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MEAL KIT DELIVERY AS A STRATEGIC BUSINESS MODEL - UNLOCKING NEW CHANNEL GROWTH BY LEVERAGING THE POWER OF SOCIAL COMMERCE

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Abstract

This paper examines the food delivery industry, exploring its evolution alongside prevailing business models. The primary emphasis is placed on the meal kit delivery model, thoroughly analyzing its functionality and business model components. The study utilizes literature reviews, framework analyses, and expert interviews for a comprehensive understanding. Ultimately, this work project aims to determine innovation potential for the business model. By taking advantage of the opportunity for a social commerce introduction, meal kit deliverers can tap into a new target group and thus achieve new revenue potential.

Keywords

Business Model Innovation, Strategy, Food Delivery Industry, Meal Kit Delivery, Omnichannel Strategy, Social Commerce, Marketplace Transformation

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List of Abbreviations

BM .... *Business Model*	BMI ....*Business Model Innovation*
BMA ....*Business Model Analysis*	CAC ....*Customer Acquisition Costs*
BMC .... *Business Model Canvas*	

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1 Introduction

"Innovation is the ability to see change as an opportunity - not a threat" – Steve Jobs. The comment made by Steve Jobs is more relevant to businesses today than ever before. Companies need to keep up with a fast-changing environment and find answers on how they can remain competitive and successful in the long term. This is where this work project steps in by analyzing different business models from the food delivery industry in order to identify innovation potential for the meal kit delivery model.

1.1 Problem Definition

Meal kit delivery encompasses a subscription service for the delivery of meal kits which provide pre-measured ingredients and simple-to-follow instructions, to allow consumers the creation of chef-crafted meals in the convenience of their own kitchens (HelloFresh SE n.d.).

The industry in which meal kit deliverers operate is called *food delivery industry*. This market is secondary to the prior *food production* and clearly differs from pure food distribution like supermarkets or farmers markets, since the service of delivering to the consumer's door is part of the product. Accordingly, the market includes all goods and services that serve the purpose of procuring food for the customer. This includes the provision of groceries or prepared meals, the delivery of said products as well as the deployment of the orchestrating platform.

The food delivery market is characterized by a complex ecosystem of players who intensify the competition and cause many businesses to be unprofitable (McKinsey & Company 2022a). Nevertheless, stakeholders are still investing in the dynamic market since, not least due to the Covid pandemic, the market has developed from "a steadily growing business (…) to a veritable dynamo" (McKinsey & Company 2022a). In Germany, the industry has more than tripled since 2020, and is worth more than EUR 15.45 million (Statista 2023). Companies in the food delivery industry thus face the hurdle of both creating and capturing value by coming up with new and original ideas, with the goal of winning over the majority of customers and establishing a profitable business at the same time.

In order to meet the challenges of competition and maintaining a successful market position, companies need to be innovative and continuously work on the enhancement of their business model (BM): the framework for making money, creating value and capturing value (Casadesus-Masanell and Ricart 2014; Gassmann, Frankenberger, and Csik 2014). This process, called *business model innovation* (BMI), therefore embodies the framework for making money, creating value and capturing value by doing things differently (Gassmann, Frankenberger, and Csik 2014). Due to its high importance and the rapidly changing market conditions, BMI is an iterative process, which means it should be pursued and updated continuously. The aim is to take advantage of opportunities that arise and create a distinctive differentiation from the competition to secure the company's positioning and strengthen the business financially.

Against this background, *business model analysis* (BMA), in which a BM is divided into individual components for examination, represents an instrument for identifying innovation potential for the given company. Grasping the logic as well as the interdependencies of these components, it is possible to identify the company's prevailing success factors as well as possible weaknesses. BMA is a prerequisite for enabling appropriate BMI.

1.2 Objective of the Work Project

Various practical examples have shown that BMI has the potential to redefine the winning factors in an industry and to help a company achieve long-lasting success. This work project therefore aims to answer the central question of what characterizes the meal kit delivery BM and what possible innovation potential exists for it. This is especially relevant considering the current changes in the entire industry and the necessity of food for the daily life of our population.

In the practical part of the thesis, the BM is described and analyzed in detail. Additionally, it is set into context of other BMs within the industry to underline how they differentiate from one another. Giving recommendations regarding possible strategies is an essential part of the paper and will constitute the conclusion of the work project.

Due to the scope and clarity of the work, only a part of the industry and selected BMs of the industry will be considered for this purpose.

1.3 Course of the Investigation

Chapter 2 covers a theoretical introduction and lays the methodological foundation for BMA by outlining the theoretical basis of the procedure, taking critical voices into account. The choice of a suitable research design is also justified in this chapter.

Starting with a precise definition of the industry in Chapter 3 including an overview of its development and the evolution of BMs in the respective industry, the impact of the Covid-19 pandemic will be highlighted, and the status quo of the industry today will be described in order to clarify the practical problem and the objective. The focus of this section lies on the identification as well as the differentiation of the BMs.

Subsequently, in Chapter 4, the BMA is applied to the meal kit delivery service to shed light on the BM and enable a full understanding of its underlying concept. The goal is to highlight the BM’s advantages as well as vulnerabilities, to allow recommendations to be appropriate and relevant. Subsequently, the question, whether or to what extent the BM has potential for possible innovation which would improve its competitive situation in the long term, can be answered.

The realization of the existing innovation potential is to be made possible through the submission of concrete recommendations, which is the focus of Chapter 5. Each recommendation will be explained in terms of rationale, potential and required resources.

Finally, the changes to the BM will be outlined. The work project concludes with a discussion about limitations and extensions.

In the conclusion, the results of the work are summarized in order to give suggestions as well as an outlook for the further handling of BMI in the food delivery industry.

2 Theoretical Fundamentals of Strategic Business Model Analysis

In order to gain an overview of the apparent BMs within the food delivery industry and understand the meal kit BM in depth, a methodical procedure, consisting of four steps, was developed. Through that procedure, precise recommendations for improvement and innovation approaches are derived in the final part.

Firstly, theoretic foundations of BM definitions in literature were reviewed in order to ensure the comprehensibility of the procedure in the course of this work. Secondly, the rationale for employing the magic triangle according to Gassmann and the *Business Model Canvas* (BMC) according to Osterwalder and Pigneur in this work project is provided. Therefore, the characteristics that qualify both frameworks for a BMA in the food delivery industry will be explained in a condensed approach.

Finally, the sources used to fill the selected frameworks with data are explained. The practical application of the models with the inclusion of suitable data sources at a later point in the work project completes this intention. Lastly, the three steps are brought together to analyze and interpret the findings.

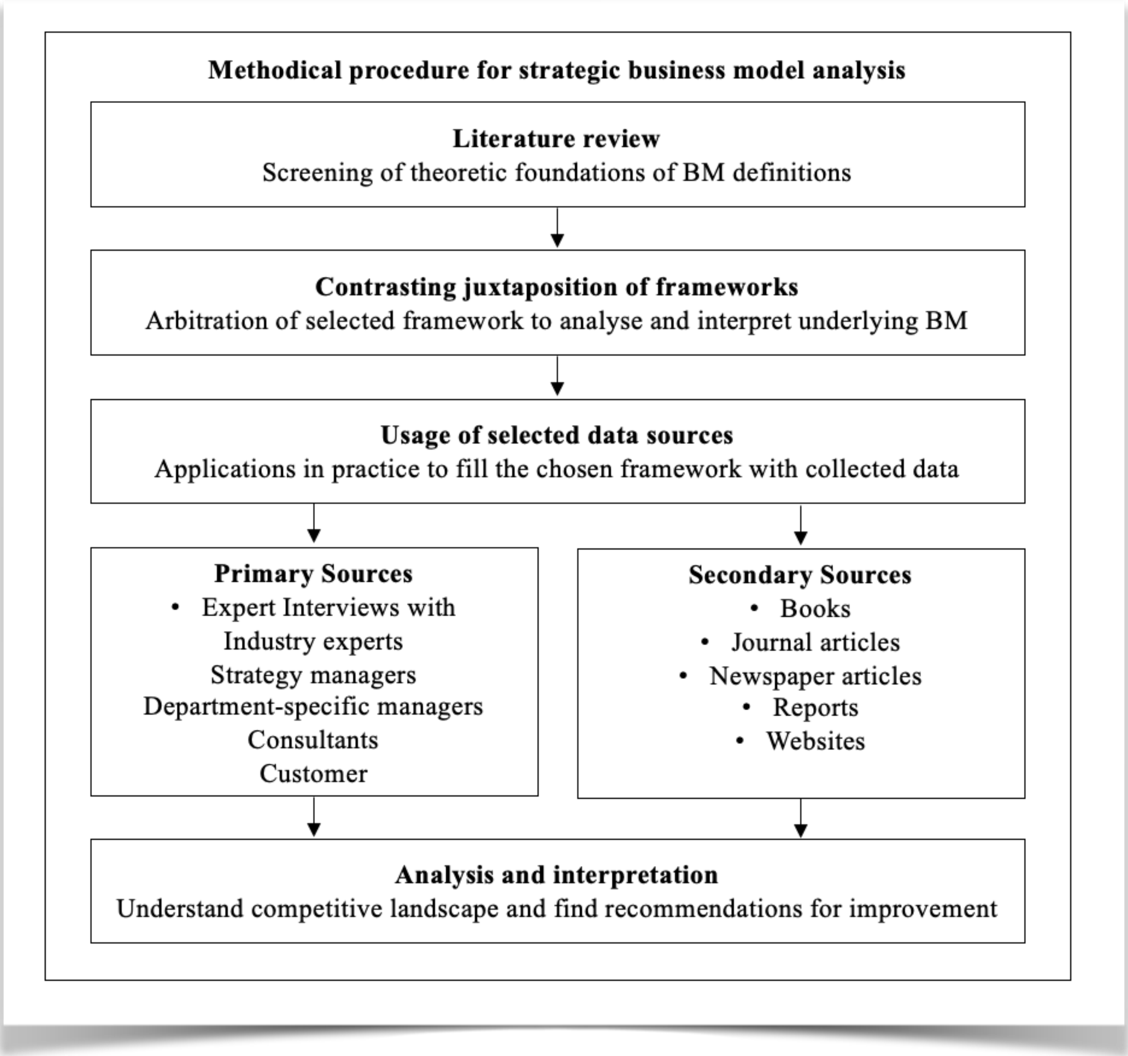

Figure 1: Visualization of the methodological approach
Source: Own illustration

2.1 Literature Review

The concept of BMs has gained significant attention in academic literature with the advent of the internet (Zott, Amit & Massa 2011) and only accelerated with works from researchers such as Timmers (1998), who developed an early typology of BMs, followed by examples like Weill and Vitale (2001) and Afuah and Tucci (2001).

Although a wide spectrum of researchers has dealt with the definition of BMs no generally valid definition of BMs has been agreed upon to date (Al-Debei & Avison 2010; Morris et al.

2005; Shafer et al. 2005; Zott et al. 2011). Nevertheless, some prominent definitions have crystallized over time, which are succinctly contrasted below.

A BM is a concept that defines how a company creates, delivers, and captures value (Osterwalder & Pigneur 2010; Shafer et al. 2005). It is also defined as a framework for organizing a company's resources, processes and interactions with customers, partners and other stakeholders to create value and generate revenue (Chesbrough & Rosenbloom 2002). Another definition describes a BM as a description of the value proposition of a company, the revenue sources as well as the cost structure (Magretta 2002). BMs can also be viewed as a way to create a competitive advantage by offering a unique value proposition, leveraging resources and capabilities and creating sustainable revenue streams (Afuah & Tucci 2003). Some scholars define a BM as a blueprint for how a company creates, delivers, and captures value that can be replicated and scaled over time (Zott & Amit 2010).

