



## BLUE APRON

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## DECLARATION

I hereby declare that no portion of the work referred to in this thesis has been submitted in support of an application for another degree, or qualification thereof, or for any other university or institute of learning.

I declare that this thesis is my independent work. All sources and literature are cited and included.

I also hereby acknowledge that my thesis will be made publicly available pursuant to Section 47b of Act No. 552/2005 Coll. and AAU's internal regulations.

## ACKNOWLEDGEMENT

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## Executive Summary

The aim of this paper is to critically analyze the current strategy of Blue Apron, an American meal-kit delivery service company, to further propose potential strategic alternatives for improvement and to introduce a new recommended strategy.

The analysis seeks to address the following strategic question: *in 2017, despite reporting steady revenue numbers, Blue Apron is faced with a number of challenges: stock prices falling*

## **1.0 Introduction**

Blue Apron is an American meal-kit delivery service pioneer. Established in 2012 in New York City, the company had quickly gained popularity across the United States due to its unique and novel business model. The company's idea is to provide an alternative to traditional grocery shopping, dining out and ordering takeout from restaurants. It does so by sending their customers boxes with fresh food that has been precisely measured out and packaged in refrigerated



## **2.0 Company Overview**

*Please refer to section Company Details in the Appendix for the strategic overview*

### *2.1 Stock Performance*

Following a series of revenue-

*Figure 1. “What are the primary reasons you do not plan to continue purchasing from meal kit companies? Select up to 3 responses.” The main reason for cancelling subscription is that the service is too expensive, followed by poor recipe range and*

consumed. We believe a better food system will benefit not only consumers and stockholders, but also the planet, and we manage our business for the benefit of all three.”<sup>9</sup>

This vision statement sets forth the company’s focus on sustainability and bettering the environment. However, the vision statement does not provide clear direction of where the company is going in terms of its operations. Building a better food system is not a strategic goal for the company because it is, in the end, a for-profit organization that has to generate revenue. It does not provide a clear vision of how the company will look like or be structured in 5-10 years time.

The recommended vision statement for Blue Apron is introduced in Section 16.1 *Revised Mission and Vision*.

## *2.6 Company Overview Conclusion*

Blue Apron’s market position, low customer satisfaction and a badly performing IPO show a worrisome trend of customer loss due to inability to battle competitors, promote customer loyalty or offer a unique enough service to differentiate the product. The company’s vision and mission statements are not articulated clearly to portray what Blue Apron’s corporate strategy is and where the company is going.

### 3.0 Blue Apron Business Model

<b>Value Proposition</b>	Service convenience, Focus on sustainability, Innovative idea, Sense of self-fulfillment with cooking
<b>Customer Segments</b>	Young adults & millennials, Med-higher income families, Urbanites
<b>Channels</b>	

ingredients and recipe brochures are also coherent with the value proposition. All of the aforementioned points are targeted to

To attract and retain customers, Blue Apron raises brand awareness through advertisements and promotions — online (mostly on social media and partner websites through digital advertisement), on TV and offline (street signs, banners, etc.).

This is another key area for improvement that Blue Apron should consider.

### *3.4 Customer Relationships*

Blue Apron has little to no direct interaction with a customer ordering meal-kit boxes, hence the self-/automated service nature of customer relationship. Any customer can easily subscribe to the service without any service assistant to further receive scheduled deliveries of the meal-kits to the door — the whole process is fully automated. There exists a customer service line to resolve issues or file a complaint.

### *3.5 Revenue Streams*

The company generates revenue mainly from the sale of their meal kits (subscription cost for 2-Person or Family Plan). The company also generates revenue from Blue Apron Wine, a Blue Apron's subsidiary that sells selected wines and Blue Apron Market, which offers supplementary items such as kitchen utensils, cutlery, cookware and pantry supplies (like salt, pepper, chocolate, olive oil). Blue Apron also sells products of BN Ranch, a producer of sustainable poultry and meat, which was acquired by the company in February 2017. Blue Apron has claimed that the substantial amount of its revenue is generated from the sale of meal kits, which it is their primary revenue stream, with other sources of revenue being only supplementary.<sup>12</sup>

Evidently, due to gross profit margins being very thin (30% average) and net profit margins being negative (-20%, FY2017)<sup>13</sup>, a single primary revenue stream may not be enough to sustain a business in the face of competition and grow profits in the industry where switching costs are close to nonexistent or extremely low.

### *3.6 Key Resources*

Unique combination of assets that Blue Apron possesses to deliver its value proposition to the customer and optimize allocatET Q q 0 BT 50 0 2x0.2 (z) ](uppl) 0.2 -0.2 ( Tf [ (s) 0.2 ( a) 0.-0.5 (a) 0.2

Blue Apron relies heavily on its physical resources such as fulfillment and operations centers to receive, prepare, package and ship meal-kits. Similarly, human resources — workers and specialists working in these centers — are also crucial to the successful execution of the business model. One of the key resources Blue Apron has are tied with the partnerships the company has established (intellectual resource)

Blue Apron opts to deliver the highest value to the customer, hence the value-driven approach and a handful of major cost drivers.

Due to the nature of the business being reliant on timely delivery of ingredients to fulfillment centers and then of the meal-kit boxes to the customers, Blue Apron spends a chunk of its expenses on shipping and last mile delivery logistics (about 20-30% of total cost)<sup>18</sup>. Alongside logistics costs, production and operating expenses are rather costly for the company — especially with the servicing of the newly opened fulfillment center in New Jersey. Marketing expenses, though recently cut from 17% to 13%<sup>19</sup> to fulfill the new operations center, are now pulled back up to account for a major cost activity for Blue Apron, as well as supply chain activities, exclusive partnerships and human resource expenses.

### 3.9 Key Activities

*Figure 2. The above visual reflects the current Blue Apron business model and its end-to-end value chain. First, the company partners with farmers and suppliers of organic and sustainable food to later deliver to the company's fulfillment centers for quality control, packaging and boxing. Next, meal kit boxes are being delivered to the customer's door. Customers then can cook their meal with Blue Apron's meal kit. The above activities reflect several key components that are of value for the current business model: fresh and organic food, efficient and effective supply and distribution network, customers' convenience and unique cooking experience. Author: Arina Tokoryan, 2018.*

The main activities Blue Apron performs in order to successfully deliver superior value to the customer are directly related to production, optimization and distribution of the service and also the way the company manages its supply chain network to support the main activities.

