



Interview with CEO Michael Cassau

What we do, and why it matters

How Grover is enabling a Circular Economy for electronic devices that maximizes convenience and minimizes expense for consumers

How significant is the market for consumer electronics rentals and why is a pay-as-you-go approach best suited to capturing that demand?

Our model is better described as “pay-as-you-use” rather than pay-as-you-go. Instead of buying a tech product as it is common in the traditional, linear economy, and paying full price for it (either up-front or in installments), Grover grants access and usage rights to the best technology products on a monthly basis. That way our subscribers only pay for these products as long as they are really useful to them, and send them back once that’s no longer the case. The reason this mode of accessing technology is so popular is because it is attuned to changing consumer habits: In today’s fast-paced and unpredictable economies, people demand more flexible options for access and payment of the goods and services they desire. Our belief is that, for many things, including tech products, the long term trend is short-term, non-committal use and the proliferation of access-over-ownership.

As for the market: It’s huge. According to research by A.T. Kearney, 57% of adults in Germany are interested in subscribing to tech, that’s 45 million people. The numbers for the US are even higher. The US consumer electronics market size is €301 billion, roughly 5x the size of the German market, and growing with the ever rising significance of technology for our lives — technology and people are near inseparable; you need technology to work, for entertainment, to stay connected to the ones you love, and to be a productive member of society.

Grover has amazing potential to grow and become the new way people use and enjoy tech and the service it provides, without having to own it.

What does the rental process look like for a consumer from start to finish on the Grover platform?

It all begins with a need. Let’s say you need a laptop because you’ve decided to write a book, or you’re a student, working on your thesis. Then you’d go to Grover.com or download our app and choose the laptop you want. We have a large assortment of over 2,500 of the top tech products on the market, but we only carry the most popular,

quality products, so you're not overwhelmed and can be certain that anything you select is top-notch. You can choose between the newest models and slightly older, more affordable ones.

Once you've picked your laptop, you decide on the rental period. The longer you subscribe to the laptop for, the lower your monthly fee. After that, the checkout process is quick and smooth. In fact, the hassle-free process is something our subscribers particularly value, especially in comparison to financing options where you have to read and sign lots of forms. With Grover, you simply provide your shipping and payment details, and place the order.

Once you've done that, we run a quick credit and risk check to, on the one hand, protect you – the customer – from potential identity theft (i.e. we make sure you're really who you say you are) and from taking on too high of a subscription payment, and on the other hand, to protect ourselves from payment fraud. Once you've passed the risk check, you'll receive a confirmation email.

Then, within a few days of placing your order, your laptop is delivered to your doorstep, along with a little bag of Haribo gummy bears in the box (we are a German company after all). Your rental period only starts once you've received your product, not before.

When your rental period is over, you can either send the laptop back to us or keep on renting it for the same price. You can also purchase the product from us at any time. If you decide to do so, 100% of the monthly payments already made will be credited toward the purchase price. But only a small portion of our subscribers actually utilize this buying option. All our products are covered by 'Grover Care' – our damage coverage via which we cover 90% of the repair costs in case of accidental damage.

What sort of flexibility on rental terms and pricing does your platform offer?

You can choose between 1, 3, 6 and 12-month rental periods, and the longer you subscribe for, the lower the monthly fee you'll pay. Subscribers have full flexibility to extend their rental plan at any time. For example, they can start with a shorter rental period and upgrade to a longer plan later to save monthly costs. Since we launched Grover, our subscribers have continuously been leaning toward longer-term subscriptions, which shows that subscribing to tech has become the default mode of access for many people and disproves the common assumption that renting tech is interesting only for those people who want to test a product before they buy it. Today, the average rental duration with Grover is 9 months, with over half of our subscriptions running for 12 months or longer.

Most consumers don't update their electronics all that frequently given the high cost, so who is your target market?

While many consumers don't upgrade their tech yearly, most don't actually use their tech products for as long or as often as they could, which means they're underutilizing them. This experience of underutilization is one that most consumers have in common: buying a tech product, and, a year later, not using that product all too frequently anymore, upgrading to a newer one, or, in the worst case, losing interest in it entirely. Phones, cameras, consoles and other tech gadgets collecting dust in drawers is an all too familiar image to most of us. Proper disposal and recycling, or selling old gadgets, requires time and effort many people just aren't willing to make. Earlier this year, we commissioned a survey to find out just how many people in Germany have unused devices laying around in their homes. The results showed that a whopping 81% of people have at least one unused device, and 1 in 3 people have 3-5 unused devices at home.

