

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

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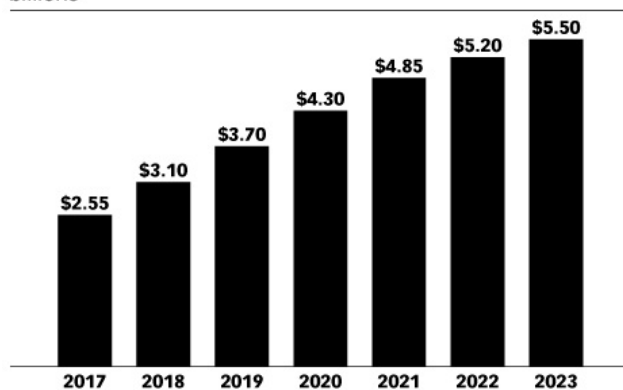
eMarketer Editors

Busy, dual-income households increasingly demand time-saving meals, but don't want to sacrifice quality. For many, the go-to solution has been meal kits, which marketers have touted as healthy, convenient alternatives to traditional home cooking.

According to Packaged Facts, the US meal kits market 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%. It's a healthy expected growth rate, and yet it doesn't even match the expected growth rate for total ecommerce.

US Meal Kit Retail Sales, 2017-2023

billions



Note: includes both online and in-store sales; expected CAGR for 2018-2023 is 12.2%

Source: Packaged Facts as cited in Internet Retailer blog, Dec 13, 2018

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

US Smartphone/Tablet Owners Who Have Used a Meal-Kit Subscription App* on Their Smartphone/Tablet, by Demographic, Feb 2019

% of respondents in each group

Gender

Female 8%

Male 4%

Age

18-34 7%

35-54 8%

55+ 2%

Total 6%

Note: in the past month; *e.g., Blue Apron or HelloFresh

Source: "The eMarketer Ecommerce Survey" conducted in February 2019 by Bizrate Insights, Feb 5, 2019

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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 sizeable 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 proved unsustainable for many players.

According to a 2018 Market Force Information study, HelloFresh (38.8%) edged out Blue Apron (34.7%) as the most used primary meal-kit subscription service among US grocery buyers. Home Chef followed in third place (9.3%), while all other players maintained a share of 3.1% or lower. Many meal-kit companies were funded, but 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, with other leading reasons for discontinuing their use including amount of prep time (9.3%), number of steps required (8.9%) and total cooking time (8.3%).

"The meal kit phenomenon 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-priced meal kits carried a premium that, for many consumers, didn't really justify such a modest improvement in convenience."