

Walmart Bets on Consumers' Appetite for Meal Kits

The latest retail entry into an increasingly crowded space

ARTICLE

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Walmart is tossing its hat into the meal kit delivery game, but will it be enough to lure shoppers to its stores?

The **big-box retailer** announced this week that it will offer a selection of meal kits in around 250 stores, with a push to expand into 2,000 by the end of 2018. Priced between \$8 and \$15 for two portions, the meals include dishes like sweet chili chicken stir-fry and steak Dijon with potatoes and asparagus.

These new products are on Walmart.com, but prices aren't listed and are clearly marked "In-store purchase only." Ostensibly, though, the meal kits will eventually be available digitally and become part of the online grocery pickup program, as was reported in a press release.

This move could be seen as a bid to compete with Amazon since the online retailer **launched meal kits last summer** through Amazon Fresh and is also selling them at its cashierless Amazon Go stores. But it's a trend that the grocery industry as a whole is adopting since it's not a big leap from rotisserie chickens and other ready-to-eat items to packaging ingredients for specific recipes. Albertsons acquired meal kit company Plated outright last year, Kroger has developed an in-house

brand of meal kits called Prep + Pared and Costco introduced "True Chef Meal Kits" in January 2018.

Grocers are gung-ho, though it's fair to say that so far online meal kits and prepared foods have appealed to a minority of US consumers:

- 6% of US internet users said they would use an online meal kit delivery service in 2018. (IRI, January 2018)
- 9.2% of US internet users had bought perishable prepared food from a grocer digitally in the past 30 days. (Bizrate Insights, February 2018)
- 9% of US digital buyers said they had ever bought a meal kit digitally; 5% had done so in the past three months. (Nielsen, September 2017)

When it comes to meal kit subscriptions specifically, younger generations **do have higher adoption** rates, but a large portion of millennials still remain uninterested. A survey released by Brandtrust in February 2018 showed US internet users ages 20 to 29 were more than twice as likely to have purchased meal kit subscriptions than those ages 30 to 39, but adoption was very low across the board.

Monthly Subscriptions Purchased by US Internet Users, by Age, Aug 2017

% of respondents in each group

| | 20-29 | 30-39 | 40-49 | 50-59 | 60+ |
|--------------------|-------|-------|-------|-------|-------|
| Paid music service | 31.1% | 20.1% | 15.3% | 6.4% | 4.1% |
| Gym membership | 30.6% | 24.5% | 18.8% | 16.7% | 6.1% |
| Magazines | 5.3% | 14.4% | 13.2% | 15.4% | 24.5% |
| Newspapers | 3.6% | 5.7% | 9.7% | 10.3% | 12.2% |
| Meal delivery kit | 3.1% | 1.3% | 0.7% | 0.0% | 0.0% |

Source: Brandtrust, "Evolutionary Psychology and Money-Saving Motives," Feb 1, 2018

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This subscription-free, omnichannel approach that Walmart and other retailers are taking might be successful, whereas meal kit companies like Blue Apron have only seen so-so uptake. US consumers enjoy the convenience of not cooking from scratch, but they don't always like the commitment of being locked into one service.