Underutilized products are becoming an increasing problem — economically, environmentally, and psychologically. They stand for wasted resources and remind us of wasteful and short-sighted drivers shaping our linear consumption patterns. We are in the midst of a process of rethinking and sensitization as more and more consumers and businesses recognize the damaging effects of these patterns. Circular Economy, Fridays for Future, Marie Kondo: These are all phenomena related to a paradigm shift surrounding the meaning of ownership and value.

Grover fits right in with this paradigm shift. What we're able to do with our subscription model is reduce product underutilization and ensure that we're making the most out of a product's lifespan and of people's monthly budgets. On average, our products remain in circulation for 3 years and are utilized by 4-5 people, before we sell them on the secondary market, adding another cycle to their lifespan.

So, really, our target market is all consumers who have ever had this kind of experience, and who recognize that they can be smarter with their money, and their time and space when it comes to using tech. In general, we see that typical Grover subscribers are people who love technology, like to use it often, but do not want to pay the full purchase price up-front. Many of our subscribers want to upgrade frequently in order to always have the latest technology. Our service allows them to access the newest and best devices (which tend to be more expensive) by eliminating the high cost of switching and upgrading. Others want to use certain products flexibly without having to buy or finance them. Grover's subscribers especially appreciate the flexibility of not having to commit to products in the long term, as is the case when buying or paying in installments.

Buying a product is typically cheaper than renting it. How long can a user rent a product for on average before doing so is no longer cost-effective?

When looking at a 12-month period, with our current pricing, it's actually cheaper to rent with Grover for most products than to buy them.

What's important is to understand cost-effectiveness in broader terms than just money spent. Because, what effectively happens when you buy or finance a product is that you'll be "locked in" to that product for likely much longer than you'd like. You'll still be paying for that product, even when you no longer use it. What Grover does is take on all the "costs" of ownership — buying, financing, insuring, repairing, depreciation, reselling — and provide our subscribers with access to the products they need without any of those pain points. So you don't have to pay full price for a product which you'll inevitably stop using at some point. This goes back to the "pay-as-you-use" argument: You're only paying for a product as long as it's useful to you. Along with that, Grover decreases your budget constraints by allowing you to access more products with the same budget. Overall, what this means is that you'll have more money left over to spend on the things that really matter to you, like experiences. That's cost-efficient and it creates true value for our subscribers.

When people compare buying and owning a product to renting it, they often say, "I'd rather finance or buy it, so in the end at least it's my property." What they associate with this process and place value in, is the possibility of a future income from reselling that product. In reality, they often never actually sell the product, or they get far less money for it than they originally thought, with the day that they don't use it anymore often coming sooner than expected. In fact, reselling high-priced products, which you've originally bought expensively, can be a very frustrating and negative experience.

However, that's not to say our service will be the most cost-effective solution for everyone. Generally speaking, if you're absolutely certain you'll be using a product long-term and consistently so, over the course of many years, then you're probably better off buying than renting.

Grover buys some electronics for renting, which can be very pricey given the short shelf life of many products. How are you able to offset this expense?

The shelf life of these products is much longer than many people expect. For example, a 3-year-old Macbook can still be sold for around 70% of its initial retail price. As we buy products wholesale at a discount, the value loss we have to cover during the 3-year circulation period is very manageable. Still, we need to purchase the devices upfront and that's a pretty big expense when you're buying thousands of smartphones. The way we solved this is by using the devices we purchase as collateral for asset-backed funding — essentially the same funding instrument that has been used for cars for decades.

Because we have great customer retention and our subscribers usually rent more devices with us the longer they've been subscribed to Grover for, we have a very predictable revenue stream from each subscriber cohort and only really need to pay for marketing one time, upfront.

What do you do with old electronics that no longer have a rental market?

When we can no longer rent out a product, we either sell it on to a reseller, adding a further usage-cycle to the product, or, if the product is not in condition to resell, we recycle it conscientiously. In doing so, we ensure that the resources used in the production of the devices do not go to waste and are brought back into circulation.

Consumer electronics are both expensive and fragile. How do you handle insurance for those devices?