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<sup>18</sup> Shipping Plays Costly Role in Meal Kit Delivery, Jennifer McKeivitt - <https://www.supplychaindive.com/news/blue-apron-meal-kit-delivery-logistics/445653/>

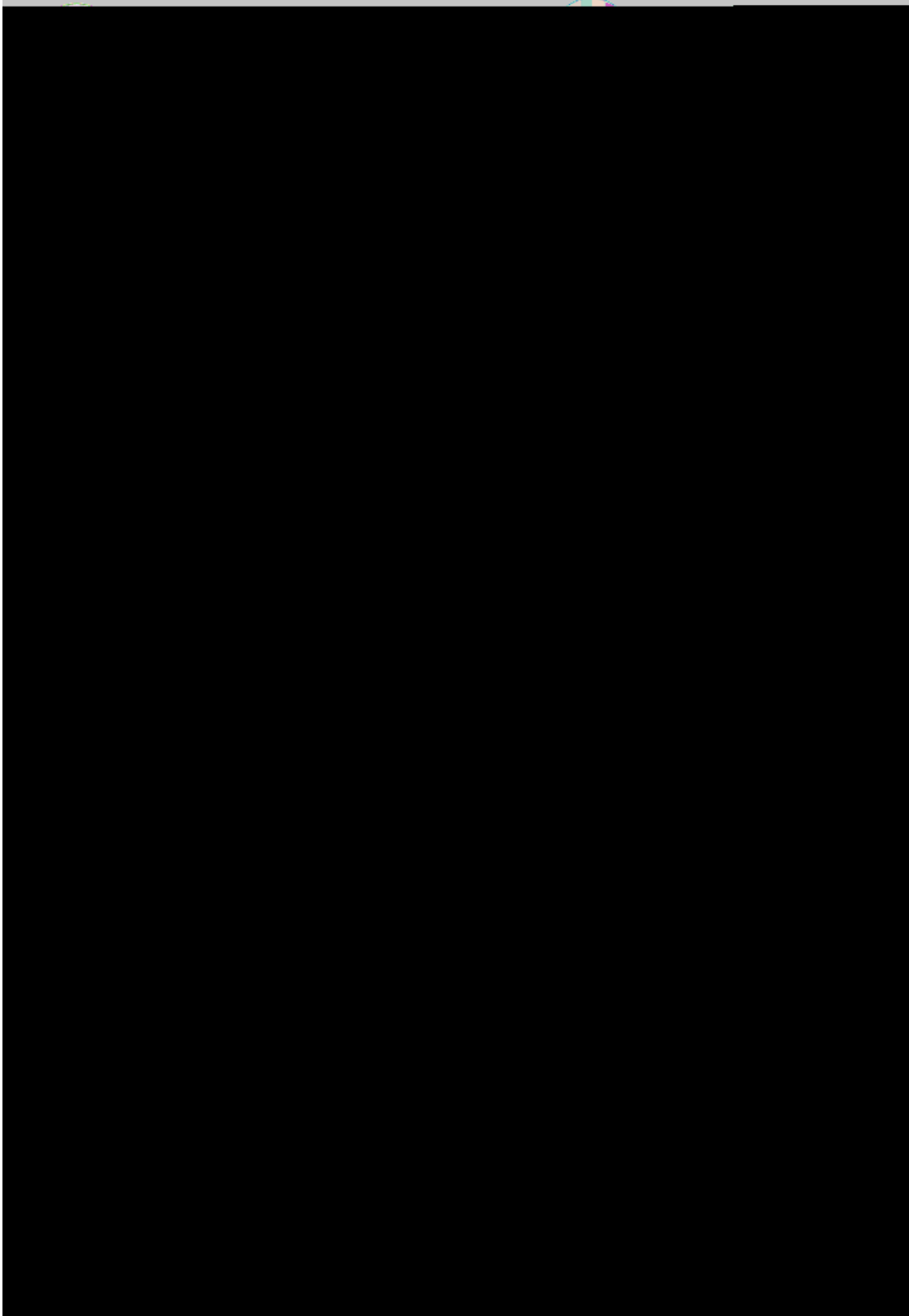
<sup>19</sup> Blue Apron Shares Jump After Losses Narrow



While the company outsources food production and most logistics operations, it relies on running its fulfillment and operations centers. Huge production areas (the new fulfillment center in Linden, NJ is 495 000 square foot and employs around 2 000 people) receive, quality control, prepare, package, store (refrigerate) and ship vast amounts of food, so the coordinated production system is a must for the company. As a newly employed program, the new fulfillment centers now operate an automated operations and inventory management system which ensures a smooth and timely production of service.

Another key activity Blue Apron undertakes is managing its supply-distribution network in a such a way that each of the company's affiliates and partners works exclusively with Blue Apron (within its industry) to offer the highest quality product and service.

*3.10 Current Activity Systems Map*



**Creating a unique home-cooking experience***Pre-portioned, boxed ingredients with recipe brochures*

An activity that provides customers with the unique home-cooking experience and adds to the novel, innovative business model, — whereby a customer receives a box of pre-portioned measured ingredients to cook at home.

In addition to the pre-measured ingredients, customers receive an elegant recipe brochure with cooking steps illustrations. Customers enjoy aesthetically looking things and Blue Apron acknowledges this fact by creating sophisticated recipe brochures, that almost look like they are hand-crafted.

## **Custom distribution network**

### *Reliance on customers' brand awareness & connection*

Being a meal-kit pioneer and having earned a powerful brand name within its industry, Blue Apron relies heavily on its brand awareness and recognition, along with the customers' connection to the brand, which results in a customized distribution network (loyal customers+new customers+those customers telling potential customers about the brand).

### *Heavy advertisement*

Since inception, Blue Apron relied heavily on marketing and advertising, as these are one of the only activities the company can perform in order to acquire and retain customers. Marketing expenses have been significantly cut last year due to servicing the company's new facility, causing the customer base to shrink greatly. Thus, advertisement is the company's key

More than 70% of Blue Apron food suppliers are in an exclusive contractual relationship with the company<sup>20</sup>, meaning that the suppliers are not able to sell to any other company with the similar service. This activity adds to the uniqueness and integration of supply chain relationship.

*Only high-quality farm produce and fresh food*

Blue Apron offers only high-quality food to its customers and demands it from its suppliers, which adds to both the supply chain relationship and customer-centric focus activities.

*Eliminated middlemen foster supply chain relationship and reduce cost*

In this case grocery stores, middlemen would only complicate Blue Apron's activity system and add up to the cost which would have a direct effect on Blue Apron's meal kit cost. Through partnering with farmers, the company is able to reduce costs and strengthen its supply chain.

### **Focus on sustainability**

*Creating consumer value through conscious eating habits*

Blue Apron actively promotes healthier eating standards through a strong focus on the sustainable food system, waste reduction and use of only organically grown produce and meat. Such activity adds to the customer's product value because it ultimately gives them a feeling of self-fulfillment by knowing that with each purchased meal kit, they support the planet's ecosystem.

