

## Rapid Response Transcript – Yakir Gola

**“Stay scrappy, deliver fast”**

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**YAKIR GOLA:** I would come home, family dinner, and my parents would ask me, "Do you guys just want to be delivery drivers for the rest of your life?" And not exactly understanding: what is the vision here?

We were the first delivery drivers. We were the first warehouse employees. We were the first customer-service representatives.

What we've been able to build over nine years is this network of 650 fulfillment centers across the U.S. and Europe. We now cover close to 30% of the U.S. population.

We didn't do it the Silicon Valley way. We did it the Gopuff way, lean and scrappy has been part of the ethos of the company.

**BOB SAFIAN:** That's Yakir Gola, co-founder and co-CEO of GoPuff, the fast-growing instant-delivery company that's expanded to more than 1,000 cities.

As the pandemic shifted habits, instant delivery has become a rising phenomenon — though the area continues to be haunted by the specter of high burn-rates and failed efforts.

I'm Bob Safian, former editor of Fast Company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Yakir because GoPuff has taken a dramatically different approach, following lessons he and co-founder Rafael Ilshayev learned from their parents' small-businesses.

With a consistent eye on positive cash flow and margins, they built a warehouse-and-logistics operation alongside their software platform.

Yakir's experience demonstrates how what we might view as old-fashioned approaches can be rebooted in new realms and with new tools.

GoPuff is trying to prove out something daunting: that 20-minute delivery can indeed be good business.

Slow and steady, they believe, can win the race — even when what their service itself is providing is fast and on-demand.

**[THEME MUSIC]**

**SAFIAN:** I'm Bob Safian, and I'm here with Yakir Gola, co-founder and co-CEO of Gopuff. Yakir, thank you for joining us.

**GOLA:** Thank you so much, Bob, for having me.

**SAFIAN:** So there's been a ton of buzz around delivery-related businesses over the last two years. But you co-founded Gopuff nine years ago when the on-demand economy was in a much earlier stage. Uber had launched, but was far from a household name. Amazon Prime existed, but wasn't everywhere yet. And the prevailing tales at that time about on-demand efforts were cautionary from the dot-com bust days, bids like Webvan and UrbanFetch and Kozmo and things like that.

How aware of all of that were you and your co-founder, Rafael Ilishayev, when you began your journey? Were you thinking about what the history was, or was there something else that got you into this?

**GOLA:** We definitely did our research and homework before starting Gopuff. I think what separates us or what allowed us to even start Gopuff was how we were raised and our backgrounds.

Raf and I met just over 10 years ago in college at Drexel University. And both of us hit it off because both of us grew up working with our parents in their small businesses. So my family moved from Israel into the U.S. Raf's family moved from Russia into the U.S. My dad had a small jewelry shop, and I worked with him since I was maybe 12 years old. Raf's family had a banquet hall and a restaurant in Brooklyn. He was a busboy working with his parents.

And we saw our parents work really, really hard. They were so customer-focused. And obviously when you're a small business owner, you have to make profit. That's your salary is how much profit you make. When we were in college and I was driving everyone to the convenience store, I realized there has to be a better way to get convenience products delivered.

The only way to make a business model like this work was by controlling the customer experience and having significant margins. We built a business from day one that was cash flow positive. It was important for us to build a business and nail it before scaling it. That is because we saw our parents hard at work. They set a good example for us.

**SAFIAN:** And in the beginning, your parents' businesses were sort of traditional small businesses. Were you thinking that Gopuff was going to be a small business? Or right at the beginning, you were like, "No, we're starting it as a small business, but we're going to be national. We're going to be global."

**GOLA:** We had a bigger vision for Gopuff. We definitely didn't think it was just going to stay a small business. Otherwise I think I would've just taken over the family business as my dad wanted me to do. We saw a big potential in it. We just saw the excitement and the magic that the customers experienced when we just had 100 products and just focusing on college students nine years ago. But in no sense did I think we were going to get this big.