In conclusion, despite the variety of definitions, there is still no consensus in the literature on the exact components that make up a BM (Gassmann, Frankenberger & Csik 2013). Finally, through a deep analysis of the different definitions, Fielt (2013) proposed the following explication: “A BM describes the value logic of an organization in terms of how it creates and captures customer value.” In the course of this work, this definition will be used, as it is oriented towards the more recent definitions and additionally sufficiently general and abstract to encompass the application of the BM concept across a range of settings and uses, as well as to account for the concept's evolution through time within this still emerging and comparatively new discipline (Fielt 2013). As the business landscape continues to change and evolve, the study of BMs remains a critical area of academic inquiry, with potential implications for strategy, innovation, and firm performance.

The concept of BMI has also emerged as a significant area of research, given its implications for competitive advantage and organizational execution (Amit & Zott 2012). BMI refers to the process of designing, implementing, and adjusting novel and unique BMs, enabling organizations to differentiate themselves from competitors and capture value in innovative ways (Chesbrough 2010; Osterwalder & Pigneur 2010).

Various authors hold differing views on the degree of change required to classify a modification as an innovation in the BM. Therefore, it is not always trivial to define whether a BM change underlies a strategic adjustment or a BMI. According to the Northeastern University (2020), “innovation reflects a fundamental change in how a company delivers value to its customers, whether that’s through the development of new revenue streams or distribution channels.” Chesbrough (2007) describes BMI as advancing a BM from a very basic and unvaluable model to a highly advanced and valuable model. Lingardt et. al (2009) define an innovation as a BMI “when two or more elements of a business model are reinvented to deliver value in a new way.” In contrast, Boston Consulting Group (2023) provides a widely, practically used BMI definition where a company delivers “changes both to an organization’s value proposition to customers and to its underlying operating model.” Those changes can address the target segment, service offering or revenue model on the value proposition side, or profitability, competitive advantage, and value creation on the operating side. For the purposes of this work project, the Boston Consulting Group's definition will be used to distinguish between strategic adjustments and BMI when classifying recommendations, as it is both practice-based and clarity-driven. On the one hand, it finds widespread application in practice which means that it has been tested and validated by many companies across different industries and geographies. This makes it a reliable and proven approach to BMI that can be applied in a variety of contexts and situations. On the other hand, the definition is clear and concise, which makes it easy to understand and communicate to stakeholders both within and outside the organization.

2.2 Contrasting Juxtaposition of Frameworks

In response to the definition ambiguity of BMs and its complex system full of interdependencies and side effects, various researchers introduced different frameworks to analyze and understand BMs (Gassmann et al. 2014). Contrary to the general definition of BMs, which avoids a comprehensive list of elements, more specific and operational frameworks are used to analyze the compositional elements of a business and the relationship between them (Gordijn et al. 2005). Although there is a wide array of different frameworks, the components are often similar as the main elements in most cases describe the following factors: *customer, value proposition, organizational architecture,* and *economics dimensions* (Fielt 2013). In the following, the two frameworks that have proved to be most suitable for the purpose of this work, will be contrasted and critically assessed.

The Magic Triangle

The magic triangle is a framework developed by Gassmann, Frankenberger & Csik (2014) and is based on four questions, namely *Who, What, How* and *Why*. Answering these questions provides a concrete, tangible picture of the company, which in this framework is made up of three key components: *value proposition, profit formula*, and *key resources*.

The first questions' focus is the client since his needs and concerns shape the business's operations and goals. The client is positioned at the center of the BM as he delivers revenue to sustain it.

Subject of the second question is the value proposition, which includes the goods or services offered to customers in order to meet their wants and find solutions to their problems. This is the essential proposition that distinguishes the business from its rivals and gives customers a strong incentive to interact with the company.

The third question refers to the company's processes and activities to deliver the value offer. To enable the seamless development and delivery of the product and/or service, this entails leveraging resources and competencies and working with partners in the value chain.

The fourth question assesses the company model's financial feasibility by looking at its cost structure and income sources. This evaluation is essential for establishing if the business can make sustainable profits while preserving its market advantage.

The magic triangle framework is useful for businesses since it helps them to ensure that their value proposition, profit formula, and key resources are aligned and mutually reinforcing. By using this framework, businesses can create a sustainable and profitable BM that delivers value to customers.

While the magic triangle framework is a useful tool for businesses to align their value proposition, profit formula, and key resources, it has also been subject to criticisms and shows limitations.

The main point of critique is that the framework oversimplifies the complexity of BMs by reducing them to only three components. Some scholars argue that other important aspects of BMs, such as customer segments, channels, and cost structure, are not adequately considered in the magic triangle framework (Achtenhagen, Melin, & Naldi 2013).

Another limitation of the magic triangle is that it assumes a linear relationship between the three components. In reality, the relationship between the value proposition, profit formula and key resources is often more dynamic and iterative. Changes to one component may have a cascading effect on the others (Foss & Saebi 2017).

Finally, the magic triangle framework neglects the external environment the business operates in, such as market conditions, competition, and technological trends. Some scholars argue that a more comprehensive view of the BM should consider both internal and external factors (Teece 2010).

The Business Model Canvas

Osterwalder and Pigneur (2010) introduced the BMC, a one-page visualization that enables businesses to describe, design, and analyze their BM in a clear and concise way. It consists of nine elements that are divided into four categories: *1) customer segments, value proposition, channels, and customer relationships; 2) revenue streams; 3) key resources, key activities, and key partnerships; and 4) cost structure.*

The first category identifies the market segments that the business serves and describes the value proposition that the business offers to its customers. The second category specifies the channels through which the business reaches its customers and how it generates revenue from its value proposition. The third category outlines the critical resources and activities that the business needs to operate effectively and identifies the external partners and suppliers that the business collaborates with. The fourth category details the expenses and costs that the business incurs to operate its key activities and deliver its value proposition.

The canvas has become a popular tool for creating, analyzing, and modifying BMs, due to the given opportunity for visualization and its level of detail (Wit & Dresler 2021).

The main strength of the BMC is that it provides a comprehensive and flexible framework that can be customized to fit different types of businesses and industries. The visual format of the BMC makes it easy for teams to collaborate and communicate their ideas effectively. Additionally, the BMC emphasizes the importance of understanding customer needs and creating a value proposition that solves their problems, which is essential for creating a sustainable and profitable BM.

In comparison to the magic triangle framework, the BMC is more comprehensive and considers a broader range of factors that contribute to the success of a BM. The BMC includes components such as customer relationships and channels, which are not explicitly addressed in the magic triangle framework. Furthermore, it encourages a more iterative and flexible approach to BMI, which is well-suited for the dynamic and rapidly changing business environment.

Nevertheless, the level of detail in the BMC is also subject to criticism: the framework is referred to as being too broad and not providing enough guidance on how to implement and execute the new BM. Additionally, the BMC may not consider external factors such as market conditions and competition adequately, which hold the potential to significantly impact the BM’s success.

In summary, by answering the four questions of the magic triangle framework the underlying BM becomes tangible without overanalyzing it. Therefore, the magic triangle is a suitable framework to analyze the different BMs apparent in the whole food delivery industry to gain a general overview (see Chapter 3).

The BMC is a widely used and proven tool for businesses to innovate their BMs. Its flexibility, comprehensiveness, and visual format make it useful for business in practice, which is why the BMC is the chosen framework to analyze the meal kit delivery BM within the food delivery industry in depth (see Chapter 4). The limitations of the chosen framework are recognized and will be taken into account throughout the in-depth analysis.

2.3 Data Sources

In order to raise data and work with the chosen frameworks, two types of sources will be used throughout this work.

Firstly, a wide array of secondary sources, including books by scholars, experts, and journalists; journal articles published in academic journals; informative webpages; and newspaper articles that provide up-to-date information, will be collected, and screened. After careful consideration the most suitable sources are examined and combined through detailed analysis and synthesis.

In order to obtain first-hand information, primary sources are a crucial part of this work as well. Interviews are a valuable source in this context as they provide contextualized, authoritative, and analyzable information that can add depth and originality to the research. Expert interviews are the chosen primary source instead of surveys, since the aim of this work is to gain an in-depth understanding of a complex industry where expert experiences and opinions are more valuable and give deeper insights than survey data resulting from a large pool of participants.

The following interview forms are being distinguished: *the explorative or unstructured research interview*, *the guideline-based* or *semi-structured expert interview* as well as the *standardized* or *structured interview* (Atteslander 2010). Since profound knowledge about the topic was already held at the time of data collection, an explorative approach could be ruled out. In this case, the standardized interview is equally unsuitable since it excludes the possibility of asking intermediate questions. The guideline-based expert interview on the other hand aims to deepen the topics addressed by asking supplementary questions (Atteslander 2010). It opens the possibility of following up or adapting questions if necessary - following this approach, relevant additional information is obtained, and a deeper understanding can be gained. For this reason, the guideline-based expert interview was chosen for this study to elicit an up-to-date state of knowledge about the different BMs within the industry. This is a qualitative method of data collection in empirical research and the guidelines for the semi-structured interviews can be found in Appendix 7.

The selected interview partners have different professional backgrounds, which makes it possible to incorporate various points of view into the analysis. Five distinct categories were established to encompass various seniority levels and individuals from both corporate and private sectors.

The first category encompasses *industry experts*, providing insight into the industry's future development. The second category comprises *strategy managers* from companies featured in the project, who can address BM-related inquiries not found through research. The third category consists of *department-specific managers* from the analyzed companies, who can clarify uncertainties in particular aspects of the BM. The fourth category includes *consultants* who completed subject-relevant projects, offering additional insights. Finally, the fifth category features relevant *customers* who have previously purchased meal kits, giving a consumer perspective.

The aim of the interviews is to gain a detailed understanding for the respective BMs in order to be able to evaluate their strengths and weaknesses as well as to determine relevant findings regarding the winning factors and future potential within the industry. After a simplified transcription, the interviews were analyzed in a structured way. Coding was used to categorize and evaluate the components of the different BMs. The results are found in Chapter 4 and 5.

3 Prevailing Business Models in the Context of the Food Delivery Industry

In the following, the food delivery industry is defined, and its field of activity described. In addition, the description is to be understood as a delimitation of the relevant market for the further course of this thesis.

An overview of the development of the prevailing BMs in the industry will allow to understand the position of different companies in the context of the other players in the market and illustrates the relationships and structures of the sector. A look at the impact of the Covid-19 crisis will highlight how the industry has changed in the recent past. Finally, a picture of the industry as it exists today will capture the latest developments in the industry.

3.1 Definition of the Food Delivery Industry

The food delivery industry is the product of various food service solutions. Primarily, this includes (1) *meal delivery* and (2) *grocery delivery*. The industry definition thus comprises services which serve to supply customers with (1) prepared meals and food for direct consumption as well as (2) unprepared food, individual beverage products, household and personal care products that are ordered online (Statista 2022). Meal delivery includes the delivery of meals carried out directly by restaurants, which is defined as the *fully integrated model*, as well as online delivery services that deliver meals from partner restaurants which do not offer meal delivery themselves – *order deliver model*. Platforms offering own delivery as well as the option for the restaurant to deliver themselves following the placement of an order, fall under the category of *order only model*.

Grocery delivery, on the other hand, describes the on-demand delivery of fresh, unprepared products from supermarkets or retailers. It differentiates between the *inventory-model*, where businesses store products in their own warehouses from where they deliver and the *multi-vendor marketplace model*. The latter describes the delivery of groceries by an external service or so-called vendor, who does not offer an own assortment but delivers from local supermarkets, which are listed within the business' platform. While the above-named models are part of consideration, delivery by supermarkets themselves is excluded for the scope of this work project.

