adopted – provides new labour rights around the use of algorithmic management, several shortcomings remain that make these rights unclear and difficult to exercise by workers.[152]

Although there thus seems scope for new or amended legislation (see Section 4.4), it would seem that the majority of problematic practices reported in the q-commerce sector in Section 3 would not have occurred had the minimum regulatory standards discussed in Section 4.2 been complied with. Therefore, the major issue would seem to be the enforcement of these standards in practise.

4.3.2 Enforcement

In broad terms, it could be said that enforcement of labour laws can take place at (1) individual; (2) collective; and (3) public level. This refers, more specifically, to (1) a worker claiming their rights against their employer (including by initiating legal proceedings in court); (2) trade unions taking action on behalf of a worker/groups of workers (ranging from negotiating and protesting to taking legal action); and (3) labour inspections. Ideally, these different types of enforcement are mutually reinforcing. Section 3 has demonstrated that there are issues at all three levels of enforcement in the q-commerce sector.

As regards individual enforcement, several q-commerce workers reported not being informed/aware of their precise legal entitlements in relation to their employment, and/or a certain reluctance to claim these rights against their employer. The former problem can, at least partially, be related to the linguistic, age, educational and socio-economic profile of many workers in this sector, and the high turnover rate – although there may also be an issue of employers not complying with their (written) information duties (as provided in (now) Directive 2019/1152 on transparent and predictable working conditions). The latter problem – a reluctance to take action against one's employer – is a widespread issue in the enforcement of labour law more generally, as the power asymmetry inherent in a work relationship tends to inhibit workers from directly speaking up against their employer, even when they know they are right, in law, to do so. Especially in the case of precarious employment, such as zero-hours contracts, fixed-term contracts and in probation periods, this problem is aggravated by the greater possibility for the employer to (de facto) terminate the employment on ostensibly valid grounds (for instance, end of the fixed-term or lack of hours of work to attribute). Although such retaliation may be illegal, it is very hard to prove in the case of these precarious employment relationships. Although, as discussed in Section 4.2.1, Directive 2019/1152 provides several provisions to protect a worker who seeks to enforce their rights under the Directive, including in the case of zero-hours contracts,[153] workers may not be aware of such protection – which brings us back to the initial problem of lack of information.

As regards collective enforcement, a low degree of unionisation is a known problem in the online platform and gig economy generally, and similarly seems to inhibit collective action and enforcement in q-commerce specifically.[154] There may be various reasons for this, linked to various aspects of the sector. The typical organisation of work through competitive mechanisms and digital means are not generally conducive to collegiality and solidarity among workers. High turnover, high stress levels, lack of (team) training and linguistic issues may further play into these challenges. Furthermore, the newly emergent and fast-mutating nature of the sector (with frequent takeover and franchising) poses a challenge to the creation of stable collective structures. Even though the "startup" energy seems to have initially generated a sense of team spirit and comradery in some of the q-commerce companies, the reality of the working conditions over time seem to have evaporated these.

Finally, public enforcement of the applicable labour standards is very important but has been insufficiently effective in the q-commerce section. It was reported in one case that a health and safety screening identified a complete absence of awareness concerning the mandatory health and safety checks that should (have) be(en) carried out. This demonstrates that timely and regular inspections, especially in newly established workplaces, are crucial, as they serve the purpose of enforcement and prevention through awareness, information and deterrence. While a detailed examination of the funding and operational provisions of national labour inspections is beyond the scope of this paper, it would seem reasonable to assume that an apparently insufficient number of timely inspections in q-commerce is linked to a lack of resources and possibly also to the decline in unionisation (leading to fewer accredited health and safety representatives).

4.4 CONCLUSION

For EU policymakers concerned about the working conditions in q-commerce, a logical first priority would be the adoption of the proposed Directive on improving working conditions in platform work, because of its provisions on algorithmic management, labour organisation and access to information for public labour authorities that could help fill some holes in the current floor of social protection of q-commerce workers.