*Reducing food waste*

Blue Apron positions itself as an eco-friendly company, meaning that each activity the company performs should in the end benefit the environment in some way. The company does so by reducing food waste through packing the exact amount of ingredients to match a single portion size. That way there is no leftover food that can be thrown away.

*Compelling prices*

By effectively integrating and coordinating its supply chain activities, Blue Apron was able to offer meals to the customers at lower to average prices compared to the competitors (say, Plated offers their meals at \$11.95 per person per meal<sup>21</sup>, while Blue Apron's family plan offers meals as low as \$8.74 per person per meal).

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<sup>20</sup> Blue Apron: Fresh Ingredients, Original Recipes, Delivered to You  
<http://www.blueapron.com>

<sup>21</sup> Great Dinner Plans Start Here. Our plans are flexible-

### 3.10.1 Strategic Fit

*F*

The aforementioned activities partially support Blue Apron's value proposition, however just these activities alone are not enough to give the company competitive advantage against its competitors.

### **3.11 Competitive Advantage**

At the moment, Blue Apron possesses no competitive advantage and is unable to compete on differentiation and product uniqueness due to its ineffective strategy.

Even though it is critical for the company to develop and sustain competitive advantage to be able to further compete with its rivals, Blue Apron lacks any clear long-term oriented strategy and struggles to make a profit (*please see section 8 for Blue Apron's financial analysis*) and retain customers.

### **4.0 Current Strategy**

*Blue Apron's current strategy is to target, acquire and retain as many new customers as possible by the effective use of its existing resources and activities through an efficient and coordinated supply chain while promoting healthier eating standards.*

In an attempt to expand its customer base, Blue Apron invests heavily in content

## **5.0 Porter's 5 Tests of Strategy**

### *5.1 Distinctive Value Proposition*

Blue Apron's value proposition uniqueness is compromised by a continuously growing number of emerging and existing competitors that offer virtually the same value proposition. As an example, a meal-kit company Purple Carrot targets only a segment<sup>25</sup>



Activities currently performed within the company's value chain show little to no fit. The only area where the company is able to create strategic fit is within its supply chain related activities and creation of unique home-

## 6.0 Financial Analysis

The following information sets forth the consolidated financial statement data of Blue Apron Holdings, Inc. including its subsidiaries. *All of the financial data was taken from the company 10-K Report filed on February 22, 2018 (Please see Appendix for Consolidated Financial Statements)*<sup>28</sup>.

### 6.1 Net revenue (in thousands) for years ended 2017, 2016 and 2015

Above are the net revenue figures accounting for the last 3 years of the company's operations. The revenue increased by \$85.8 million to ~\$881 million in 2017, which is an 11% increase from the year ended 2016. The numbers are not only stable or consistent, but are also seeing a positive upward trend.

Such

company says that it plans to break even by the year 2019<sup>29</sup>. If no significant changes are implemented in Blue Apron's business model, this goal is unfeasible.

#### *6.1.2 Net income loss from operations (in thousands) for year ended 2017*

It is also important to assess the percentile breakdown structure of Blue Apron's income loss. The below figure shows that income loss from operations amounts to \$188.8 million, which

constitute almost 22% of net revenue and 86% of net income loss.

These numbers suggest that Blue Apron's economic condition is at risk. Due to costly procurement, logistics and supply activities, the company is not able to make profit.

#### *6.2 Profitability Analysis*

Below figures correspond to Blue Apron's profit and gross profit margins in terms of revenue, respectively<sup>30</sup>.

The company's quarterly profit margin is negative, which means the company is not solvent and that it is losing money. Blue Apron's revenue cannot account for its expenses. This figure shows a potentially threatening financial condition for the company.

Gross profit margin is almost at 30%, which is a solid number that could lead to profit generation if not for other operating expenses. Such difference in profit and gross profit margins exists because the company's marketing and product expenses are way too high (a combined 64% of all operating expenses).

#### *6.3. Customer numbers (in thousands) for years ended 2017, 2016*

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<sup>29</sup> Blue Apron Puts Ebitda Breakeven on Table For Late 2018, Meredith Mazzilli - <https://www.reuters.com/article/us-blue-apron-hldg-r>

	Three Months Ended			
	March 31	June 30	September 30	December 31
2017	1,026	842	856	746
2016	1,190	1,068	1,078	1,070

The numbers above show Blue Apron's customer count for each quarter of the years 2016 and 2017. In 2017, the number of customers accounted for 746 000, which is 15% less than in 2016. This is a worrisome trend for the company taking into account an increased number of competitors.

### 6.3.1 Revenue Per Customer

Below are the revenue per customer numbers for each quarter of the last three years.

	Three Months Ended			
	March 31	June 30	September 30	December 31
2017				
2016				
Average Revenue per Customer	\$ 228	\$ 242	\$ 247	\$ 222

Average revenue per customer numbers are influenced primarily by average order value and average frequency of orders. The numbers, although subject to slight fluctuations, were stable over years and the company has earned \$3 more in the the 4Q 2017 in comparison with the same quarter in 2016. The digits show a promising sign of potential for the company to become profitable if it can efficiently account for its expenses and increase revenue.

### 6.4 Stock Performance

Blue Apron filed for IPO on June 29th, 2017 with an offer price of \$10 per share. The stock price started to decline rapidly almost right away and was fluctuating heavily, but continuously downward.

At the moment, Blue Apron trades at \$3.10 per share and is considered highly volatile

and a risky investment. The company's market cap was \$444 million at the IPO.

*Figure 5. The visual shows Blue Apron's stock price performance over its course of existence. The chart shows poor stock performance, as the price today is more than 70% lower than their initial price. This can also be a reflection of the company's*

For comparison: Hellofresh, a Germany-based meal-kit company offering similar service, has opened market trading on Frankfurt Stock Exchange in November 2017 with an offer price of 10. At this moment the stock is valued at 12<sup>32</sup>; the market cap at IPO was 1.7 billion — 3 times more than that of Blue Apron's.

*Figures 6 and 7. The visualisations represent the analysts' opinion on Blue Apron's stock performance and volatility. Analysts suggest that it is early to make decisions to either purchase or sell the stock, thus their advice is to hold for the moment. The investment is considered risky. Source: SeekingAlpha*

However, the stock performance for FYE 2017 beat analysts expectations. It is estimated that Blue Apron will start to be able to earn money for its shareholders, however the next 2-4 years the returns are still looking to be negative.

#### 6.4.1 Earnings per share

As can be seen in the chart above, Blue Apron generates negative returns on its shares. At this moment, there are 30.04 million shares outstanding<sup>33</sup>. Negative earnings per share generally constitute poor company performance. It means that the company is unable to deliver dividends to the owners of their stock. However, if Blue Apron implements a successful corporate strategy and starts to make profit (which is pivotal for positive EPS), it can quickly turn negative returns into dividends for its shareholders.