Another concept of interest which falls in between the two models of meal delivery and grocery delivery is (3) *meal prep*. Two different services are being distinguished within this category: the *meal kit delivery model* provides the consumer with portioned fresh ingredients which are supposed to be made into a restaurant-like meal at home, typically offered through a subscription service. Meal kit delivery will be understood as a food service solution in its own right for the remainder of this thesis. Frozen dishes are subject to delivery as well. These are pre-cooked but not ready to eat and are summarized under the term *pre-cooked delivery model*. In a broader sense, the food delivery industry includes the delivery of retail products from dark stores, which is called *quick commerce*, but this concept is excluded from the scope of the thesis, as are pure beverage deliveries in bulk quantities. A sorting of the above-mentioned BMs within the scope, as well as examples of operating companies, can be found in Appendix 1.

Orders by the customer are usually placed via the restaurant or grocer's website or a food ordering platform and are delivered in boxes or paper bags. The customer pays for the order via online banking or cash at the door. There is usually a delivery fee in addition to the cost of the product. This can be different depending on the revenue model, since besides one-off payments, subscription models are a common practice. Delivery is made by car, bicycle, or scooter. Since most businesses target densely populated urban areas, the latter two options are more popular. Supplier and customer do not necessarily have to meet, contactless deliveries are made possible, where orders are left at the doorstep. While different types of customers play a role in this industry, this work project is limited to individuals looking for convenient meals as well as families - businesses and events requiring larger orders (catering) are excluded from the scope. The industry has grown rapidly in recent years, due to the increasing popularity of online ordering, as well as the rise of delivery services facilitated by technology (McKinsey & Company 2021; Gimenez, Javier, Expert Interview, 29.03.2023, see Appendix 8.2). In addition, the constraints of the Covid-19 pandemic have led to an increase in demand for food delivery services (Dsouza and Sharma 2021). According to a 2022 report by Statista, global online delivery industry revenue is expected to reach USD 1.21 trillion by 2025, representing an average annual growth of 18.4 % between 2020 and 2025 (Statista 2022). The growth can be seen in almost every market, yet for reasons of clarity this work project refers exclusively to the German market, whose market volume was USD 12.9 billion in 2022 and is expected to grow to USD 21.8 billion by 2025 (Statista 2022).

Thus, the industry has significant revenue potential. Various players contribute to this result and compete for shares of the food delivery market. Their emergence, evolution, activities, and interests are fundamentally described below to ensure a better understanding of the market.

3.2 The Evolution of Business Models within the Food Delivery Industry

The food delivery industry as we know it today includes a variety of BMs. These have developed gradually and changed repeatedly. Before the BMs of interest are explained in detail in section 3.3, factors and developments that have contributed to their emergence are outlined in the following. For this purpose, the focus lies on the three main categories presented above (1) *meal delivery*, (2) *grocery delivery* and (3) *meal prep delivery*, under which the aforementioned slightly different BMs fall, which however function in a similar way.

Early Beginnings

The first commercial delivery of food to a private customer goes back to the German company *Eismann*. As technical progress in Germany brought freezers into the households, the company, which was then called *Milchhof-Eiskrem GmbH & Co. KG* saw a unique opportunity for a new BM. As a result, ice cream became the first product to be delivered to the customer's door in 1964 (eismann Tiefkühl-Heimservice GmbH 2023). At almost the same time, *Bofrost* launched the same BM in 1966. Due to steadily increasing demand, both companies developed their product portfolios and soon offered ice cream, cakes and frozen vegetables.
With the market entry of *Dominos*, a fast-food chain founded in the US in 1960, the delivery boom for pizzas in Germany began in 1988. For the first time ever, it was possible to have a complete meal delivered to your home without leaving the house. In the wake of the pizza boom, other restaurants followed with delivery services, mainly for pasta, sushi and Asian food, which could be ordered by phone (food-monitor 2021).

The Rise of E-Commerce

In 1993, the world wide web was made public in Germany, enabling the emergence of new BMs and products. Some of today's most successful websites, such as Amazon and Wikipedia, launched their internet presence during this phase (fonial GmbH 2020). With the start of e-commerce during this stage, the previously described boom continued to develop exponentially, and a new sales channel opened for restaurants (food-monitor 2021). Most restaurants developed an online presence in the form of websites which made their product range generally accessible and enabled initial online orders through contact forms. Payments that were previously only made in person could now be carried out online for the first time.

The development of GPS tracking technology allowed customers to track where the delivery courier was on its way via computer or mobile phone (fonial GmbH 2020). In the course of these new connectivity possibilities, the first platform model for meals was created in the US in 1995: *World Wide Waiter* combined the goods offered by various restaurants and made them available to the customer in a single point of truth. This model did not arrive in Germany until 2008, when *Lieferando* entered the market. The burst of the dot-com bubble in 2000/2001, which caused many online businesses and small investors to lose fortunes, brought this initial high phase to an end.

The Reinvention of E-Commerce

The third phase is marked by the breakthrough of the social network Facebook, the introduction of the iPhone and the modernization of the internet, which caused online retail to reinvent itself (Knoll and Meinhardt 2016). In 2011, *HelloFresh* is founded in Berlin. The startup set new standards and revolutionized the food delivery industry with its innovative meal kit BM. At the same time, *Delivery Hero*, the first German platform model for food delivery, is founded. The new delivery players allow consumers to compare offers from different restaurants and order food from various suppliers simultaneously through a single website (McKinsey & Company 2016). The availability of technology has altered the mindset of customers: personalizing their user experience to shop at their own convenience, comparing prices and products as well as customizing their delivery method became the new standard (Chang, Chou, and Lo 2013). As acceptance for the new BMs increased, demand in German-speaking countries grew and competitors started to copy innovative BMs. The years 2014-2017 are characterized by numerous start-ups worldwide as well as market entries of foreign companies within the two BM categories (1) meal delivery and (3) meal prep delivery. Due to the significant intensification of the competitive situation in the market and the low profitability of new BMs, a wave of consolidation followed which continues to this day (see Appendix 2) (Broekman, Indy, Expert Interview, 14.04.2023, see Appendix 8.4).

The Rise of Food Delivery during Covid-19

With the beginning of the Covid pandemic in 2020, the concept (2) *grocery delivery* gained success. Although BMs of the concept existed since 2015, it did not find much acceptance in Germany. Out of fear of the then still new virus, people started ordering their food online instead of buying it in the supermarket themselves. The worldwide Google search for food delivery reached an all-time high in April 2020.

BMs within the two other categories gained significant momentum during the pandemic as well. Lockdowns and physical-distancing requirements during the pandemic made delivery a necessity for the hurting restaurant industry (McKinsey & Company 2021). As customer needs changed fundamentally, these developments are likely to stay in the food delivery industry.

The shift of the customers purchasing patterns throughout the pandemic led to a surge in e-commerce, equivalent to compressing three to five years of growth into a matter of weeks and months (Capgemini, The Consumer Goods Forum, and Oracle 2022). This was amplified by huge funding rounds and a high value perception by investors (Broekman, Indy, Expert Interview, 14.04.2023, see Appendix 8.4).

Whereas the success story of the food delivery industry started with limited delivery options that existed, these days a complex ecosystem of players is involved, with an economic structure that is still evolving (McKinsey & Company 2022a). An overview of current market players can be found in Appendix 3.

3.3 Variation of Business Models

In this sub-chapter, the aforementioned BMs of the food delivery industry are analyzed on the basis of Gassmann's magic triangle. The juxtaposition is visualized in Figure 3, concluding this chapter.

For the meal prep delivery model, only a short description will be provided, since a detailed analysis of the meal kit BM will follow in Chapter 4.

3.3.1 The Meal Delivery Model

Accessing restaurant quality meals without leaving the house has been made possible by meal delivery services that offer diverse cuisine choices - from fast food chains to gourmet restaurants - catering everyone’s need for convenience. The ordering process involves visiting a website or mobile application where customers need to create an account providing a delivery-address as well as payment information. Finally, the customer can browse customizable menu options that cater to dietary preferences too. Once the customer has placed an order, live tracking allows to check the meal’s arrival. Meal delivery companies thus offer a fast and convenient way to access restaurant meals comfortably from home.

Who is targeted?

Contrary to the idea that the consumer is the target customer of the BM, Felix Ecke, head of marketing at Wolt, explains in the interview that most models create value for the couriers as well as the restaurants and consider them customers too (Ecke, Felix, Expert Interview, 24.03.2023, see Appendix 8.1). This is why the meal delivery platforms are referred to as multisided platforms.

Consumers, who order meals on the platform, can be anyone who possesses a mobile device or a computer. A major share (54%) of monthly active users is between 18 to 34 years old and thus refer to the Millennials generation or Generation Z (Kevin Perkins and Alex Moreno 2020). They are expected to possess tech affinity and feel at ease when utilizing online platforms and mobile applications for making purchases. Further, consumers who are home-bound or have mobility issues also benefit from this kind of service. Typically, targeted consumers are busy professionals, students, and anyone who is willing to pay extra for the added convenience of having meals delivered to their doorstep. Since the delivery of meals is slightly more expensive than picking up a meal at a restaurant, an above-average willingness to pay is characteristic for consumers of this model (Ecke, Felix, Expert Interview, 24.03.2023, see Appendix 8.1).

Furthermore, merchants are generally seen as customers. This includes any legal restaurant, kiosk or snack stall that is located in the city the meal delivery service operates in.

Couriers are given the opportunity to earn extra money while working with a flexible schedule and are thus seen as customers, since they receive value too (Ecke, Felix, Expert Interview, 24.03.2023, see Appendix 8.1).

What is the Value Proposition?

The value delivered to customers is convenience, speed and quality of food. Consumers have more and easier meal choices through filters and ratings as well as a fast and simple payment process.

The primary benefit platform-providers offer to restaurants is the ability to increase order volume and replace their phone-ordering system with a modern web and mobile application.

Moreover, most platforms offer convenience to restaurants facilitating the deliveries. However, this does not apply to every model, which will be further elaborated in the following *how*-dimension.

How is the Value Proposition created?

Within the ready to eat meal delivery segment, companies distribute value in different ways. These various processes, activities and resources can be described best by defining how each of the different meal delivery BM operates. In the scope of investigation, three different BMs were identified: a) order only model, b) order and deliver model and c) fully integrated model. According to Singh (2021), the on-demand food industry is built on three main pillars of a meal experience: *ordering, cooking* and *delivering*. These components can be found within the above-mentioned models and comprise different value chains.

a) The Order Only Model

This BM refers to a platform business which connects customers with local restaurants and facilitates the ordering process but does not handle the delivery itself. Instead, the restaurants are responsible for preparing the food and delivering it to the customers. Companies, like Lieferando act as intermediaries between customers and restaurants, where the latter manage their own fleets of drivers. Within this model, companies outsource the cooking and delivering to restaurants and only take care of the ordering component (Singh 2021). Platforms are dependent on the restaurants' couriers, which bears disadvantages to platform-providers and consumers, as cuisine and price variety is limited. Speed and quality of the delivery cannot be controlled by the platform, which can lead to customer dissatisfaction and potential harm to the platform's reputation.

b) The Order Deliver Model

This model focuses on the ordering and delivering components, meaning that platforms provide their own fleets of independent couriers. The process of ordering takes place through the interface of the mobile application or website, which displays the menu of the restaurant. UberEats and Wolt are examples of this BM. In contrast to the order only model, companies charge restaurants higher commissions and are able to offer a greater variety of meal options and price points. Speed and quality of the delivery can be controlled, however, platforms have operational responsibilities, such as recruiting and training couriers, maintaining equipment, and planning shifts. Thus on-demand platforms are more difficult to scale than purely software-based platforms (Singh 2021).

c) Fully Integrated Model

As the name indicates, the last model integrates all three elements, as the restaurant business pre-cooks, manages orders, and delivers to customers. A limited offer of meals can be ordered by consumers through the restaurant's own mobile application or website. Meals are often reheated and then delivered to customers with their own fleet of drivers as quickly as possible or within a specific time frame specified by the customer (Singh 2021). The model provides greater control over the customer experience and allows for more efficient operations since the company can ensure that orders are fulfilled quickly and accurately.