As regards legal protection against spurious dismissal during probation periods, there may be scope to pursue a legal argument that Article 30 of the EU Charter of Fundamental Rights, in conjunction with Directive 2019/1152, excludes these cynical practices reported in q-commerce.[155] A similar argument may be explored in relation to non-renewal of fixed-term employment as retaliation by the employer against a worker seeking to enforce their rights. But, currently, EU law does not seem to preclude the systematic, strategic use of fixed-term employment as a business model, which some of the findings in Section 3 suggest to be an issue in q-commerce. To tackle that issue, Directive 1999/70/EC (which implements an EU-level agreement of social partners) would have to be revised. National policymakers in the EU are, of course, always open to adopt more protective measures on these issues of their own accord, regardless of EU action on the issue. The same obviously applies to the UK as a non-member state.

However, an important insight is that, while legal protections are imperative, they are not sufficient. Indeed, as has been set out in this section, q-commerce workers generally dispose of a range of labour rights under EU and national law, but the actual realisation of these protections in practice remains much to be desired. While the enforcement of both EU and national labour law is primarily the responsibility of the member states, it may be warranted for EU policymakers to reflect on ways for the EU to further support the member states in this difficult task. It is a welcome development that EU labour Directives increasingly make a specific provision in relation to enforcement – such as the discussed draft Directive on online platform work. In addition, EU policymakers might reflect on ways to support the crucial work of labour inspectorates. The European Labour Authority currently only focuses on cross-border labour issues. Perhaps a reflection should be started about some form of EU-level coordination and support for the enforcement of EU labour law also within the member states without a cross-border element being needed.

5. CONCLUSIONS

Retail is the largest private employer in most European economies. Although q-commerce remains at the margins of the sector for the time being, its dramatic emergence over the past three years demonstrates how digital platform technologies might upend business models in the retail industry in the medium term. As such, careful attention is warranted to the business practices of the new q-commerce players, including what impact these firms have on the kind of work being done in retail and the employment practices therein. Drawing definitive conclusions is no simple matter, however, due to the rapidly evolving nature of rapid-delivery models that q-commerce firms, supermarket incumbents and aggregator platforms are all variously pursuing. Furthermore, the precarious financial foundations of q-commerce firms raise serious questions as to the durability of the sector and the consequences of these shifts for the workers involved.

To begin to address these questions, this policy study began by outlining the key distinctions between these different rapid-delivery business models. Incumbent supermarkets use in-house (or spin-off) ventures to pick orders from stores and warehouses, but typically charge a significant premium for services, which take between two and four hours. Aggregator platforms (Deliveroo, DoorDash) typically deliver groceries more quickly (usually around one hour), but quite inefficiently, as their (usually self-employed) riders must pick from supermarket shelves. This also makes guaranteeing availability of stock nearly impossible. Q-commerce, represented by rapidly growing startups, such as Getir, Gorillas and Gopuff, supplant these incumbent supply chains entirely. Instead, such firms have developed independent relationships with wholesalers and suppliers, and constructed asset-heavy networks of large and micro-fulfilment centres, onboarding substantial numbers of logistics and distribution workers on formal contracts of employment.

Lying behind the explosive growth of q-commerce firms has been the rise of what we term "patient VC". Combined with weak labour markets, the agglomeration of digital logistics technologies embedded in q-commerce apps, and the spike in demand for grocery e-commerce driven by the pandemic, venture capitalists saw an opportunity to drive permanent change in consumer habits. To do so, they were willing to tolerate substantial "burn rates" (loss making) by their chosen q-commerce platform, in the hope that it would supplant rivals and, ultimately, discover a "path to profitability". In the context of historically low interest rates, VC could remain patient over a long period of time. But as successive interest rate increases began to bite in spring of 2022 in response to inflation, significantly increasing the cost of capital, investor patience began to expire. Investors have since become reluctant to burn more capital, q-commerce firms have postponed fundraising events and the industry is looking at ways to make the unit economics of rapid home delivery viable.