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<sup>32</sup> Hellofresh Ipo Surpasses Blue Apron Valuation  
Pymnts -

### *6.5 Financial Analysis Conclusion*

The above analysis shows that Blue Apron is unable to make any profit or break even on its expenses even despite the revenue numbers being rather consistent. Blue Apron is quickly losing customers in the face of emerging competition while it is greatly investing its marketing expenses.

The company's IPO was not off to a good start with the news of Amazon's Whole Foods acquisition and patent filing for meal kit distribution emerging just before the trading opened. Since then the stock price fell more than 70% off the offer price and keeps fluctuating due to extreme volatility. All of the points above constitute poor corporate strategy and thus lack of financial and economic stability. If the conditions do not change in the foreseeable future, Blue Apron may soon go deeper in debt or file for bankruptcy because it is impossible to operate on constant losses.









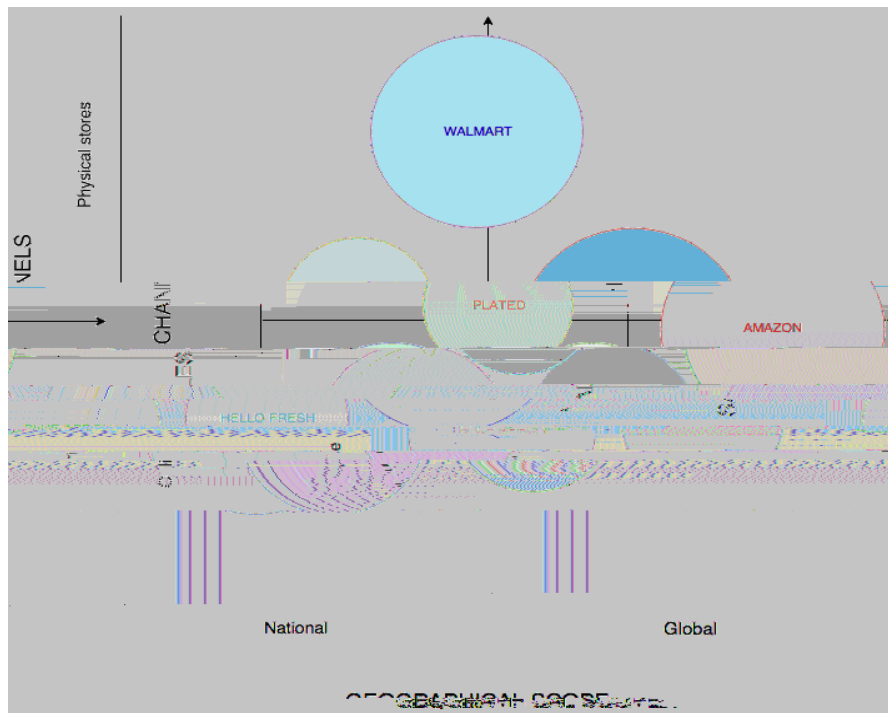
### 8.1.3 HelloFresh

Hello Fresh is a Berlin-based company that is operating mainly in the US and that specializes in meal kits. Blue Apron and Hello Fresh are direct rivals because both companies only offer meal-kit services and are not large retail corporations like Walmart and Amazon. Their meal prices are slightly higher than Blue Apron's — at \$11.50 per person per meal for a 2-person plan and \$10.75 per person per meal for a four-person plan<sup>45</sup>. Hello Fresh operates in 10 countries and has had a valuation of \$1.7 billion at their IPO in November 2017<sup>46</sup> (for comparison: the whole US meal kit industry is valued at \$5 billion<sup>47</sup>). Hello Fresh is popular with the customers because it offers a variety of recipe choices — for example, clients can

Walmart store will serve as an advertisement that will target a broader customer range — like less tech-savvy people and people over 50 years old (only 12% of the meal kit customers are 50+; refer to figure 12). The company has an advantage over Blue Apron in terms of service distribution channels (physical store locations) and target customer numbers which means more people will be aware of the product thus more chances for purchase.

HelloFresh has eaten up a lot of Blue Apron’s market share last year when Blue Apron cut back on marketing activities due to increased operating expenses<sup>49</sup>. This is also in part due to customers enjoying the company’s greater and more flexible recipe options, less cooking time and less packaging waste. Interestingly, 8% of Blue Apron’s customers are subscribed to Hello Fresh services at the same time<sup>50</sup>. If Blue Apron does not execute efficient marketing activities to target the customers who have switched to Hello Fresh and new customers, HelloFresh may continue to expand its market share leaving Blue Apron behind.

### 8.3 Strategic Group Map



<sup>49</sup> How Blue Apron Plans To Juice Its Gross Margin- [http://host.madison.com/business/investment/markets-and-stocks/how-blue-apron-plans-to-juice-its-gross-margin/article\\_8b8a9b1f-4d44-542e-80f6-55e02a933ba3.html](http://host.madison.com/business/investment/markets-and-stocks/how-blue-apron-plans-to-juice-its-gross-margin/article_8b8a9b1f-4d44-542e-80f6-55e02a933ba3.html)

<sup>50</sup> Topic: Online Meal Kit Delivery Services in the U.S.  
Eric Duncan - <https://www.statista.com/topics/3336/online-meal-kit-delivery-services-in-the-us/>