How is Revenue created?

Taking any of the three models, it is a "cost-intensive business that is low-margin and scale driven" as DoorDash Chief Operations Officer Christopher Payne told the Wall Street Journal (Rana and Haddon 2021). For the order only model as well as the order deliver model the major issue is the businesses' profitability. Delivery platforms have five key revenue streams:

restaurant commission fees (15-30% of price paid by consumer), customer delivery fees (USD 2-5 per order), customer-service fees (<15%), in-application advertising and tips which subsidize operating costs (Ahuja et al. 2021). Memberships recently became an additional revenue stream by charging consumers around USD 9.99 a month to skip the delivery fees (Uber Inc. 2023a). Commission rates for restaurants pose a certain BM risk as governments have imposed caps on these commissions. According to McKinsey & Company's (2021a) analysis, restaurants have substantial added costs resulting in a negative contribution margin, which makes the order only and order deliver model unsustainable for the long term. Although revenues have tremendously increased, leading players like UberEats and DoorDash have never been profitable (Uber Inc. 2023b, DoorDash Inc. 2023). Companies are competing for geographical expansion and need to spend a substantial amount on marketing activities. DoorDash's marketing expenses had a 35% share of revenues in Q3 2022 (DoorDash Inc. 2023). As depicted in Figure 2, another significant share accounts for the drivers pay. Often times, the amount couriers get paid exceeds the cumulative delivery fees paid by consumers (Uber Inc. 2020). Consequently, companies are trying to expand into new verticals. UberEats and Bolt Food, for instance, have included a grocery delivery option in their offerings. To win this scale-driven market, companies still need substantial investments as seen with Delivery Hero who raised funds amounting to USD 10 billion (Chevalier 2023). These dynamics result in consolidations, as shown in Appendix 2, which are going to shape the future market landscape.

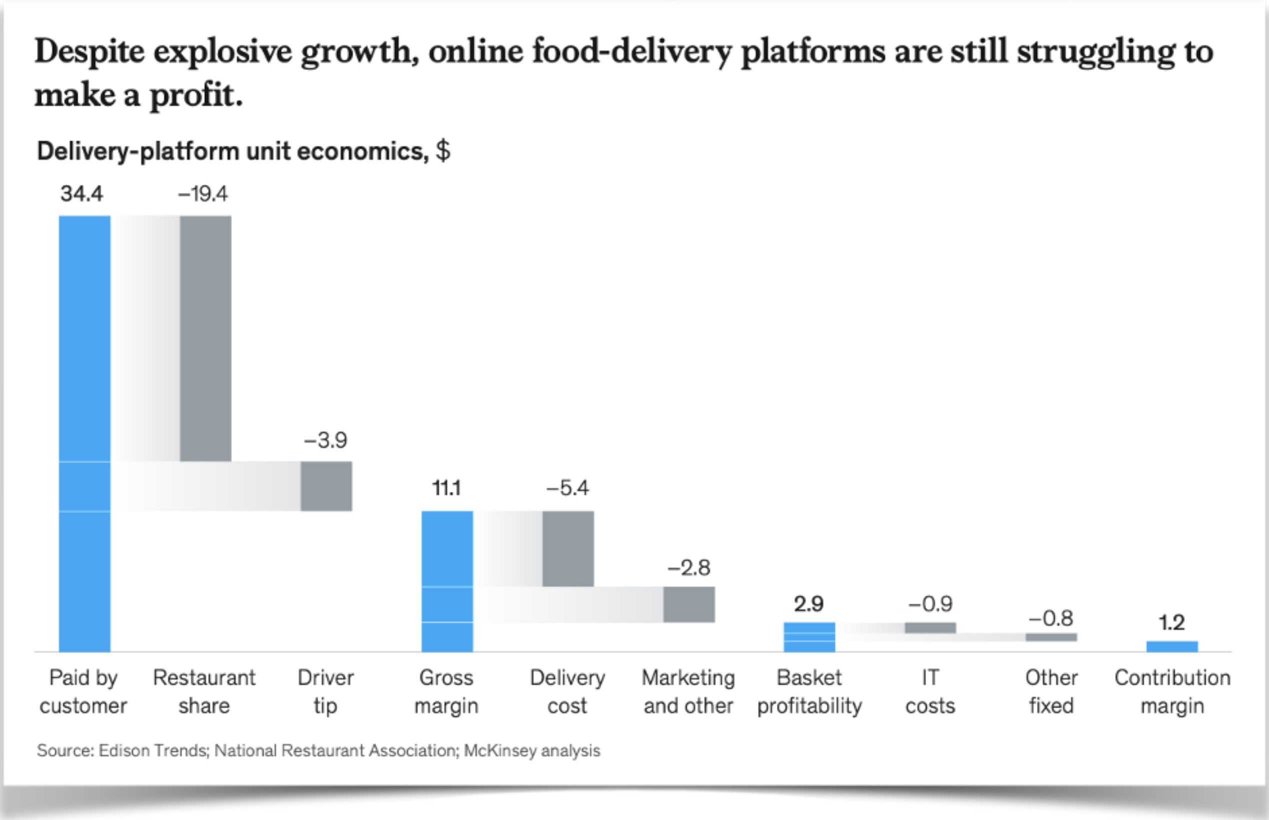

Figure 2: A typical margin composition in the order deliver model

Source: McKinsey & Company (2021a)

3.3.2 The Grocery Delivery Model

From avoiding long lines at checkout counters to skipping crowded aisles at peak hours - online grocery delivery has transformed how consumers purchase products. The push towards this digital solution can be attributed to technological progress, changing customers habits amidst unprecedented times like the Covid-19 pandemic. What lies behind the new-age retail industry is providing shoppers with unparalleled ease of use while ensuring accessibility, convenience, and time efficiency – as can be seen with the grocery delivery model.

Who is targeted?

The BM continues revolutionizing the grocery landscape as it provides an attractive option for those battling time constraints or limited mobility. Customers benefiting from this service are mostly (sub)urban residents between the ages of 25 and 45 with above-average income. These typically value delivery services since they have a hectic lifestyle and prioritize time over money. An efficient system enabling quick access from anywhere at any given point in time is what consequently fulfills their needs (Kearney 2015). Yet, grocery deliverer aim to cover broader demographics in the future, making the service more accessible (Jaczinski, Robert, Expert Interview, 17.04.2023, see Appendix 8.5).

When purchasing groceries online, specific attributes are vital to target customers seeking convenience and quality. They typically value organic food options that promote health alongside the time-saving benefits of grocery delivery services as well as user-friendly customer journeys. Additionally, this audience places great importance on meeting specific dietary restrictions without the hassle of shopping in multiple stores. Sustainable practices like supporting local farmers also hold significant weight (Kearney 2015).

What is the Value Proposition?

In today's fast-paced environment, time is a precious commodity, and thus convenience becomes a paramount within the retail landscape. The grocery delivery industry thrives on its ability to provide this convenience factor in addition to general accessibility. By enabling customers to order groceries from wherever they are, the need for physical visits to retail stores is eliminated. Features such as premade shopping lists, easy reorder options and fast delivery times add further appeal to the grocery delivery service (Anckar et al. 2002). Moreover, transparency in pricing coupled with competitive rates make these services an economically viable option.

How is the Value Proposition created?

It takes multiple elements working cohesively to provide a flawless shopping experience for customers. The backbone of this collaborative system is the online platform as well as the mobile application. The interface links shoppers to virtual stores while providing a user-friendly layout for browsing available products alongside allowing the application of individual preferences, tracking the order and communication options to connect with customer service when needed.

Another vital component is the logistic, which needs to ensure no items are damaged and the order being delivered in time (Bain 2022). To achieve this objective more efficiently while staying environmentally conscious, companies employ bikes or e-scooters in their delivery which work best in crowded cities. In an interview with Gorilla's logistics manager Robert Jaczinski, he mentions the challenges of decentralization: the short delivery time, the company promises, forces the business to employ a large courier workforce compared to other companies in the logistics and food industry (Jaczinski, Robert, Expert Interview, 17.04.2023, see Appendix 8.5).

Other integral value chain components include the employment of data analytics technology alongside optimizing customer service practices that enhance overall user satisfaction (Ecke, Felix, Expert Interview, 24.03.2023, see Appendix 8.1). Supply chain management models tend to vary across different delivery companies with two primary systems currently in use:

a) The Multi-Vendor Marketplace Model

This model maintains a digital platform that features multiple vendors who list and sell their own products via the platform. This approach provides an intermediary service that ensures high-quality standards while facilitating sales transactions between vendors and buyers. As a result, clients enjoy convenient grocery shopping by accessing product options from diverse sellers through efficient comparison tools to make online purchases more manageable. The BM's responsibility lies in maintaining the platform, while the product stock and delivery is handled by the vendors.

b) The Inventory Model

Within this BM, businesses maintain full ownership and control over the inventory throughout the whole process until the final delivery of purchased goods. Clients can purchase groceries from these stores via mobile applications or websites dedicated to specific stores. This approach gives grocery stores greater autonomy and flexibility concerning product selection options and timely deliveries; however, it may limit buyers' choices regarding available items for sale.

How is Revenue created?

Grocery deliverer have multiple income streams, combining delivery fees, revenue from subscription plans as well as margins (Ecke et al., 2023). Margins are generated by purchasing goods from wholesalers and marking up prices before selling them to customers. Subscription plans and loyalty programs allow for recurring revenue in exchange for monetary benefits for consumers (Ecke et al., 2023). Ultimately, strategic partnerships with industry players, such as product manufacturers can provide revenue through cooperative advertising or promotional deals (Aparicio 2021). The revenue streams for online grocery delivery businesses are intricate and multifaceted. Such complexities derive from company size, service range, and market competition.

Continuous growth characterizes the industry with an optimistic outlook towards the future (McKinsey & Company 2022c). Similar to meal delivery, online grocery deliverer struggle with profitability due to costly operations and intense competition. Maintaining the technology infrastructure, inventory, and employee compensation requires significant financial resources.

Grocery deliverer find it challenging to provide these while keeping prices competitive to traditional supermarkets (McKinsey & Company 2022b). Furthermore, investors' pressure to expand rapidly and capture market share make companies prioritizing top-line revenue growth over profitability. Nonetheless, grocery delivery companies have opportunities to thrive by maximizing cost efficiency, enhancing operational effectiveness, and developing innovative strategies that set them apart from their rivals.

3.3.3 The Meal Prep Delivery Model

Meal prep delivery offers customers a convenient way to prepare restaurant-like meals at home. Two different models can be differentiated: 1) The pre-cooked delivery model describes a service where meals are pre-cooked and then delivered frozen including a wide range of products, like fruits, vegetables, ice cream, as well as whole meals. 2) The meal kit delivery model describes a BM which allows customers to choose meals from a weekly-changing selection on the company's website or mobile application followed by the delivery of a box that contains pre-portioned ingredients and recipe cards. The focus of this project will be the meal kit delivery model, an area where the current literature is scant, despite its significant future potential.

Who is targeted?