I remember when we were starting up Gopuff, I would come home, family dinner on Shabbat sometimes on Friday night. And my parents or my family would ask me, "Do you guys just want to be delivery drivers for the rest of your life?" And not exactly understanding: what is the vision here? What is the path to what you guys are building? We were the first delivery drivers. I've done, alongside Raf, almost 8,000 deliveries ourselves. We were the first warehouse employees. We were the first customer service representatives. So we had to build a business the hard way and the scrappy way a business that is first and foremost profitable.

**SAFIAN:** I got to ask you, where did the name Gopuff come from?

**GOLA:** The first target customer for us was college students. We were sitting, me, Raf and three other friends, in our house at Drexel. And we had a whiteboard, and came up with five names. And immediately everyone just went to Gopuff. Our marketing in the early days was edgy.

It's a name that rolls off your tongue. And going from a college-focused company to now over 1,000 cities and millions of customers, now less than 10% of our customers are college students. And actually some of the fastest growing categories on Gopuff are products like baby products, household items, grocery items. Our fastest growing demographic is actually ages 30 to 35 right now.

**SAFIAN:** So you're now, as you say, in 1,000 cities across the U.S., much bigger business. A lot of that acceleration happened during and through the pandemic. With lockdowns and other fears, the use of delivery services surged, as did funding. You all raised over a billion dollars last spring. A lot of new competitors joined the category, too. How do you think about the stage of the journey that you're in now?

**GOLA:** It's still not even 10% of grocery convenience items are sold online. And then if you look at the percentage that are being delivered in an instant way, which is where the world is going and what the consumers want, we see the trends in our business. What our service is doing is we're giving people time back in their day. And really that is the most valuable asset that people have. And when you're delivering medicine to someone when they're sick or diapers for a newborn where it's complicated or tough to leave the house or you just want to watch a movie and you need some popcorn, we're going to save you time. And once you experience instant, you realize how it's actually making your life better and easier. We're in the early innings of people wanting to use instant.

I still think we're very much in the early days. That's the mentality that we have. That's what we're seeing with our consumer data. And that's how we operate our business.

**SAFIAN:** We had the CEO of Instacart on the show. And I'll admit that I thought that Gopuff was kind of in the same category as sort of Instacart and DoorDash, but it turns out when I looked a little more, that your model in some ways is closer to Amazon than it is to Instacart. You mentioned your fulfillment centers. Can you explain how your model is different from some of the other delivery businesses?

**GOLA:** It was always about vertical integration. We saw what it was when our parents started a business, controlling the customer experience from end to end, and making margins off products is really the way to win long term.

You mentioned Amazon, we have a lot of respect for what they've done. If you look at when Amazon went public versus eBay, a lot of people were asking the question to Amazon, "Why don't you just go the marketplace route? It's much easier to scale. You get a lot more customers faster. You're all of a sudden available everywhere." And it was very much not obvious that vertical integration wins long term, but fast forward, Amazon invests \$60 billion in infrastructure for their Prime and eCommerce business. And we all know how it plays out.

Consumers want things now. And that's where things are going. Next day is already too slow for some people.

We're delivering to you in 20 to 30 minutes for an affordable price. And the way to do that, we believe, is through vertical integration. If you think about what we've been able to build over nine years is this network of 650 fulfillment centers across the U.S. and Europe, which we now cover close to 30% of the U.S. population. We now have all the technology to operate all these fulfillment centers, pack orders in 90 seconds. We just recently rolled out this technology we've been working on for the last year through one of our acquisitions where we're now automating the entire routing and dispatch processes in our fulfillment centers.

The inventory management software that we built is all built in-house from us. There was no model like Gopuff. Right? No one has done this before. We had to build everything from scratch.

450 liquor licenses. We now happen to be one of the largest liquor license holders in the U.S. I can't even tell you the process to get these liquor licenses and what we've had to go through, or just the logistics and operational excellence that we've had to build over the last nine years.