## 9.0 Porter's 5 Forces.

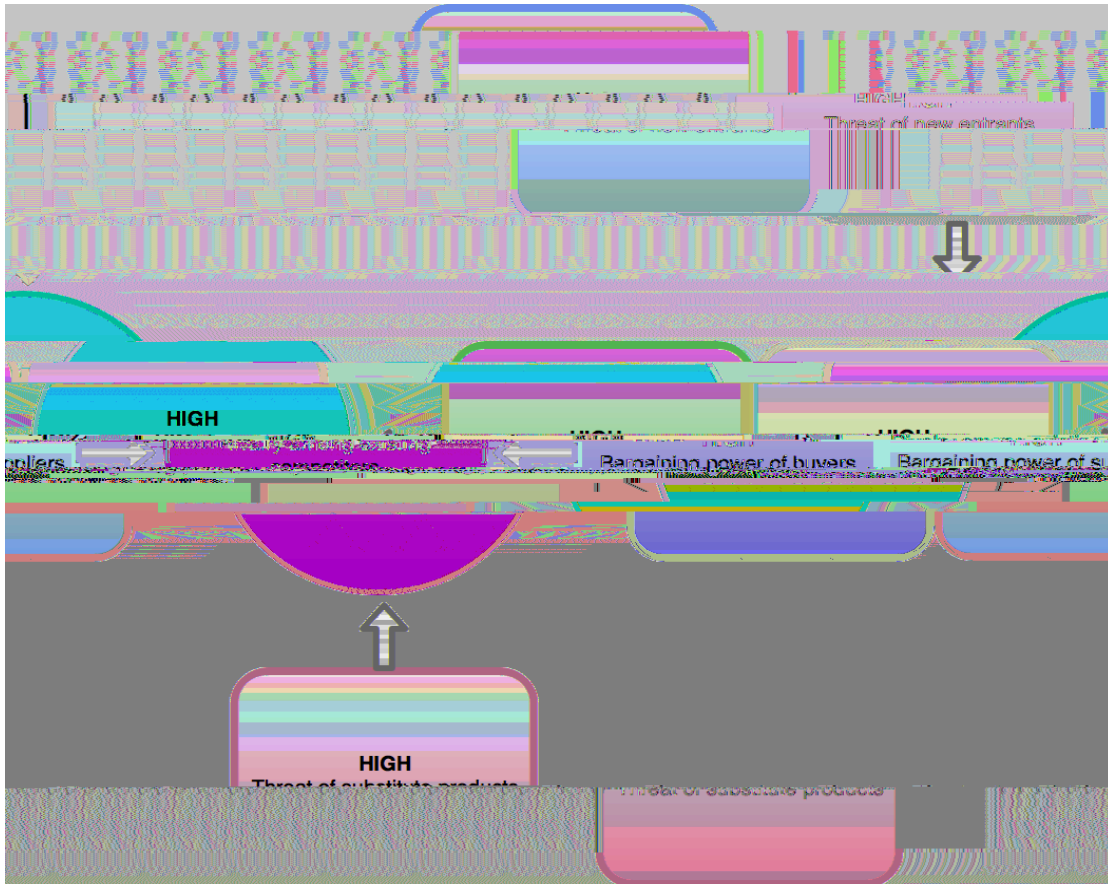


Figure 10. Blue Apron's business model canvas portrays the 5 forces strongly affecting the company. Author: Arina Tokoryan, 2018.

### 9.1. Bargaining Power of Buyers

Bargaining power of buyers is high for the meal-kit industry. Meal kit companies depend heavily on customer retention numbers as meal kit sales are the only primary revenue stream for most of the companies. Customers' switching costs are extremely low and they can easily switch to the next company providing same service and offering lower prices because most meal kit consumers are price sensitive. Thus, delivering to the customer's wants and needs within the concept of meal kit service is the number one priority for any company operating in the industry. Therefore, buyers have high bargaining power in terms of consumer loyalty and retention.

### 9.2 Bargaining Power of Suppliers

Supplier's bargaining power is high for the meal-kit industry. Most companies within the sector rely on exclusive contractual relationships with their food suppliers — local and international farmers and purveyors. Contractual exclusivity assumes that if a farmer has partnered with one meal-kit company it does not have the right to supply any other meal-kit company. Many businesses in the industry base their recipe crafting around scarce and exotic ingredients — some of them hard to find within the local supply chain. This means that each exclusive supplier is an important partner for the company because it is their first step to an effective supply chain network. Thus, suppliers may command a higher price knowing that a meal-kit company would agree to the terms just to meet the product demand.

### *9.3. Threat of New Entrants*

Barriers to entry into the meal kit delivery service industry are low<sup>51</sup> which results in the threat of new entrants being high. It takes minimal investment to launch a startup platform between the food supplier and the end consumer — thus the increased and only growing competition within the industry. The service is considered to be a part of food industry and is not subject to many government regulations which further eases up the entry. Additionally, the sector is attractive for new entrants due to higher revenue numbers. Threat of new entrants is another strong force affecting the industry.

### *9.4. Threat of Substitution*

Threat of substitution for the meal-kit industry is high. Companies within the industry position their service as substitute for grocery shopping, ordering in and dining out. It is possible to argue that 'traditional' ways of getting food pose a major threat for the meal kit industry. Realistically speaking, it is nearly impossible for meal kits to completely substitute for grocery shopping or going out to eat, so substitution would be a constant threat for the industry.

### *9.5 Rivalry Among Existing Competitors*

Rivalry among existing competitors is high for the meal-kit sector. For such a young industry, competition got extremely strong over a short period of time especially with retail giants Amazon and Walmart entering the market in 2017. The market is now overcrowded with companies targeting all customer segments and occupying any possible market niche. Rivals try

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<sup>51</sup> More Food D

to compete on consumer taste preferences, company branding and appealing price points. This is why fierce competition is the strongest force affecting the industry at the moment.

#### *9.6 Porter's 5 Forces Analysis Conclusion*

Taking into consideration the above analysis it is now possible to conclude that competition in the meal-kit industry is very intense and will only be growing stronger. Higher buyers' and suppliers' bargaining power create limitations for meal-kit businesses in terms of operating capacity due to the companies' heavy dependence on both. Lower barriers to entry and attractive revenue numbers affect the industry players by posing a high threat of new entrants that could jeopardize any company's economic stability. Additionally, constant threat of substitution strongly affects the industry, because meal kits may never substitute for traditional ways of purchasing and cooking food. Growing competition and already intense competitive







## 12.0 SWOT Analysis

<b>Strengths</b>	<b>Weaknesses</b>



marketing research to appeal to a typical Blue Apron customer, otherwise all of the marketing efforts are inefficient.

### 3. *Low customer retention* (see section 2.3 *Customer Retention*)

This is a weakness because low customer retention results in higher customer churn rate for Blue Apron. Blue Apron has difficulties with customer loyalty — as previously mentioned in the paper, only 29% of customers are still around after the initial sign up. L.E.K Analysis survey shows that most common reasons for canceling subscription is price and taste, followed by inconvenient meal plan options (see Figure 1)<sup>55</sup>. Competitors in the industry try to woo the customers by offering constant promotions, sales and discounts, which means that the customer may easily switch to another company offering a better deal. This is because if some customers find the service to be too expensive or simply unsuitable for them they can easily go with another supplier.

### 4. *Poor customer service* (see section *Poor Customer Service in the Appendix*)

Poor customer service is a major weakness for Blue Apron as the company does not focus enough on customer satisfaction and experience which results in customers unsubscribing from the service. According to the reviews, customers complain that the food in the boxes comes spoiled or is of bad quality. When contacting the customer service representatives, clients say that they are not helpful and often refuse to refund the money. Many customers claim that the cancelation process is inconvenient and the company charges the card even when a customer has opted out.

## 12.3 *Opportunities*

### 1. *Enlarge customer base through product segmentation* (see section 9.4 *Threat of Substitution*)

Blue Apron may choose to expand its service offer within the meal-kit industry by product segmentation. Right now, Blue Apron's product offer is not segmented and aims to appeal to a broad customer range. Choosing to narrow down and strategically segment the product offer may lead to customers perceiving the service as unique which may result in customer base expansion.