Both models mainly target busy individuals, those with limited cooking experience, and people who want to avoid grocery shopping. The primary customer segments in the industry are double-income, no-kids couples (DINK), families, and empty nesters. Therefore, the market is segmented as the needs of targeted segments slightly differ. The pre-cooked model focuses on individuals since the food is delivered frozen and can thus be stored for longer periods of time while the meal kit's smallest offering includes two serving, making it more suitable for couples and families.

What is the Value Proposition?

The meal prep BM provides value by offering a convenient and engaging alternative to fast food, by focusing on high-quality meals at home with simple-to-follow recipes. The value proposition for both models is similar. They are based on providing healthy meals that are easy to prepare. The pre-cooked BM adds flexibility as the meals are frozen and can be stored, allowing the customer to consume the food later. The meal kit model on the other hand involves a more enhanced cooking experience: the recipes suit all skill levels, while customization options cater to specific dietary preferences. Flexible plans allow customers to choose the frequency and number of meals, and eco-friendly practices attract environmentally conscious consumers. In contrast to traditional grocery stores, which address basic needs through the access to groceries, meal prep deliverers, streamline meal planning and remove the grocery trip involved for the same outcome (Yang 2022).

How is Value created?

Key activities for both models include developing user-friendly online applications, which is essential for a satisfying customer experience. Pre-cooked delivery companies usually prepare the meals after sourcing ingredients from outside the companies. Thus, finding reliable suppliers who provide high-quality products is crucial. Both models need efficient logistics and planning to deliver the meals to the customer on time. The pre-cooked model usually employs its own truck fleet for delivery since they require specific freezer vans while the meal kit model outsources the last mile delivery to local postal services.

How is Revenue created?

Revenue streams for meal prep delivery companies include subscription fees, delivery fees, revenue from individual product sales, partnership and advertising revenue promoting other brands through sponsored content. For meal kit delivery companies, subscriptions are the primary revenue source, while add-ons and partnerships represent a smaller revenue source. In comparison to the models, the pre-cooked model as well as the meal kit model have relatively higher product margins and a less complex cost structure, due to a streamlined supply chain.

	Meal Delivery	Grocery Delivery	Meal Prep
Who?	*Multisided Platform Model:* • Consumers who want to order food online • Mostly professionals and students • Merchants	• Young, urban and busy professionals with limited time who prefer convenience of having groceries delivered to home	• Professionals who value healthy food but have less spare time to go shopping and value convenience
What?	• Consumers: convenience, speed and quality of food • Merchants: additional demand, income and marketing	• Convenient shopping from anywhere at any time • Time-saving by avoiding to go to the store	• Healthy meals, convenience • Customizable meals and eco friendliness*
How?	*Order Only Model:* • only providing platform *Order and Deliver Model* • providing platform + delivering *Fully Integrated Model:* • platform + cooking + delivering	• Development of mobile application • Inventory management • Delivery Logistics	• Sourcing of products • Assembly of meal kits* • Delivery logistics
Value?	• Restaurant commission fees • Customer delivery fees • Customer service fee	• Product sales • Delivery fees	• Product sales • Subscription fee • Delivery fee • Revenue from Add-on's

*only for meal kit BM

Figure 3: Contrasting juxtaposition of prevailing business models using the magic triangle
Source: Own illustration

4 Strategic Business Model Analysis of the Meal Kit Delivery Model

In order to ensure comparability among the BMs of the food delivery industry, they were analyzed using the magic triangle according to Gassmann et al. (2014). To identify innovation potential for the meal kit delivery model, a more extensive evaluation is necessary, for which the BMC according to Osterwalder and Pigneur (2010) will be used. Both models describe the same content at different levels of detail, which is why the categories of the triangle can be understood as a summary of the BMC. *What* contains the BMC category *value proposition*; *Who* corresponds to the *customer segments* and *customer relationships*; *How* summarizes *key resources*, *key activities*, *key partner* and *channel*; and *Value* contains the *cost* and the *revenue structure*.

4.1 Competitive Landscape of the Meal Kit Delivery Businesses

The meal kit delivery industry is a dynamic sector, with a still small size (as depicted in Figure 4) but high growth projected in the upcoming years. Globally, the market is supposed to reach USD 64 billion by 2030, with the German market expected to reach USD 694 million by 2027. In Germany, the meal kit delivery market is highly concentrated, with HelloFresh holding 88% of the market share. Marley Spoon is the second-largest player in the market, with only 6% market share (Statista 2023). The dominance of HelloFresh can be attributed to the fact that they were the first mover in the German market and successfully established a brand image and customer base. Despite the high market concentration, the meal kit delivery industry in Germany is still in its early stages. Currently, there are around 800,000 users in Germany, which represents a penetration rate of only 1% (Statista 2023). This suggests that there is growth potential in the German market, as more consumers become aware of the benefits and convenience of meal kit delivery services.

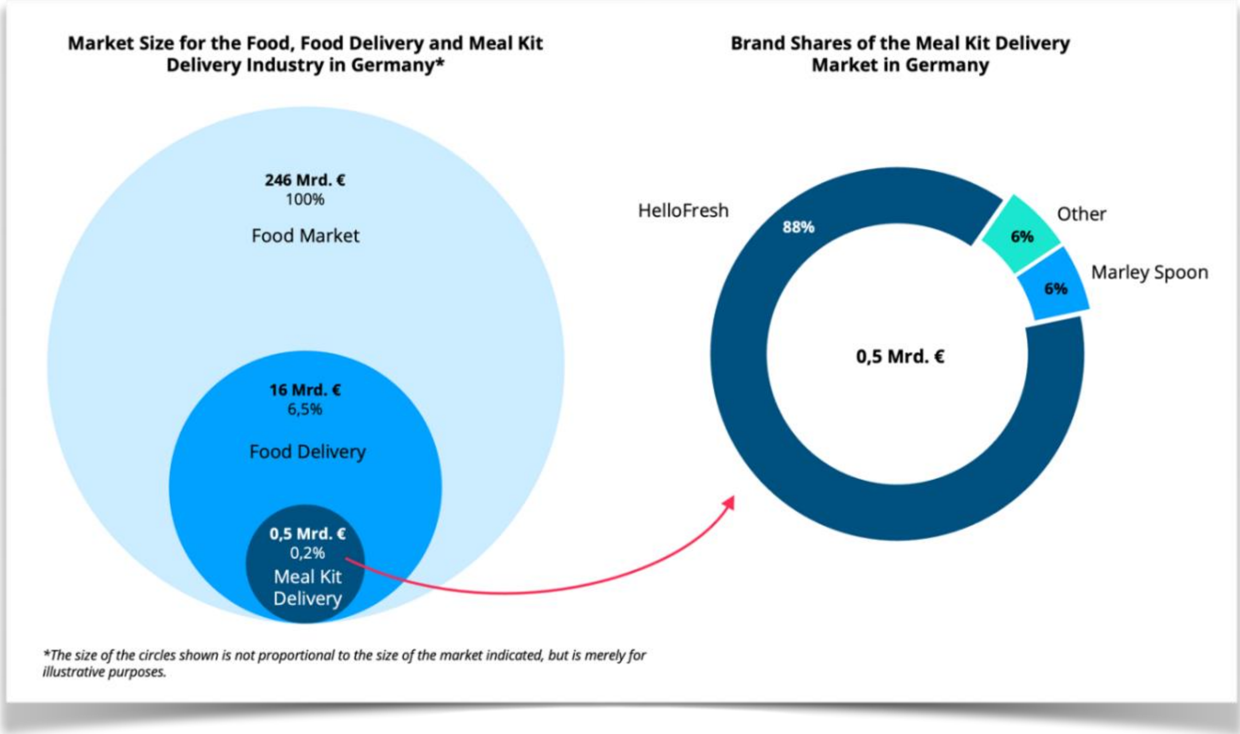

Figure 4: Sizing of the meal kit delivery market and overview of the competitive landscape
Source: Own illustration based on Statista (2023)

4.2 Application of the Business Model Canvas for the Meal Kit Delivery Model

In the subsequent chapter, a BMA using the BMC will be conducted to obtain a comprehensive understanding of the meal kit delivery BM. The final BMC can be seen in Figure 6.

4.2.1 Value Proposition

Meal kit delivery BMs create value by offering a convenient way to avoid convenience food while appealing to the excitement and involvement for learning how to prepare high quality meals at home using innovative, yet simplistic recipes (Jacobs 2018, Hill & Maddock 2019). Hence, customers turn to these companies as they aim to simplify and enhance the home cooking experience, try new recipes, and promote healthier, sustainable eating habits (Birth 2018).

Therefore, the value proposition rests on four main pillars, namely *healthy meal kits*, *convenience*, *customization*, and *eco-friendliness*. By delivering meal kits with all fresh ingredients needed for a recipe directly to customers' doorsteps, these companies enable their customers to save time that would otherwise be spent on meal planning, grocery shopping and portion control. The easy-to-follow recipe instructions, created by professional chefs, cater to all skill levels, allowing even novice cooks to create delicious meals. Moreover, the meal kit deliverer take different dietary preferences into account and allow for customization so that customers receive meals tailored to their specific needs. Lastly, by emphasizing eco-friendly packaging, maintaining a lean supply chain, and sourcing locally, meal kit companies cater to environmentally conscious consumers.

4.2.2 Customer Segments

While meal kit BMs generally serve a broad customer base, it is segmented as the BM distinguishes between market segments with slightly different needs and problems (Osterwalder & Pigneur 2010). The main segments can be clustered into the *DINK group* (double income, no kids), *families*, and older couples known as *Empty nesters* (Wirminghaus 2017). The needs of the beforementioned customer segments differ as follows.

DINK Group

People over 25 years who are starting their first jobs and have less spare time to go shopping fall into this segment. They frequently lead busy lives and prioritize convenience and time savings. To experience different cuisines, they look for varied and adventurous meal options. Customers underline the idea that meal kit companies give them inspiration as they enjoy cooking, however, are lacking ideas for innovative meals (Merkle, Luca, Expert Interview, 05.05.2023, see Appendix 8.8). Couple-specific pricing and portion sizes, as well as delivery times that are flexible to fit their schedules at work, are thus crucial considerations for the meal kit delivery businesses.

Families

Families with kids who value time and effort savings in meal preparation comprise this section. They seek out meal kits with family-sized servings, kid-friendly recipes, and balanced ingredients. Customization options that can accommodate dietary preferences or restrictions for specific family members are advantageous. Additionally, this customer group favors meal kits with straightforward, simple instructions that require little preparation and cooking time.

Empty Nesters

Older couples who spend more time in the kitchen now that their kids have left the house are included in this category. Although members of this segment frequently have more free time, they still value simplicity and convenience. Meal kits that provide smaller servings for two people as well as nutritious and satisfying choices which meet dietary needs or preferences (such as low-sodium, low-fat, or gluten-free) are of appeal to them. Additionally, they seek reliable delivery schedules, detailed instructions and appreciate meal kits that offer traditional or nostalgic recipes.

In summary, the needs of these customer segments can differ in terms of *portion sizes, dietary preferences, pricing, recipe variety, cooking complexity,* and *delivery schedules.*

Due to the meal kit companies' product offering and BM, some customer segments are neglected. This includes extremely budget-conscious consumers who are not directly targeted as meal kits can be more expensive than purchasing groceries and preparing meals from scratch, making them less appealing to those on a tight budget (Jacobson, Laura, Expert Interview, 29.03.2023, see Appendix 8.3). Secondly, although common dietary preferences are accommodated, consumers with special diets do not necessarily purchase meal kits as they may not cater to every niche diet or dietary restriction. Thirdly, as the smallest meal plan includes two servings, meal kits might not be ideal for single individuals who prefer not to have leftovers. Lastly, customers who seek ready-to-eat or microwaveable meals for direct consumption do not find meal kits suitable, as they require cooking.