A substantial quantity of the billions of dollars in VC, which have flooded the q-commerce sector since the onset of the Covid-19 pandemic, have been burned up in subsidies to both consumers (via discount codes) and workers (through unsustainable hiring and wages). Such subsidies are plainly unsustainable in the long run, which has led commentators reasonably to question the durability of the industry. However, unlike food delivery and ride-hailing services, which similarly have used extensive subsidies to build aggregator platforms, q-commerce firms' extensive investments in assets (both tangible and intangible) likely make their business footprints fairly durable. Even as individual firms go bust, they (and their dark stores, vehicles and supply relationships) are acquired and put to use by rivals. In the months since its acquisition by Getir, for example, Gorillas has continued to function as normal across most of its European operations. To the extent that q-commerce operations become durable, then, they can be understood to be laying down the *infrastructure* for the future of rapid delivery.

In the short term, though, the risk is that "paths to profitability" are built on the backs of q-commerce workers. Qualitative research carried out with those working in the sector has provided evidence of a variety of labour issues in all three country case studies. Workers flagged concerns, including the erosion of contracts, an absence of dispute resolution procedures, a lack of appropriate training, and the increased intensity and pressure of the work. The degradation of working conditions is seemingly providing an outlet for mounting cost pressures. This outlet is further characterised by a lack of willingness to comply with workplace regulations. Breaches of labour law relating to protections including holiday pay, sickness entitlement and health and safety at work were described. This lack of enforcement further undermines the status of q-commerce workers, increasingly comparable to others in the gig economy, despite their preferential contractual status.

As Section 4 demonstrates, many of the most egregious violations that have taken place in the q-commerce sector are covered by European and national labour and health and safety regulations. There is no single answer as to why q-commerce firms are so reluctant to comply with these regulations. On one hand, the race to corner markets and drive competitors to the wall seems to encourage a lack of concern for worker wellbeing, alongside poor-quality management at lower tiers of the organisation. On the other hand, the structural weaknesses of q-commerce workers, unions and labour inspectorates mean that there is currently little recourse to pursue change. However, as a companion policy study makes clear,[156] there are important exceptions to this general trend emerging in various European countries. This evidence shows how both grassroots worker collectives and established trade unions are using innovative methods to begin the task of organising the sector.

If q-commerce is to play a sustainable role in the future of the retail industry, then it is incumbent upon stakeholders — governments, employers' associations and trade unions — to collaborate in playing an active role to eliminate poor business practices. In this way, the sector can be made to serve workers, consumers and communities, rather than simply investors.

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APPENDIX A: LANDSCAPES OF EUROPEAN Q-COMMERCE

The growth of q-commerce has seen the emergence of numerous startups over the last few years. Further growth is predicted within this rapidly changing sector.

There are currently approximately 200 dark stores in the UK, with suggestions this will rise to 1,500 by 2030, and worldwide from 6,000 to 45,000 by 2030.[157]

FIGURE 9: PRESENTS AN OVERVIEW OF THE VARIETY OF FIRMS OPERATING ACROSS EUROPE

Source: Soroka, S., 2021 "Europe's quick-commerce startups are overhyped: Lessons from China".

COMPANY PROFILES

What follows is a brief overview of some of the main q-commerce firms.[158]

Getir was founded in Turkey at the end of 2015 and launched in London in January 2021. The company acquired Unicorn status with a $2.6 billion valuation in March 2021. Getir has expanded to Germany, France and the Netherlands. It acquired BLOK, a grocery delivery startup that operates in Spain and Italy, and acquired Weezy in the UK in November 2021. Getir acquired Gorillas in December 2022. In the UK, Getir operates over 100 dark stores in 15 locations, the majority of which are franchised. Getir provide bikes, equipment and phones for taking orders. Orders are collected in-store and delivered via e-bike or scooter. Each rider's waiting time is paid and the company asserts there is a weight and volume limit for orders and regular maintenance of vehicles.

