

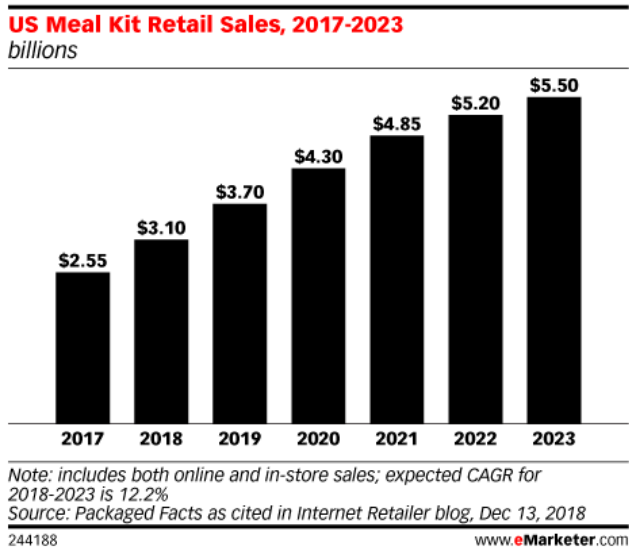
Meal Kits Add to Grocery Ecommerce Trend, but Fail to Match the Early Hype

Article

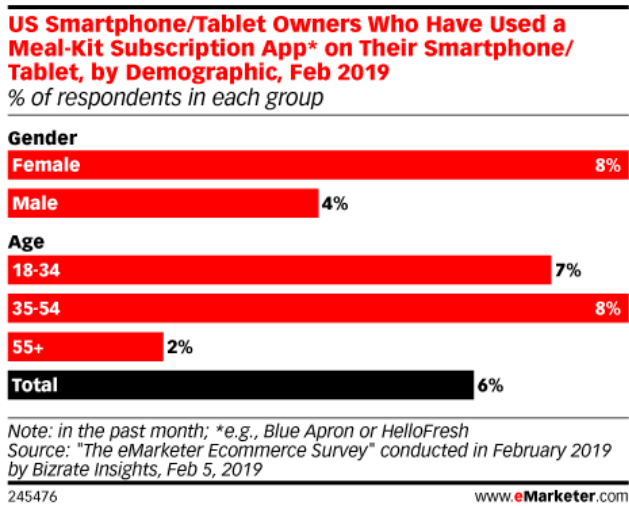
Busy, dual-income households increasingly demand time-saving meals, but don't want to sacrifice quality. For many, meal kits have been the go-to solution, which marketers have

touted as healthy, convenient alternatives to traditional home cooking.

According to Packaged Facts, US meal kit retail sales hit \$3.10 billion in 2018 and is expected to rise to \$5.50 billion by 2023, representing a compound annual growth rate (CAGR) of 12.2%. While healthy, it doesn't even match the expected growth rate for total ecommerce.



Convenience, particularly in the form of timesaving, is a strong driver of this trend. Meal-kit subscription app usage reached a modest 6% of US mobile device users in February 2019, according to Bizrate Insights. Usage skewed more female (8%) than male (4%) and toward those ages 18 to 34 (7%) and 35 to 54 (8%).



There is a use case for subscription meal kits, though perhaps not as strong as once thought. A few years ago, several startups flooded the space, attracted sizable venture funding and spent heavily to acquire customers—only to discover they had a leaky-bucket problem. Subsidizing trial to acquire new customers with discounts was easy, but the model has proven unsustainable for many players.

According to a 2018 Market Force Information study, HelloFresh edged out Blue Apron (38.8% vs. 34.7%) as the most-used primary meal-kit subscription service among US grocery buyers. Home Chef followed in third place (9.3%), while other players maintained a share of 3.1% or lower. While many meal-kit companies were funded, it appears there is room for only a handful to survive.

Why didn't meal-kit adoption achieve its once lofty expectations? According to Market Force Information, the No. 1 reason cited by subscribers who stopped using these services was value for the money spent. It was fine to use the service with discounts subsidizing the cost. But once customers were faced with paying full price, the value proposition eroded.

It also turns out that, for many customers, meal kits weren't especially convenient. Other leading reasons for discontinuing their use included amount of prep time (9.3%), number of steps required (8.9%) and total cooking time (8.3%).

“The phenomenon of meal kits tried to capitalize on the trend of younger adults wanting convenient but healthy home-cooked meals, which is a real need for a certain segment of consumers,” eMarketer principal analyst Andrew Lipsman said. “But clearly the opportunity isn't as big as once thought. Getting trial was easy for a lot of the meal-kit startups, but full-price meal kits carried a premium that, for many consumers, didn't really justify such a modest improvement in convenience.”