4.2.3 Channels

To engage and deliver value to their customer segments, meal kit BMs employ a diverse marketing strategy that connects with customers across various touchpoints. Leveraging data and technology solutions, these strategies effectively guide customers towards the company's only purchasing option – their website. With an *online presence* companies utilize an easy-to-use website and mobile application to allow customers to browse meal options, select plans, manage their subscriptions, and ultimately purchase the meal kits.

To gain traffic on the company's website, different marketing channels are leveraged. Firstly, *digital marketing* tactics are implemented, such as social media advertising, search engine marketing, and email marketing, to connect with potential customers and maintain engagement with subscribers. Secondly, companies make use of *influencer marketing* through collaborations with content creators on platforms like Instagram, YouTube, and blogs to showcase their meal kits and share promotional offers with followers. Occasionally, they partner with brands, celebrities, or chefs to create limited meal offerings, increasing its appeal to different customer segments. These tactics have shown significant success in the past (Imagency n.d.). Thirdly, through *referral programs* current customers get encouraged to refer friends and family by receiving discounts or free meals, thereby expanding the reach through word-of-mouth. Fourthly, to attract potential customers interested in cooking and healthy eating, companies create informative content, such as blog posts, cooking tips, and recipe videos. Through both *user-generated content* and *educational content*, a community is built, which strengthens the brand perception in the long term. Fifthly, *offline marketing* efforts play an important role in raising brand awareness and reaching new audiences. These efforts include sponsorship events, print advertising, local marketing campaigns, and public relations such as press releases and media coverage. Overall, meal kit companies' multi-faceted marketing approach allows to effectively target and engage with a diverse customer base. Through cross-channel customer relationship management via customer data platforms and channel integration, a seamless execution is possible (CrossEngage n.d.).

4.2.4 Customer Relationships

The biggest competition for meal kit distributors are traditional supermarkets, from which potential customers purchase their food. Since food is a necessity, supermarkets do not have to worry much about customer acquisition – unlike meal kit suppliers, who do not have customers coming all by themselves. Matthias Guffler, partner at EY-Parthenon and expert for the consumer and retail sector, frames the explanation for this circumstance: the still prevailing dominance of supermarkets is mainly due to grocery shopping being an ingrained habit of consumers (Guffler, Matthias, Expert Interview, 27.04.2023, see Appendix 8.6). Ensuring customer satisfaction and fostering loyalty is thus crucial for meal kit companies, as it involves retaining existing subscribers and acquiring new customers to drive long-term growth.

Therefore, meal kit BMs use several co-existing categories of customer relationships. By offering an easy-to-use website and mobile application, companies provide their customers with all the necessary means to help themselves without maintaining a direct relationship with their customers. Customers can manage their accounts, choose meal plans, and modify delivery schedules independently, offering flexibility and convenience as they receive a tailored experience that meets their needs. Furthermore, in case of questions during or after the order or delivery, personal assistance is offered. Customer support is provided through various channels, such as email, phone, and live chat, to address questions, concerns, or issues with their service such as missing or damaged ingredients (Hohmann, Kayra Customer Interview, 01.05.2023, see Appendix 8.7). Moreover, companies attach great importance to giving their customers a sense of being part of a community. Therefore, they engage with their customers on social media platforms, fostering the sense of community and encouraging users to share their experiences, recipes, and cooking tips. HelloFresh for example encourages its users to spread the hashtag #deinhellofresh (English: #yourhellofresh) when they share their cooked meals (Hello Fresh n.d.). Lastly, in order to be able to retain customers in the long term and become part of their everyday lives with the meal kits they order, special offers, discounts or exclusive recipes are occasionally offered. This rewards loyal customers and creates incentives for subsequent business.

4.2.5 Key Resources

Different Key Resources are needed to make the meal kit BM work. These range from the individual product ingredients to the website and recipes to the staff and delivery vehicles. Among the most important are the ingredients of the meals, the employees who make the concept work, and the use and processing of data collected by the companies about their performance, as well as the point of sale, which is their website.

Ingredients

In terms of physical resources, the ingredients of the dishes are crucial for the final product to be fresh, taste good and thus satisfy the consumer. Without the ingredients there is no product, hence they are among the key resources of the meal kit deliverers and deserve special attention in terms of quality. They are easily substitutable due to a variety of suppliers, but since regionality is an integral part of the value proposition, there is usually only a limited possibility to quickly substitute individual food items in case of unavailability.

Website

Since the entirety of all sales, the provision of information as well as the communication are handled via the website and the respective mobile application, it is one of the essential resources for the BM. Maintaining it is essential to provide customers with a smooth and enjoyable customer journey (Hohmann, Kayra Customer Interview, 01.05.2023, see Appendix 8.7). The technological infrastructure behind the platform is thus subject to continuous development and improvement.

Human Resources

The key activities of meal kit deliverers require motivated, trained, and skilled employees who are responsible for the respective business areas. These employees are needed to ensure that all business processes run smoothly and quickly, to make the right decisions in the interest of the customers and to work towards the future viability of the company.

Data

Another resource that is gaining relevance, especially in the context of emerging technologies, is data. The intelligent utilization of data can give companies a decisive edge in the competitive field of the food delivery industry. Data can be collected in almost every area of a company and used to gain insights and identify unused potential.

Consumer data, for instance, can help understand preferences and develop products in a targeted way. Insights into the amount of waste produced along the supply chain can enable companies to identify key pain points early on and develop more sustainable alternatives. Especially in regard to automation, the use of appropriate software tools can have a significant leveraging effect. In the case of the German market leader HelloFresh, the use of said data tools made it possible to transfer weekly menus into timesaving ingredient purchasing decisions and to include price and availability information in the menu planning. Weekly schedules for production and delivery could thus be generated automatically to meet customer demands for specific delivery windows (HelloFresh 2018). Ultimately, this approach allows to reach markets more efficiently, to establish and deepen relationships with existing as well as new customer segments. Automation and the appropriate use of data hold the potential to save costs and thus increase a company's profitability.

4.2.6 Key Activities

The most crucial activities meal kit businesses need to perform to operate successfully are sourcing ingredients, producing a high-quality product and delivering said product in a timely manner. This is typical for *production businesses* (Osterwalder & Pigneur 2010), to which the meal kit BM belongs by definition. Different sources refer to the BM as *goods as services platforms* (Srnicek 2017, Kenney and Zysman 2016), since consumers purchase goods while there is a service involved in delivering the goods. Since delivery has been outsourced to postal businesses by all meal kit providers in Germany, the responsibility focuses on the maintenance of the partnership and the monitoring of the delivery service. This leaves the procurement of ingredients and product production as internal key activities.

Sourcing

The successful sourcing of materials by meal kit businesses can be described as choosing the right products, in the right quantities, at the right time. In addition to purchasing high-quality ingredients, it is about the ability to manage the supply chain. The businesses' concept for success is the so-called *zero-inventory system*, with all fresh goods and only confirmed-to-be-sold items delivered just-in-time, in order to eliminate the costs of warehousing and waste, and to keep the time between order receipt and delivery as short as possible (see Figure 5). Javier

Gimenez, expert in the industry, emphasizes this unique supply chain advantage as it results in monetary and time savings and sets the business apart from other players in the food industry (Gimenez, Javier, Expert Interview, 29.03.2023, see Appendix 8.2). This requires that customer orders are processed promptly and that the purchasing team places accurate orders.

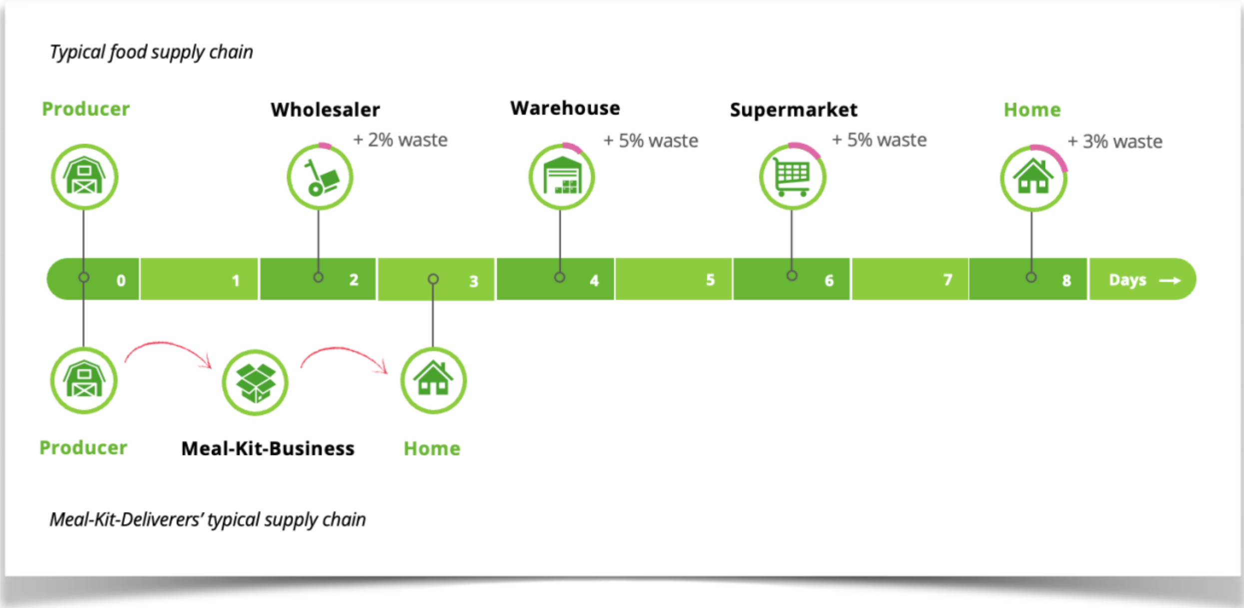

Figure 5: Comparison of a typical supply chain and a meal kit deliverers' supply chain

Source: Own illustration based on HelloFresh Group (2018)

Production

Following the just-in-time delivery of ingredients, the key activity of the meal kit business is to process (portion) and distribute the food to customer orders in a short time. The continuous curation and development of high-quality recipes is a crucial part of the product production as well. In addition to hygiene standards and maintaining product quality, the most important factor in production is to be precise and to avoid errors regarding quantities or product content. Managing the production centers is therefore part of the core activities for meal kit businesses, as they are largely responsible for product quality and speed and thus crucial for success.

4.2.7 Key Partnerships

Key Partnerships are a cornerstone for businesses, in the sense that most firms depend on suppliers or resources of knowledge to create alliances, optimize their business, reduce risk or acquire the resources needed for the final product (Osterwalder and Pigneur 2010). This holds true for the meal kit BM as well. Key partners include suppliers, logistics companies and professional chefs.

Suppliers

As the final product of the meal kit businesses is a box filled with fresh ingredients which will be turned into a meal by the customer, the food used is crucial for the business' success. Accordingly, the suppliers of those foods are among the most important partners. For the majority of meal kit businesses, sustainability and regionality are given great emphasis, which is why partners consist of local producers and farmers. After all, they are substantially responsible for the quality and freshness of the food. Their key activities include the selection and cultivation of seeds as well as harvesting and proper packaging for further transport. Depending on the product, further processing can also fall within the supplier's area of competence. In contrast to bulk suppliers, local suppliers focus on a few selected products and have significant expertise in their product categories. When sourcing, the meal kit companies pay attention to the practices with which the suppliers cultivate. This ensures that the meal kit businesses can advertise with promises of taste and quality. In addition to the food suppliers, the meal kit companies also source packaging materials such as delivery boxes and various coated packaging materials for the food itself.