Our subscribers can use their rented devices worry-free with our tailored insurance solution 'Grover Care' through which we cover 90% of all costs in case of accidental damage. The cost for 'Grover Care' is included in the monthly rental fee, so it's practically "invisible" to our subscribers. The reason we offer this service is to provide subscribers with full peace of mind when they rent with Grover. In case of damage to a device, all they need to do is report that damage to us in their customer dashboard and then send the device back to us, or to one of our repair partners. They'll never pay more than 10% of the repair costs, or, in case the device should be damaged beyond repair, 10% of the recommended retail price.

We're trying to establish a new way of accessing and approaching tech — one that veers away from ownership and toward usership — and in order to do that, we need to make the experience of subscribing to tech as seamless and as convenient as possible. That, of course, includes damage coverage if something happens to your device while you're renting it.

We work with leading German insurance companies to offer Grover Care to our customers. Since we have long-time working relationships with many of these insurers, we're able to negotiate great prices with them to keep our net insurance costs per active subscription per month quite low. Currently, our insurance costs are actually the smallest portion of costs incurred per subscription — well below warehousing and refurbishment costs and fulfillment costs.

Overall, contrary to what you might expect with products that are rented, not owned, actual damage claims are filed only very infrequently for Grover products. A large majority of our subscribers take very good care of their products.

You've struck partnerships with several large electronics retailers. How does this benefit both your bottom line as well as end consumers?

We currently have partnerships with 10 leading European consumer electronics retailers, which means that people can rent with Grover not only on our own platform Grover.com, but also on- and offline (in 500 brick-and-mortar stores across Germany) with these retail partners. A major benefit to the customer when renting in-store with our retail partners is that the rented product can be taken home immediately. Our biggest partnerships (available both online and offline) are with MediaMarkt, Saturn, Gravis and Conrad.

Our partnerships with retailers work well because they are based on reciprocity: We provide our retail partners with a simple, plug-in solution to access a new customer-base and to boost their sales, as well as with our expertise as a tech subscription specialist. In return, we profit from the added visibility and credibility that we gain through partnering with these well-established and trusted retailers. We're also able to reach more end consumers, which positively impacts our bottom line. And end consumers are able to rent with Grover via the full omni-channel offering which our retail partners are able to provide. That way, our subscribers have full flexibility when it comes to their preferred mode of shopping.

There are other product rental services in the market and larger players like Amazon could eventually enter the market. What competitive advantages does your platform have over the long term?

Throughout the past five years since Grover's launch, we have firmly established ourselves as the tech rental subscription specialist — Not only with our own online platform, but also as a reliable retail partner, offering an easy to implement, co-branded plug-in solution for e-commerce and brick-and-mortar shops.

We understand tech subscriptions better than anyone else: We know what customers look for; we have years of data on their rental behavior and preferences. We know which products perform best in a subscription model and what optimal pricing for these products looks like. We have also built up a complex tech rental ecosystem, including category management, financial fraud and risk management, marketing and distribution, subscription management, fulfillment, refurbishment and reselling processes, as well as a best-in-class UI and UX. Our business hinges on our ability to manage this complex ecosystem of topics and to leverage them to achieve attractive unit economics. And that's exactly what our competitive advantage is based on: As a first mover, we have gained a difficult to replicate understanding of tech subscriptions. As we grow, we will further solidify this competitive advantage.

What product categories do you intend to expand into in the near future?

In principle, any consumer technology that enriches and makes people's lives easier, is interesting for us. Especially if it's highly priced technology with short innovation cycles, which is an overall trend in tech. That's not to say that sturdy, long-lasting tech is not interesting to us. If we can keep recirculating high-quality, functioning products for many years, that is ideal for us. We're continuously expanding our product portfolio and developing our categories so that they're expansive and simultaneously well curated.

Right now, we're working on developing our e-mobility category — our fastest growing category — with the aim of making the best and most advanced micro-mobility vehicles accessible to the broad public on a flexible, monthly rental basis. In June, we introduced e-bikes to our portfolio, which were immediately met with high interest. We recently also launched our own line of e-scooters, specifically tailored to the needs of monthly renters. Our GroverGo e-scooter is efficient, light-weight, and easy to carry, and it was the top selling product for multiple weeks this summer.

Another category with big potential for us is e-learning and education in the broader sense. At the same time, schooling and learning are significantly changing under the effects of the COVID-19 pandemic. In Germany particularly, digitizing education is a topic that is currently on many people's minds.

We're also looking into expanding into household electronics and further developing our Smart Home category.

-

Berlin, September 2020