**SAFIAN:** So vertical integration is central to your business model...

**GOLA:** Vertical integration is really the way to have significant EBITDA and profit while also controlling the customer experience.

We're not picking up from a local convenience store, a grocery store, these are our fulfillment centers. We're optimized to pack orders very, very quickly, very, very accurately. We're operating on a 99.9% inventory accuracy rate. What you order is what you get. You're not getting phone calls from customer service representatives, or in-store packers, saying, "This item is out of stock," or, "Sorry, for every item that you order, you need to choose a replacement item." That's an awful customer experience. Right?

And also the wide range of products that you can get from Gopuff. Right? And it's your alcohol, and your medicine, and your pizza. Right? Just the amount of products you can get on one platform in 20 minutes, right, is a major differentiation for the customer.

On the margin side, our margins don't come from service fees or monetizing the gig economy. Right? Our margins come from our 45% product margin on the products that we buy directly from manufacturers and distributors at scale. And the margins continue to improve as you get more buyer power and more scale.

**SAFIAN:** As you describe this model, it's almost counterintuitive because it's like you're comparing Amazon and eBay, but it's like the thing that's harder is actually the thing that ends up being the better business. It just takes longer to get there.

And maybe that's part of the competitive advantage that it's harder.

**GOLA:** This is a very, very hard business. This is not for everybody. You're managing inventory. You have a supply chain to manage. We have 15,000 employees. We have a whole driver network. We build technology to operate these micro fulfillment centers. We have a team of a hundred people that are just focused on liquor license applications.

There is a lot that goes into this business model, which is why it's been so important for us to stay focused. You have to be very, very focused on delivering an amazing customer experience and doing that through vertical integration is hard. But once you get it and you build it, and you're able to scale it, it wins in the long term every day of the week.

## **[AD BREAK]**

**SAFIAN:** Before the break we heard from GoPuff co-CEO Yakir Gola about following an Amazon-like model specifically targeted to instant delivery. Now he talks about the advantages of being based in Philadelphia over Silicon Valley, and how the pandemic changed the company's approach to the workplace and hiring. Plus, Yakir shares a key lesson he learned from a top Apple executive about continually raising the bar.

Many of the most well known on-demand companies, whether that's Uber, or Airbnb, their core assets are software. Right? They enable others, but they don't have to operate or own a lot of stuff themselves. And I can imagine that when it comes to raising funding for expanding your business, that that might be a little bit more challenging.

**GOLA:** When we started the business, we didn't raise any capital. We built a business that is profitable from day one. We were cash flow positive for the first three years. And that was operating in six cities. We took the profits from our most established markets, which was Philadelphia, primarily at the time, and reinvested those into new markets.

And all of a sudden we started getting phone calls from the top venture capital firms. All their interns, the interns at Penn and Harvard, right, were all using Gopuff. And they were telling all the firms in which they're working at, "We have to follow this company. They're blowing up on all these campuses."

We actually didn't announce our first four fundraisers, didn't do any media around it. We never needed capital. Never, and still don't. I think why we have been able to attract great long-term investors, whether it is Fidelity, Blackstone, Baillie Gifford, SoftBank, D1, is because the fiscal responsibility that's rooted into the DNA of our company and into us as operators, being a company that is growth minded and profitability minded at the same time.

**SAFIAN:** You built your business out of Philadelphia, which is not otherwise a hotbed of tech platforms. And I'm curious, what about that has made Gopuff different? What are the advantages to that? And I guess, are there disadvantages to not being part of an established tech hub?

**GOLA:** I would say Philadelphia has really been our first investor in many ways. They didn't contribute capital, but they've really helped us scale the business and in a differentiated and scrappy way. What Philadelphia has given us is this underdog mentality.

The fact that we've been away and secluded in our own city we haven't been in the typical mentality of Silicon Valley founders and businesses. We didn't do it the Silicon Valley way. We did it the Gopuff way. Lean and scrappy has been part of the ethos of the company.