Logistics companies

To ensure that the finished product reaches the customer undamaged and on time, the delivery companies are important partners of the meal kit BM, in addition to the suppliers. Since there is no meal kit provider with its own delivery service in Germany so far, postal services such as UPS, DPD, Liefery or similar companies are worked with to cover the last mile. It is essential that the food stays fresh until it reaches the customer, which is why, in addition to the actual delivery, key activities such as temperature validation and verification of the cold chain at regular intervals are part of this service.

Professional Chefs

The recipes included in the cooking boxes are developed and tested by professional chefs. Therefore, chefs are part of the innovation power of the companies, as they take care of the ongoing product development of the dishes that are offered online. They are not only responsible for the breadth of the product portfolio, but also for the product quality in terms of taste and composition. The goal is to offer customers an appropriate selection that provides enough freedom to allow for food restrictions and customer preferences without dishes repeating themselves on a regular basis. This is accomplished by relying on the expertise of the chefs.

4.2.8 Cost Structure

What costs incur while operating under a particular BM is described within the cost structure section of the BMC. While some BMs rely on a low-cost structure like Ryanair (a low-cost carrier within the airline industry), the meal kit BM is rather *value driven* as it puts emphasis on the creation of value propositions. While cost is a crucial factor for the BM to remain profitable, meal kit deliverers invest in delivering value to their customers through the quality of their products, the convenience of their service, and the customer experience.

The BM relies on cost advantages through *economies of scale*, where cost per unit is reduced by an increasing production volume. Meal kit deliverers sell direct-to-consumer, design, source and manufacture their own products. In contrast to fast moving consumer goods companies, they do not have to split their margins. Subsequently, meal kit businesses save on costs for intermediaries, resulting in higher product margins. A detailed approach to the occurring costs is given below.

Procurement Costs

Procurement costs comprise all costs associated with the purchase of goods, which include the shipping charges that are paid to receive the products from suppliers. The costs for ingredients are among the biggest expenses for the meal kit delivery BM, as companies mostly source high-quality, fresh produce and meat for their boxes. The exact cost of ingredients varies depending on the recipe and fluctuates weekly, which is why reliable forecasting technology is vital. In 2022, Marley Spoon spent EUR 217 million (54% of revenue) on their sold goods, while HelloFresh had procurement expenses of EUR 2,620 million (34.4% of revenue) (Marley Spoon SE 2023, HelloFresh SE 2023).

Fulfillment Costs

Fulfillment costs include operational costs like assembling orders, special packaging materials like ice packs, and shipping expenses since most companies provide free shipping for subscribers.

Marley Spoon spent EUR 69 million (17.2% of revenue) for fulfillment purposes in 2022 while HelloFresh's costs accounted for EUR 3,071 million (40.4% of revenue) (Marley Spoon SE

2023, HelloFresh SE 2023). The significant difference in the fulfillment-costs-to-revenue ratio between both companies results from HelloFresh's high costs of international expansion. The cost of labor varies depending on the location and the level of skill required. HelloFresh drives a sustainability approach, which aims to decrease fulfillment costs by reducing food waste and packaging, sourcing renewable energy and electrification of the delivery fleet (HelloFresh SE 2023).

Marketing Costs

Marketing costs can be defined as the expenses incurred by meal kit delivery companies to promote their products and services to potential and existing customers. Typically, this includes expenses related to digital and traditional advertisement, social media campaigns, influencer marketing, public relations, and customer acquisition. Marketing costs are a significant component of the companies' overall expenses. The marketing costs of Marley Spoon accounted for EUR 64 million (15.6% of revenue) while HelloFresh's marketing expenses reached EUR 1,284 million (16.9% of revenue) in 2022 (Marley Spoon SE 2023, HelloFresh SE 2023). According to HelloFresh SE (2023), fast moving consumer goods companies only spend 5% of the retail price on marketing, whereas direct-to-consumer meal kit delivery companies spend around 15% of the retail price on marketing. As described previously, meal kit deliverers face a more urgent need for customer acquisition than grocery retailers, which explains the substantial difference. CAC include referral programs, promotional discounts, and other incentives aimed at attracting new customers.

Technology and IT Costs

Meal kit delivery businesses rely on a range of technology and IT systems to manage their operations, including their website, mobile application, and internal systems for order processing and logistics. Software systems, such as meal planning and recipe selection algorithms, as well as cloud computing services, which enable the company to store and access its data and software systems remotely, require further investments. These systems allow scaling operations quickly and efficiently while expanding the customer base. Data has been essential for the meal kit businesses' success so far, as it is needed to understand the customers' preferences and behaviors as well as to optimize operations. Data analytics costs include expenses related to collecting, analyzing, and utilizing data. By continually investing in technology and IT infrastructure, businesses make sure to stay relevant in the market. HelloFresh's net value for intangible assets increased by EUR 27.5 million to EUR 57 million in one year, due to the development cost of an internal software solution, which optimizes the operating processes and systems of the business (HelloFresh SE 2023).

Measurement: Customer Acquisition Costs

An effective cost measure in the meal kit delivery industry is the customer acquisition cost (CAC), which describes the costs and resources needed to acquire one additional customer (Corporate Finance Institute 2023). The figure is calculated by summing up sales and marketing expenses and dividing them by the number of new customers. CAC can vary across industries. In the retail industry the average CAC amounts to USD 10, in the consumer goods industry to USD 22, and in the telecom industry companies spend an average of USD 315 on customer acquisition. For the meal kit industry, the three major public companies, HelloFresh, Marley Spoon and Blue Apron, stated CACs around USD 70 and target a payback period of less than six months, as well as a lifetime value/CAC ratio of approximately 3 (Marley Spoon SE 2023, HelloFresh SE 2023, Blue Apron Holdings Inc. 2023). As the CAC is comparably high, HelloFresh justify their rising CAC with the uncertain macro environment (HelloFresh SE 2023). As Laura Jacobson, Head of Marketing at Marley Spoon EU, explains in the interview, one of the main challenges for direct-to-consumer companies is that media is getting more expensive as traffic increases due to the boom of e-commerce and drop shipping (Jacobson, Laura, Expert Interview, 29.03.2023, see Appendix 8.3). Indeed, CAC for business-to-business and business-to-customer companies has increased up to 60% comparing 2014 to 2019 (Desai 2019). “The sheer volume inevitably led so many brands to these channels that it increased costs” (Carroll 2023).

To sum up, by using more advanced technology, businesses can enhance customer experience, leading to higher order rates and stronger marketing effectiveness. In return, companies can collect and analyze more data, which results in an overall lower cost structure. Finally, a lower cost structure improves the product quality and the product selection, which closes the cycle as it creates an even better customer experience (see Appendix 4).

4.2.9 Revenue Streams

Revenue generation is critical to any successful business, and understanding the various revenue streams is essential for analyzing a company’s BM. The following paragraph outlines the different revenue streams of the meal kit delivery BM.

Subscription

The backbone of many meal kit delivery companies’ income are subscription fees charged to customers. By selecting compatible meal options throughout either weekly or monthly periods – completed with flexible serving size options – prices change accordingly. High order volumes naturally result in reduced per-dish costs. Skipping particular weeks or ending subscriptions within the notice period remains an option throughout all stages to keep the customer satisfaction at an optimum while preserving predictable revenue streams that allow streamlined inventory control.

Delivery Fee

Delivery fees are another option available to potential customers. These are independent from the subscription pricing and are based entirely upon individual orders, location considerations and the frequency of meal kit deliveries needed. In addition, certain firms offer complimentary shipping when orders cross specific product thresholds. Although delivery fees allow enterprises to manage the costs associated with logistics and offset expenses linked with packaging and handling, they may also become an impediment for particular consumers who prefer receiving their meal kits from local stores or eateries instead of paying extra for shipping.

Add-on's

Add-ons are items or ingredients that customers can append to their orders, such as snacks, desserts, premium food choices like organic yields or premium meat options. These add-ons usually carry an additional premium price tag which helps meal kit delivery businesses raise revenue per-customer (HelloFresh SE 2023).

Partnership Revenue

To maximize their earning potential, meal kit delivery firms look towards establishing partnerships with other brands or businesses to promote and sell their products. By working collaboratively with other entities, providers access new sales channels and attract additional exposure through joint marketing initiatives. A case in point would be HelloFresh's partnership with Vorwerk's Thermomix – wherein specially designed recipes are created exclusively for the popular kitchen gadget – offering users an exciting and innovative way of preparing meals while also promoting Vorwerk’s Thermomix device. HelloFresh's association with Vorwerk has several advantages for both businesses. In addition to offering unique and personalized culinary options in a competitive market, this strategic agreement enables great exposure and marketing reach. Furthermore, the combined offering can boost revenues as purchasers of Vorwerk's Thermomix are a potentially receptive customer base interested in subscribing to HelloFresh's meal kit delivery service.

Advertising Revenue

To create more revenue opportunities while reaching a wider audience, meal kit delivery companies may collaborate with brands or advertisers. Sponsored content featuring cooking videos, recipe blogs, or other food-related media, for instance, allows companies to showcase offerings while benefiting from increased marketing opportunities.

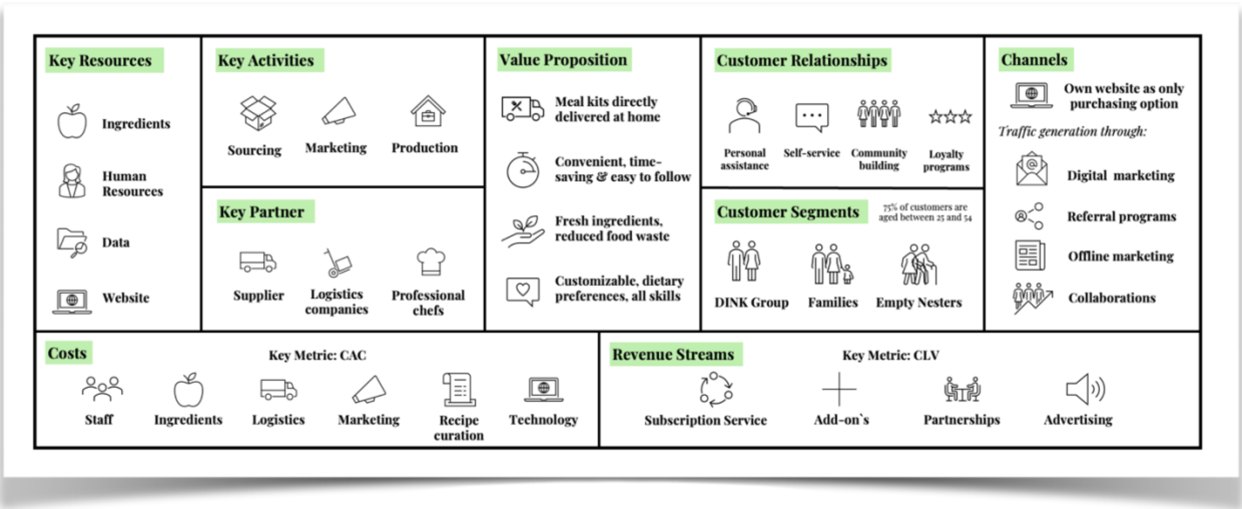

Figure 6: Application of the business model canvas for the meal kit delivery business model
Source: Own illustration

5 Prospective Strategic Approaches to innovate the Meal Kit Delivery Model

After intensive research on how to exploit the advantages and overcome the vulnerabilities of the BM, a long list of different recommendations for improving and innovating the BM has emerged, which are shown in Figure 7.