Gorillas is a German firm founded in 2020. Gorillas now has more than 14,000 employees globally spread over more than 200 warehouses and operating from nine countries.[159] In the UK, it operates in London, Manchester, Nottingham, Reading and Southampton. In the EU, it has stores in Belgium, Denmark, France, Italy, the Netherlands and Spain. The company offers riders an employment contract, e-bike, health insurance and accident insurance. However, as part of the recent efficiency drive, now only the majority, rather than all, of their staff enjoy fixed-term contracts.[160] As of May 2022, it has withdrawn from Belgium, Denmark, Italy and Spain.[161] In Germany, Gorillas pays a €12 hourly wage. Riders wear a black uniform, and they have a reputation as a more social rider crew. The company tries to avoid plastic packaging. The company operates different business models in different markets. So, while it has its own warehouses, in the UK, it operates from 20 dark stores, three of which are located in Tesco superstores.[162] This pilot partnership with Tesco in the UK is in addition to Tesco's own Whoosh service. Gorillas secured $1 billion in funding in October 2021 from China's Tencent and Germany's Delivery Hero.

Gopuff has 35 dark stores in the UK.[163] The company was founded in the USA but is now expanding in Europe. It covers 650+ cities in the USA, operating a 30 minute delivery promise for a $1.95 delivery fee. Gopuff acquired the UK firms Dija and Fancy and has partnered with Uber Eats.

Jiffy was established in London and operated 14 dark stores.[164] The company acquired funding for expansion but subsequently diverted the business to the provision of software.

Cajoo is France's only homegrown q-commerce company, launched in February 2021.[165] Investment by Carrefour means that it has access to the large retailer's trade deals and delivery networks.

Flink was established in Germany in 2020, aiming to deliver in under ten minutes. It is expanding to other parts of Europe, including France, Austria and the Netherlands. The company offers a variety of different contract types; pays a guaranteed €12 per hour wage; provides a hub area to wait, paid sick leave and holiday pay; provides an e-bike, clothing and equipment; and pays tips and bonus. Flink gives employees a sign-on bonus, 20% off groceries and enhanced pay at peak times. Flink has a 2,400 product range and charges a €1.80 delivery fee. The company has partnered with the large retailer REWE.

Glovo is a Spanish firm established in 2015 with its headquarters in Barcelona. It had 18 stores at the beginning of 2021 and aimed to expand to 100 by the end of 2021. The company saw 300% growth in 2020 and reached Unicorn status the previous year. It operated a similar business model to Deliveroo, where riders were considered self-employed. However, a recent case taken through the Spanish court ruled that they are employees.

Wolt is a Finnish firm, established in 2014, that operates a combined business model delivering from existing stores, alongside running its micro-fulfilment centres. As is seemingly more typical with older companies, those that deliver are not directly employed but work as "courier partners" and provide their own vehicle and phone. There is some worker flexibility over when to work. The firm operates in 23 counties across Europe, Japan and Israel. The company was acquired by DoorDash at the end of 2021 for $8.1 billion. As well as operations in larger cities, it operates in smaller cities with slightly longer delivery times (30 minutes). It delivers small-basket and large-shop groceries, takeaways and intends to expand to deliver anything.

Beelivery has_no dark stores and drivers are self-employed (or "limb b") workers. It is a UK company that operated in profit in 2020. CEO Paul Gott has suggested that q-commerce firms attempting to operate with dark stores were not viable, "Most of these new apps have dark stores, but are dark stores going to be the business model that is going to conquer grocery delivery? I don't think so".[166]

Fridge no more was a q-commerce startup operating in New York. At the point of being acquired by DoorDash, plans were aborted last minute (March 2022) due to the fallout of the war in Ukraine and the Russian connections of its founders.[167] Similarly, Buyk was forced to furlough staff in its 39 stores in New York and Chicago, due to Russian connections.[168]

Bolt is an Estonia-based company and is expanding from ride hailing into the q-commerce grocery delivery market.