### 2. *Grow revenue by diversifying the product portfolio* (see section *Markets in the Appendix*)

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<sup>55</sup> Why A Shakeout IN Meal Kit Industry Is Likely Executive Insights <<https://www.lek.com/sieion>>



This is a threat because food industry trends are subject to constant changes which are out of the companies' control span. Consumer shift in food purchasing is a threat for Blue Apron, because the company may lose a significant amount of customers due to taste changes.

3. *Looming industry shakeout* (see section 7.1 *Industry Overview*)

This is a threat because it is not possible to predict what the future of the meal-kit industry is and whether the market will be a solid addition to the ways of purchasing food or it will fade away as just another trendy service. At the moment the industry is overly saturated and crowded with too many competitors offering the same service with slight fluctuations in target market. This creates an industry bubble that is likely to explode soon which may lead to many





### 13.1 Strategic Alternatives

**1 (S), 2(S), 3(S) + 1(O), 2(O)**

*Promote customer acquisition and stabilize revenue by introducing a variety of meal plan options made more affordable and suitable for different dietary restrictions.*

It is suggested that Blue Apron creates a number of meal plan options suitable for different food preferences, dietary restrictions, as well as more affordable plans (since the number one reason for subscription cancelation is price). At the moment Blue Apron offers very limited meal plan options and poor recipe choice variety which is another popular reason for customer dissatisfaction and customers canceling the subscription. Their recipes are not suitable for vegan, keto or paleo diets, gluten or lactose intolerant people, pescetarians, people watching their weight, etc. Also, Blue Apron offers only dinner options that require lengthy cooking time — around 50-60 minutes average.

These changes can help Blue Apron target customer much more efficiently and will bring about new customers who were not able to cook with Blue Apron earlier because of dietary restrictions. A wide variety of meal plan options will appeal to a customer and thus will boost sales.

*Note:*

customers see the box on the aisle stand, the smaller and more compact box design will look more appealing to them rather than a large bulky box.

By starting to sell the meal-kits in physical stores Blue Apron will be able to target and potentially acquire new customer segments like less tech-savvy people, people who prefer traditional ways of shopping for food, or simply people who have not been familiar with the concept of meal kits. This will promote impulse buying and because of the lack of subscription commitment will attract new customers. This strategy also aims to battle competitors who are already selling the kits in stores more efficiently (Walmart, Plated, Amazon).

### **3(W), 4(W) + 4(O)**

*Strengthen customer loyalty and boost customer satisfaction by positioning Blue Apron as a lifestyle brand and educational platform for cooking enthusiasts rather than just a convenient alternative dining option.*

Blue Apron can better the retention numbers by investing in strengthening customer loyalty and customer service by repositioning itself in the market and promoting the service not simply as an alternative dining option, but rather as an exciting and unique cooking experience that would foster customer's emotional connection to the brand. This can be done through the creation of a lifestyle brand/loyalty program, whereby the mobile application and web hub platform are launched through which customers can choose and customize their recipes, get exclusive insights on the recipes they pick, learn some top-tier chef secrets and share their own cooking creations made with Blue Apron while being able to connect with other meal kit enthusiasts.

It is suggested that customers would receive benefits and enjoy exclusive promotions based on their involvement in the program. The benefits may include dollars off the next meal kit



its kits online for the percentage of sales or to partner with a number of grocery chains typical for the areas. Blue Apron is headquartered in New York City and it could first start selling its meal kit boxes in the city's high-end grocery chain like Kroger's. Convenient urban location of supermarkets gives the company an advantage over, for example, rural Walmart stores (where they sell their kits).

As part of the product portfolio expansion and in an attempt to target new customer segments, Blue Apron can create exclusive plans for specific target groups. An example is a lower-priced line for students with easy-and-quick-to-prepare meals and less sophisticated ingredients. New meal plan options should include lunch, breakfast and snack meals available for purchase altogether or separately. It is suggested that Blue Apron lets customers have more flexibility with recipe choice based on dietary restrictions and preferences. At least half of the recipes Blue Apron offers should also be altered in such a way that they take less time to prepare.

### *16.1 Revised Mission and Vision*

#### *Revised Mission*

Blue Apron's revised mission is: *to help and inspire all to be incredible cooks at their own home.*

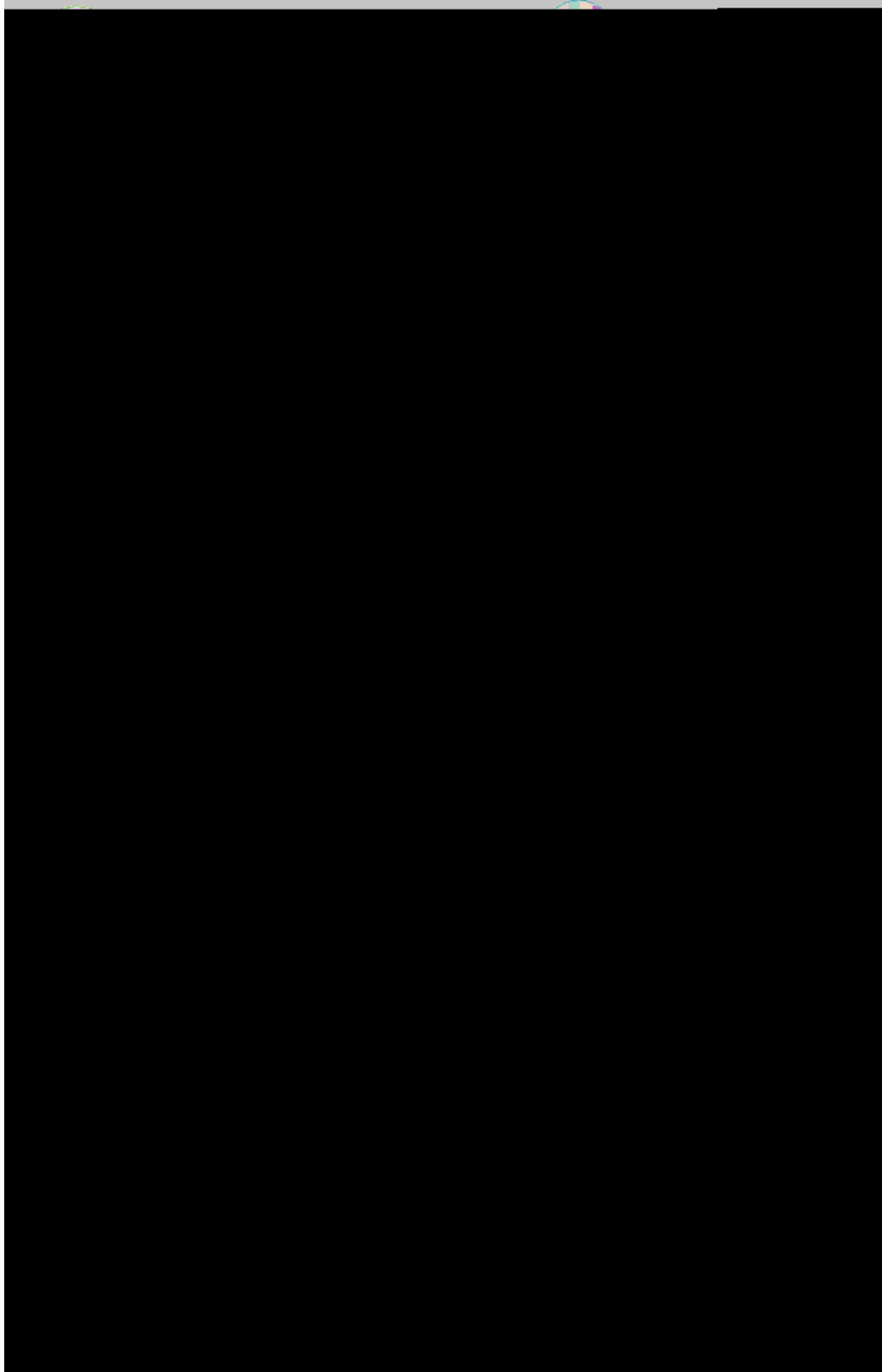
The revised mission statement reflects Blue Apron's new recommended strategic approach as well as their core company values. It indicates the concept of convenience and accessibility ("to help") as well as an educational concept ("to inspire"). This mission clearly targets a broad customer segment, which is Blue Apron's aim. It also states the company's way of delivering to their mission ("at their own home").