The challenges that come with it is the recruiting talent in the earlier days when people weren't really familiar with Gopuff. Raf and I have always been these leaders that have only been in offices. We're very much in-person operators, and we didn't believe in work-from-home. It wasn't something that we agreed to for anybody.

When the pandemic hit, we were the last ones standing in the office. We had to shut down the office, and the company just really adapted into this flexible environment of working from home because we had to. All of a sudden, we started recruiting in other cities and started recruiting remote talent. Now we have these central hubs across the U.S. It now has positioned us, I think, for a lot of success, the fact that we started in Philadelphia. But that's been our journey. But I would say it's definitely helped us.

**SAFIAN:** It's interesting as you say it that the pandemic's forcing you to work more remotely opened the doors to bringing in talent in a different way than the way you had operated before.

**GOLA:** Yeah, totally, totally. We've had to adapt, because if we wanted to hire the best talent in the world, we realized that we'd have to hire remote and also open up other central offices and hubs. That's what we've done. That's essentially what we've done.

**SAFIAN:** So a bunch of companies that soared during the worst of the pandemic days, Peloton, Netflix, some others, they're seeing these resets, and we have seen some smaller delivery players go out of business recently. How do you keep tabs on the trajectory of your business if the recent past maybe isn't a reliable indicator of what the trajectory is?

**GOLA:** Everything we do is for the long-term. Every investment we make is a long-term investment, and we think about building this company in the terms of decades. And so there has been volatility in the market. There's no doubt about it. We try not to focus too much on that. We try to really focus on our customers and deliver the absolute best customer experience, hands down.

If you have a great customer experience, you're going to tell your friends. If you get what you ordered and you're impressed and you're happy and the order comes right and it comes on time and there's no mis-packs and there's no out-of-stocks, right, and the driver is friendly, right, and so on and so forth, then you are going to come back.

That's what we're seeing with all of our attention data. If someone tries Gopuff at least twice, they're customers really for life. They're really sticking with us. That's how the best companies win in the long-term.

**SAFIAN:** So if the pace of growth slows down from what it had been, I know you had to cut back on some people recently, which is never easy, that's just a bump in the road because you're looking further out.

**GOLA:** We're growing faster than any other delivery service right now. Obviously, during the pandemic, we had months where we were growing 300, 400, 500%, but now you're still seeing significant growth on the platform.

It's because of what we're selling and the fact that we're improving people's lives. People want experiences, right? People are traveling more. They're going out to restaurants

more. They're also using Gopuff more, because it's a great experience. What we've done in the pandemic was we introduced our baby product category. We introduced a grocery category. We introduced a household essentials category, where now we have a huge selection of laundry detergent, shampoos, right? We launched a private label assortment of batteries and water and paper towels, which has really taken off.

I will comment on what you said around the reorganization that we had. I think it's very healthy. I think as we were looking at the next chapter of growth for the company, we had to take a step back. We went from about 200 corporate employees, roughly, from early 2020 to 1,500 as of Q1 of this year, in a significant short period of time. What happens is you create inefficiencies in the organization. It just happens. It happens, and if people tell you that — and they experience that level of growth — it doesn't happen, they're lying to you, right?

So we're willing to make tough moves even if it might seem contrary or controversial. We're not afraid to make tough calls, and so we were the first, I would say, growth stage company that did a reorganization to rightsize the organization for the next chapter of growth. Now what are you seeing? Everybody else is doing it because it's smart.

Again, just the way we think about our business is thinking about profitability first. We think in the long-term, and we focus on our customers. It's going to allow us to operate better, more streamlined.

**SAFIAN:** In the focus on the customers, you said something earlier about you're not going back to the store. When the CEO of Instacart was on here, she was actively positioning the business as a partner to traditional groceries. I'm curious, for you guys, who are your competitors? Are your competitors grocery stores, convenience stores, Amazon, Walmart? I could see something where, oh my gosh, everyone around you is a competitor.