Khora was set up as a food delivery collective, so riders work as autonomous freelancers with better conditions.[169] Fairmondo was established in Germany with similar aims.

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143 Article 9. In accordance with the second paragraph, member states may lay down conditions for the use of incompatibility restrictions by employers, on the basis of objective grounds, such as health and safety, the protection of business confidentiality, the integrity of the public service or the avoidance of conflicts of interests.

144 Article 11.

145 Article 8. In accordance with paragraph 3, member states may, on an exceptional basis, provide for longer probationary periods, where justified by the nature of the employment or in the interest of the worker.

146 It should be noted here that Article 30 of the EU Charter of Fundamental Rights provides the right to every worker to protection against unjustified dismissal. The Charter applies to the member states when they act in the scope of EU law. It would be possible to argue that probation periods have been brought in the scope of EU law by Directive 2019/1152. It could be argued that this obliges member states to take action to prevent the abuse of probation periods to avoid rules on dismissal.

147 Article 8(2).

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150 Article 8, furthermore, provides for human review of significant decisions. Member states shall ensure that platform workers have the right to obtain an explanation from the digital labour platform for any decision taken or supported by an automated decision-making system that significantly affects the platform worker's working conditions and have the possibility to request a review of that decision.

151 Furthermore, although UK labour law currently seems to still align largely with the minimum norms specified in EU legislation, the UK is no longer bound by these EU standards directly, and thus, the national government may pursue their dilution or even abolition in the future. At the same time, it is, of course, completely free to provide different higher standards. It should be noted that, after the 2019 general election, the UK Government committed to strengthening workers' rights during the process of leaving the European Union through tabling a new Employment Bill. The government signalled its intent to match strengthening European regulation in this area, and to unify enforcement, so as to ensure greater compliance. As of 2023, however, legislation is yet to be brought forward — but is nevertheless expected during the current Parliament. See: S. Butler (2022) "Government accused of betraying workers as employment bill is sidelined". *The Guardian*, 5 May.

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154 On trade union strategy in the quick-commerce sector, see S. Rolf, W. Hunt and R. Verdin (2023) "*Trade Unions and Strategy in the Quick-Commerce Sector*". *USQCS*

155 Article 30 EU Charter provides the right to every worker to protection against unjustified dismissal. The Charter applies to the member states when they act in the scope of EU law. It would be possible to argue that probation periods have been brought in the scope of EU law by Directive 2019/1152. It could thus be argued that this obliges member states to take action to prevent the abuse of probation periods to avoid rules on dismissal. This issue could be brought up in national proceedings and referred to the Court of Justice of the EU through a preliminary reference. The EU also has competence to adopt minimum standards for the protection of workers where their employment contract is terminated on the basis of Article 153 TFEU, although unanimity applies.

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The Covid-19 pandemic has led to a boom in the online grocery market, with the emergence of new quick-commerce (q-commerce) startups delivering from "dark stores" promising super fast delivery times. This report focuses on q-commerce startups and their impact on work in Europe, including labour issues and policy implications. Q-commerce firms have an advantage over traditional retailers in providing faster delivery times, but their business landscape is highly fluid and uncertain. The report draws on desk research, interviews, and qualitative research with workers to provide insights into the emergence of q-commerce and the rapid-delivery sector, business strategy in the sector, labour issues, and policy implications. The report concludes by emphasizing the need for careful attention to the business practices of q-commerce firms and their impact on the kind of work being done in retail. The report identifies several European Policy Implications, including the adoption of the proposed Directive on improving working conditions in platform work and exploring legal arguments to protect q-commerce workers. The report provides a starting point for further research and policy development, including recruiting strategies for unions in the sector. Understanding the impact of rapid-delivery services on workers and the retail industry is crucial, given that retail is the largest private employer in most European economies.

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