#### *Revised Vision*

Blue Apron's revised vision statement is: *to forever transform the home-cooking experience and to become the leading meal kit service provider.*

The revised vision statement reflects Blue Apron's new recommended strategy as well as their corporate values. It shows the company's positive future outlook on its success and the number one position in the industry and its ambitious plan to change the way people prepare meals forever.

16.2 Suggested Activity Systems Map



The suggested activity map for Blue Apron implements two new activities and a new value proposition that directly correlate with the recommended strategy. The new activities are: *meal plans suitable for a variety of dietary needs, cooking preferences and price points* and *widespread in-store sales*. The new value proposition is: *to provide customers with a unique and convenient dining alternative that is fun, suitable, accessible and affordable for all* and is tailored to reflect the new recommended strategy. Both new activities are circled with bolder color on the map and support the main activities.

First new activity *meal plans suitable for a variety of dietary needs, cooking preferences and price points* is critical for the effective implementation of the new recommended strategy and is supporting *Creating unique home-cooking experience activity* as well as *Highly integrated supply chain & operations activity* thus strengthening the value chain.



## 18.0 Strategy Justification and Implementation

The recommended strategy serves to help Blue Apron to regain its competitive advantage amidst aggressive competition and a potential industry shakeout and directly addresses the strategic question: *in 2017, despite reporting steady revenue numbers, Blue Apron is faced with a number of challenges: stock prices falling 70% from the IPO earlier that year along with a 15% decline in customer growth due in part to rapidly growing competition. What strategy should Blue Apron undertake in order to regain and sustain its competitive advantage?*

The new strategy constitutes a high degree of corporate agility and directly responds to the current industry trends and with the efficient utilization of the company's existing strengths can aid Blue Apron in regaining its competitive advantage.

### *Risk*

The new strategy does not create a lot of potential risk in terms of financial loss for the company (Blue Apron is already deeply in debt) because no great investment is needed to implement and optimize the new strategy. Partnership with food retail businesses is done by cutting off the percentage of meal-kit sales in-store. An existing highly efficient value chain with automated fulfillment centers and dozens of farmer partners and chefs will assist in expanding the product portfolio and crafting new recipes suitable for different dietary needs.

The only risk that the company is exposed to is losing its brand image. If the in-store sales do not happen to have success among the customers, Blue Apron's brand image may lower in the eyes of the customers who are already exposed to countless negative reviews and newsflashes regarding the company's poor performance.

### *Practicality*

The strategy can be implemented without disturbing Blue Apron's usual operating activities. To start selling in stores, Blue Apron will need to become a vendor for one of the urban supermarkets (Kroger's, i.e.) through a mutually beneficial strategic partnership whereby the supermarket receives a set percentage of all Blue Apron kits purchased in-store. This will require minimal to no financial effort from Blue Apron.

Product portfolio expansion will require Blue Apron to perform a thorough market research. This research will help Blue Apron to select and introduce the recipes, meals and create product lines according to the customers' needs and wants. Because Blue Apron has a great





## 19.0 Final Conclusion

The new recommended strategy was based on two strategic alternatives and constitutes the following: *to initially partner with a retail grocery chain to sell the kits in-store while expanding the product portfolio to introduce a greater variety of meal options.* The recommended strategy was designed to answer the following strategic question: *in 2017, despite reporting steady revenue numbers, Blue Apron is faced with a number of challenges: stock prices falling 70% from the IPO earlier that year along with a 15% decline in customer growth due in part to rapidly growing competition. What strategy should Blue Apron undertake in order to regain and sustain its competitive advantage?*

Two new activities relating to the recommended strategy were plotted into the suggested activity map: *meal plans suitable for a variety of dietary needs, cooking preferences and price points and widespread in-store sales.* The new recommended value proposition is as follows: *to provide customers with a unique and convenient dining alternative that is fun, suitable, accessible and affordable for all.*

Porter's analysis of strategy has shown that the recommended strategy passes the distinctive value proposition test, trade-offs different from rivals test and continuity over time test. Compared to the current Blue Apron's strategy which only passes one Porter's test, the new strategy is set to produce better results.

The new strategy directly addresses the strategic question and is crafted to be more agile and responsive to current industry trends which can set Blue Apron apart from its competitors. The strategy does not bear a high degree of risk and requires minimal financial investment. No stake



items, thus the implementation of automated technologies and a large amount of employee base. As of January 31, 2018 Blue Apron employs 3 9338 full-time workers with more than 85% of the workforce being engaged in fulfillment operations<sup>59</sup>.

*Figure 12. Blue Apron's business model visual as portrayed by the company. Source: www.blueapron.com*

End-to-end value chain operations are the core of the company's structure. Blue Apron invests heavily in its supply network and logistics operations as part of their unique business model whereby the timely delivery of fresh and organic ingredients is key. Logistics activities are being outsourced from major companies like FedEx and UPS and other local regional companies like LaserShip.

As part of their strategy Blue Apron has to partner with suppliers of organic food in order to create a trusted and exclusive contractual bond between the two parties. This is a critical activity that a company builds its strategy around (see Figure 11 for a visualisation of the company's business flow).