**GOLA:** The first competitor we have is ourselves. That's the first competitor we have. We have other secondary competitors, which are some of the names that you mentioned. What I can tell you, it's on us and our execution. Anyone could be a future competitor for us, and there are people that are trying. I can't sit here and tell you, "Hey, we don't have competition," or "We're never going to have competition," because that's not true. But I can tell you that we know instant better than anybody else.

We wake up in the morning, and that's all that we do. We are relentless. We are maniacally focused on winning in this category. This is where the world is going, so we welcome competition, and I think competition is healthy. I just don't think there's anybody that is anywhere close to where we are in instant needs.

**SAFIAN:** There's an irony, as I'm listening to you, that the kind of small business that your parents ran, the kind of small business that might be in the grocery or convenience business,

they got to look at a Gopuff and be afraid that a business that can do what you guys do instantly, simply, quickly is going to make a lot harder for that small business to stay in business.

**GOLA:** During the pandemic, we saw a big opportunity to actually partner with small businesses, small business owners, entrepreneurs, because that's where we came from. It started off with partnering with a local donut shop in Philadelphia. They were shutting their doors in the pandemic. They couldn't afford the rent and the payroll of employees. And we said, "Why don't we just try selling your local donuts and products on Gopuff? It's not something we've done before, but let's give it a try." Someone on our team led the initiative, we call it the local initiative, and it turned out to be a massive success where now, if you go on our platform across all major markets, we have a local category where we partner with entrepreneurs, local small businesses, owners and entrepreneurs, where we are actually selling their products on our platform.

We're buying it from them at wholesale, so we're giving them immediate access in distribution and advertising and eyeballs on our platform. And we're all about partnering with the community and businesses. In some markets, it's actually some of our biggest sellers on the app. And now, we also see an opportunity to take the local popular item in Austin and bring it to Los Angeles or Phoenix, Arizona. There's a big opportunity to expand and accelerate these local entrepreneurs' businesses.

And we want to be able to use our platform to actually help and give back. When there was a tornado in Kentucky ... We have a big presence in Kentucky. We own the largest liquor chain over there called Liquor Barn. We leveraged our platform to help. We were the first ones in terms of delivering supplies to all community members, or when there was the building collapse in Miami, in Surfside, we said, "We're going to leverage our Gopuff delivery arm and logistics to deliver food and drinks to the frontline workers that were working 24/7 to try to find bodies."

We were the first company to deliver COVID tests. We partnered with many governors nationwide to figure out: how can we get COVID tests to consumers in 20 minutes? I'm proud of the work we did there. So it's, how do we take our platform of Gopuff and help local businesses, small businesses, communities in need. And I'm proud of the work we're doing. I still think we have a lot more to do; I'm not happy with what we've done yet there. I still think there's a long way to go for us there, but I think it's important for us to step up.

**SAFIAN:** You said several times that it's early days, that you're not happy, that you're not there yet. Are you always hard on yourself about how much you've done or what needs to be done next?

**GOLA:** Look, I tell our team all the time that you can't be satisfied. You have to keep increasing the bar of excellence. Steve Jobs is a perfect example, right? This mentality that you need to continue to increase your bar of excellence. You can't get comfortable.

The moment you get comfortable or you stop innovating, you're going to end up like Blockbuster. That's what we tell our team.

I had a meeting with an Apple executive, Eddie Cue, and we were sitting and talking and I asked him, "Apple's such a massive company and breaking records in terms of market cap for any company. How do you keep everybody so motivated when Apple's such a massive company?" And he just brought up this mentality that he had, and I think Steve Jobs really had it, where you have to keep innovating or you're dead. And having that mentality, I think is so, so important for any company or entrepreneur because the moment you think you made it is the moment you start failing.

And that's the mentality that we have. That's what drives our leadership team and our company to keep working hard, keep out-executing everybody else and continue to deliver for our customers.

**SAFIAN:** Well, Yakir, this has been great. Thank you so much for doing this and sharing with us.

**GOLA:** Yeah, thank you so much for having me. It was great to connect with you today, and I really enjoyed it, so thank you so much.