#### *Company Values*

Blue Apron prides itself on being a company whose mission is to revolutionize the way people get, cook and eat food. Its core values constitute benefit for the customer and the planet.

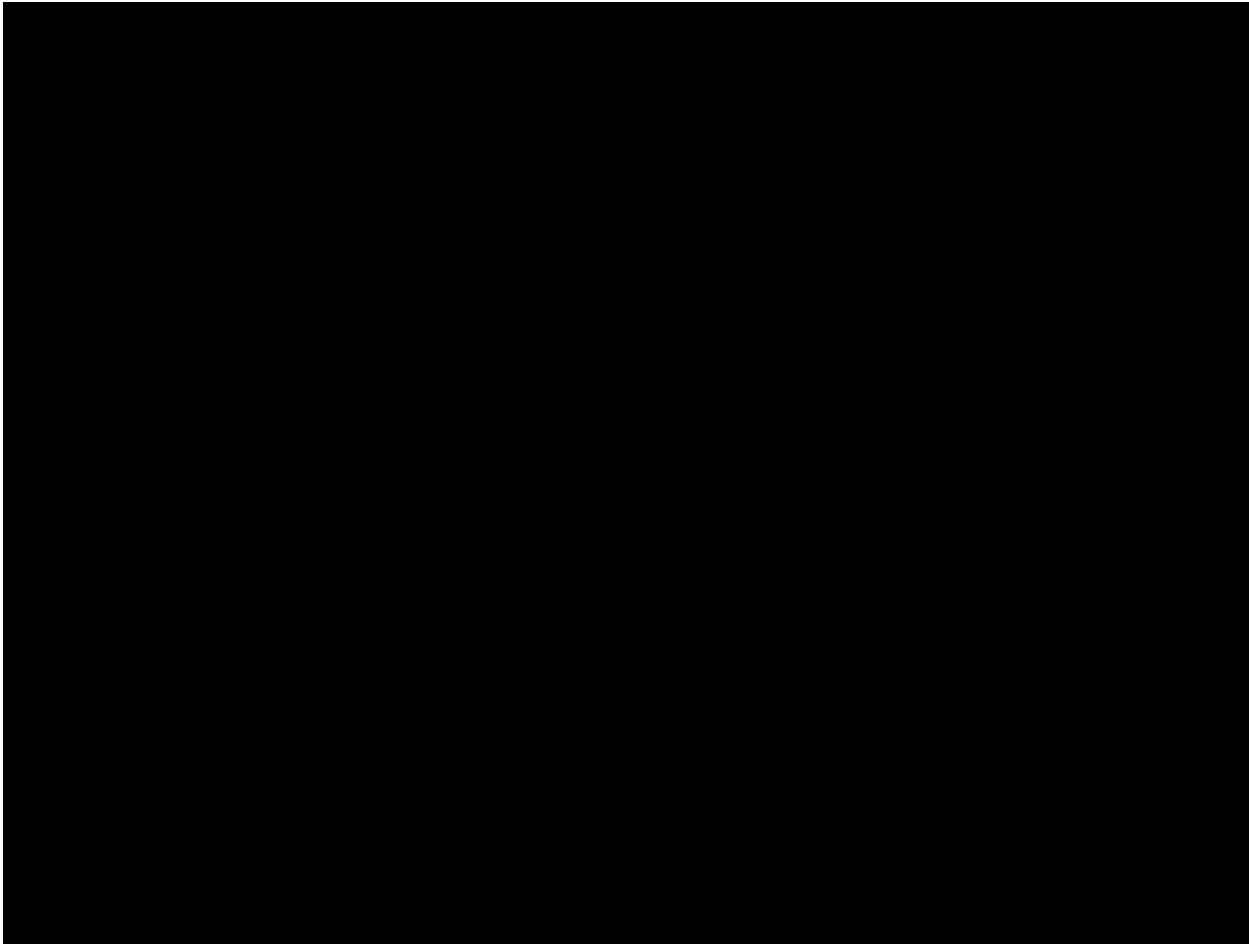
Customers value comes from Blue Apron providing them with a convenient service with quality experience at compelling prices (lower compared to grocery store shopping for same ingredients).

Blue Apron promotes sustainability through implementing “agricultural practices that reduce atmospheric carbon, [induce] the use of fewer agricultural inputs such as pesticides and fertilizers, and improve land management.”<sup>60</sup> Additionally, the company only sources meat and poultry that has not been treated with antibiotics and that has no added hormones. Blue Apron





*Value Proposition Canvas*





Consolidated Income Statement

	Veeva, Inc. December 31,			
	2017	2016	2015	2014
Revenue	267,907	165,179	70,151	31,811
Cost of revenue	(16,908)	(10,300)	(4,350)	(1,934)
Income (loss) from operations	(14,983)	(10,300)	(4,350)	(1,934)
Other income (expense), net	(61)	(61)	(61)	(61)
Income (loss) from operations, net of tax	(15,044)	(10,361)	(4,411)	(2,000)
Net income (loss) attributable to common shareholders	(15,044)	(10,361)	(4,411)	(2,000)
Weighted-average shares used to compute net income (loss) per share attributable to Class A common, Class B common, and Class C common	100,000,000	100,000,000	100,000,000	100,000,000
Net income (loss) per share attributable to common shareholders	(0.15)	(0.10)	(0.04)	(0.02)
Diluted	128,037,930	63,425,699	51,137,406	34,841,837

Consolidated Balance Sheet

	December 31,		December 31,	
	2017		2016	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Accounts receivable	41,927	42,887	Inventories, net	7,824
Prepaid expenses and other current assets	2,539	4,991	Other receivables	282,749
<b>Total current assets</b>	<b>44,466</b>	<b>47,878</b>	Restricted cash	2,371
Property and equipment, net	1,751	322	Other noncurrent assets	—
<b>Total Assets</b>	<b>\$46,217</b>	<b>\$48,200</b>		
<b>LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	—	—	Accounts payable	30,448
Deferred revenue	27,545	24,278	Deferred revenue	114,758
Total current liabilities	90,709	44,533	Long-term debt	70,247
Long-term debt	—	—	Facility financing obligation	8,116
Facility financing obligation	—	—	Other noncurrent liabilities	—
Other noncurrent liabilities	—	—		
<b>Total Liabilities</b>	<b>90,709</b>	<b>44,533</b>		
<b>STOCKHOLDERS' EQUITY</b>				
Convertible preferred stock, no par value of \$0.0001 per share, 10,000,000 and 11,371,402 shares authorized	—	—	Additional paid-in capital	5,147
Common stock, no par value of \$0.0001 per share, 100,000,000 and 100,000,000 shares authorized	—	—	Accumulated deficit	(138,594)
Retained earnings	512,528	5,147		
<b>Total Stockholders' Equity</b>	<b>(138,627)</b>	<b>(138,594)</b>		

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