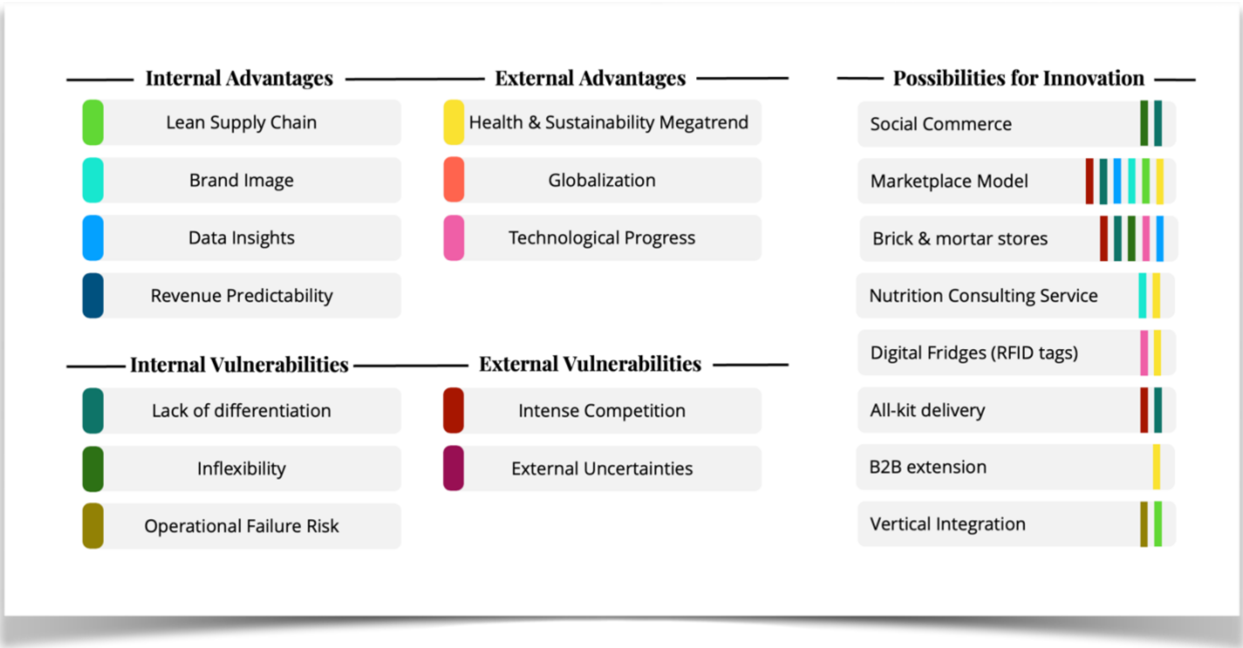

Figure 7: Translation of advantages and vulnerabilities into possible innovation potential for the meal kit delivery business model

Source: Own illustration

To prioritize recommendations effectively, an *Impact Effort Matrix* was employed, recognizing that not all suggestions carry equal significance. The Impact Effort Matrix is a decision-making tool by Stephen Covey, that helps to prioritize tasks or projects based on their potential impact and the required effort to implement them (Covey 2020). It is divided into four quadrants, with the vertical axis representing effort and the horizontal axis representing impact. Each of the eight recommendations was evaluated and prioritized based on these measures. The process revealed the three pivotal recommendations that will substantially enhance the success of the meal kit delivery BM (see Appendix 5). As illustrated in Figure 8, meal kit providers should execute the two major projects and capitalize on the quick win to establish a competitive edge and maintain long-term relevance in the market. In the upcoming sections, the three most crucial recommendations will be discussed in detail, providing comprehensive explanations and actionable insights for each.

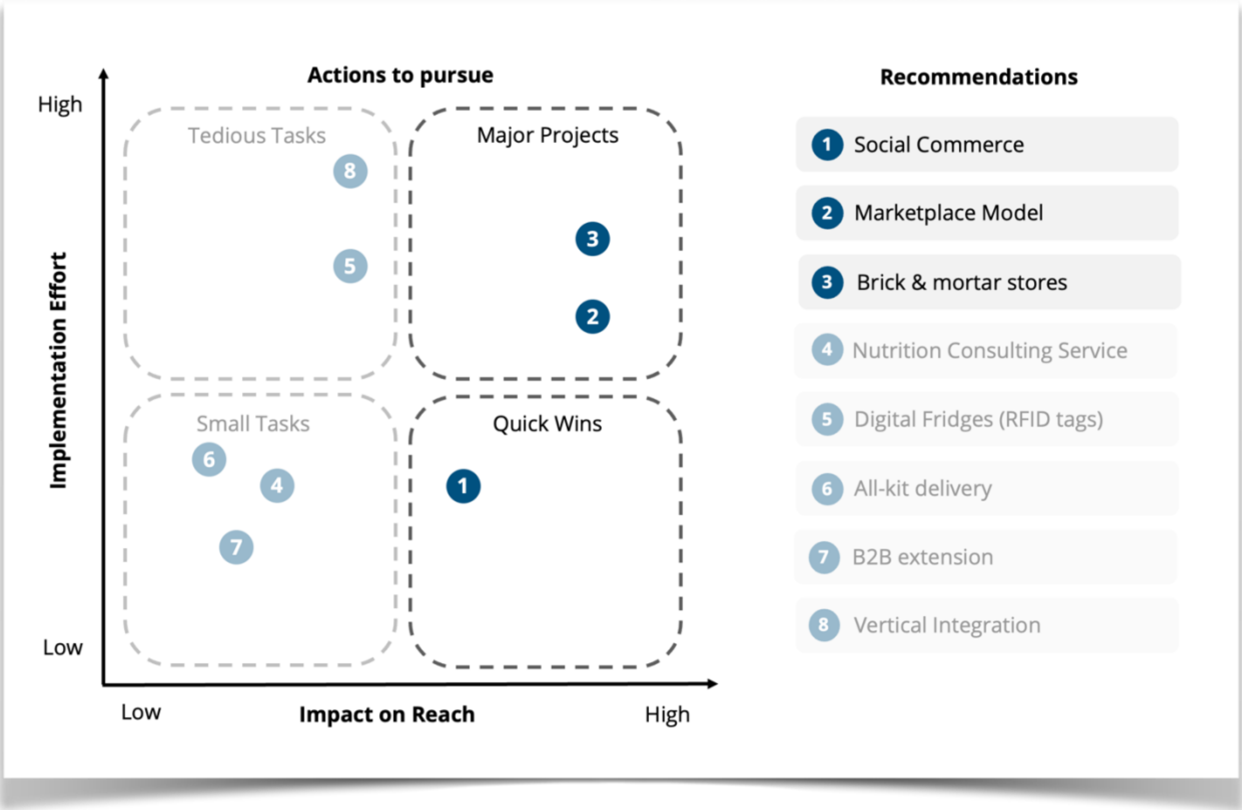

Figure 8: Impact Effort Matrix to prioritize recommendations

Source: Own illustration

5.1 Social Commerce as a way to unlock Channel Growth

The biggest vulnerabilities of the meal kit delivery model are the inflexibility for customers as well as the intense competition. Due to the low switching costs, consumers can easily switch between substitutable offers and products on the market without any incurring costs. Coupled with the high level of competitive dynamics as a result of the multitude of market participants, rapidly developing concepts and quick copying of models, there is a high pressure on businesses to minimize the existing risks. At the same time, players should concentrate on the continuing development of their own BM in order to remain ahead of the competition and to be able to retain customers in the long term. Companies can find answers to this challenge by diversifying their revenue streams, tapping into new customer segments, or investing into the development of new products. Unlocking channel growth opens the possibility of identifying new revenue streams and growth opportunities through new initiatives and operating models. One way to do this is to leverage the power of *social commerce*. Especially in the food delivery industry, this approach can be of great strategic value, as the potential of selling products via social media channels has hardly been exploited by market participants so far (see Appendix 6) and therefore a real competitive advantage can be gained.

Social Commerce

Social commerce refers to the sale of goods and services via social media applications. It uses the interactions and engagement of users on the platforms to drive sales. Social commerce differs from traditional social media marketing and e-commerce, where shoppers discover a brand's content and then visit its website to shop. In the context of social commerce, social platforms act as virtual storefronts (Shopify and Stanley 2022). The unique advantage of this selling model is that it allows customers to make purchases without leaving the respective social platform. Currently, Facebook, Instagram, Pinterest and TikTok offer built-in native social commerce features (Shopify and Stanley 2022). The convenience of submitting orders with as little friction as possible as well as a highly interactive shopping experience explain why social commerce is becoming increasingly popular. Estimates show that the global value of social commerce will reach about USD 2.9 trillion by 2026 with Germany accounting for USD 24 billion (Global Industry Analysts, Inc 2023). The boom in social commerce is directly related to the boom in social media use. Current research shows that typical social media users spend 15% of their waking life on the platforms. In the US, 10% of US adults are already addicted to at least one social media application (Cherney 2020).

The Potential of Social Commerce

For brands or businesses interested in social commerce, there is a large piece of the pie to claim. Additional to the monetary potential, social commerce holds further qualitative advantages.

In Germany 65 million people, or 79% of the population, currently use social media (Statista 2023a). Worldwide there are 57% users (Statista 2023a). These figures are expected to accelerate within the next years. For businesses there is a significant opportunity to reach a global audience through social media. But reaching a larger audience is only part of the untapped potential.

What makes shopping on social media so pleasant is the frictionless shopping experience. Reduced to a minimum, the effortless buying process cuts down on the possible steps between which customers might lose interest or abandon the buying process (Shopify and Stanley 2022). Instead of interrupting the consumers' time on the application, shoppers can browse products and buy them without having to leave the platform.

Social commerce allows for more targeted advertising and personalized offers. Businesses can analyze user profiles and behavior patterns on social networks to create customized offers and recommendations tailored to each customer's needs and preferences. Highly targeted ad campaigns can be developed and targeted to the ideal audience, which traditional ecommerce sites would not be able to replicate (Shopify and Stanley 2022).

Since trust is a key element for consumers to choose a brand and pursue a purchase, it is of great advantage that social commerce approaches with integrated social proof. This implies users reviews, likes, shares, follows and user-generated content. User generated content can be leveraged through the businesses by incentivizing their audience.

Being close to the consumer helps to get an immediate reaction to new products and makes consumers feel valued by letting them share their opinion. Consequently, companies can react quickly to the needs and demands of customers by adapting their products and services accordingly. When customers are satisfied with a product or brand, they often share their experience with friends and acquaintances on social networks. This can lead to exponential growth of the customer base.

In the context of this channel, meal kit deliverers can tap into a new target group that has played a negligible role for the BM so far: Generation Z (born after 1996 (Dimock and Pew Research Center 2023)). This generation of social media users is the main driver of the social commerce boom (Statista 2023c). Tapping into this young audience has significant potential for meal kit deliverers. Generation Z is the world’s largest demographic: they represent 32% of the global population (14% in DE) which accounts for 2.47 billion people (11.6 million in DE) (Parker, Igielnik, and Mitchell 2023). The young generation is about to step into their earnings-prime and will have the fastest-growing aggregate income level of any demographic, which is set to hit USD 33 trillion by 2030 and surpass Millennials' spending power by 2031 (Winck and Business Insider 2020).

Especially single-person households, which are most likely to be Generation Z or Millennial, spend more time at home and enjoy cooking for their own personal experience. They tend to post food pictures of their cooked meals on social media, and as a result, meal kit subscriptions have become a category of interest among new meal solutions (Byron 2019).

As Generation Z is the first generation born into an online world, they are highly responsive to social commerce. Recent studies show that 61% of Generation Z consumers discover new products through social media and 48% through social media influencers (Capgemini 2023). Generation Z uses social media more often than they use search engines to research brands (Kemp 2022a).

Following a person of interest who endorses a product or shares his or her experience can have a high positive influence on the consumers perception towards a product, which is reflected by an outstanding conversion rate: 32% of Generation Z consumers end up buying these products on social media (Capgemini 2023).

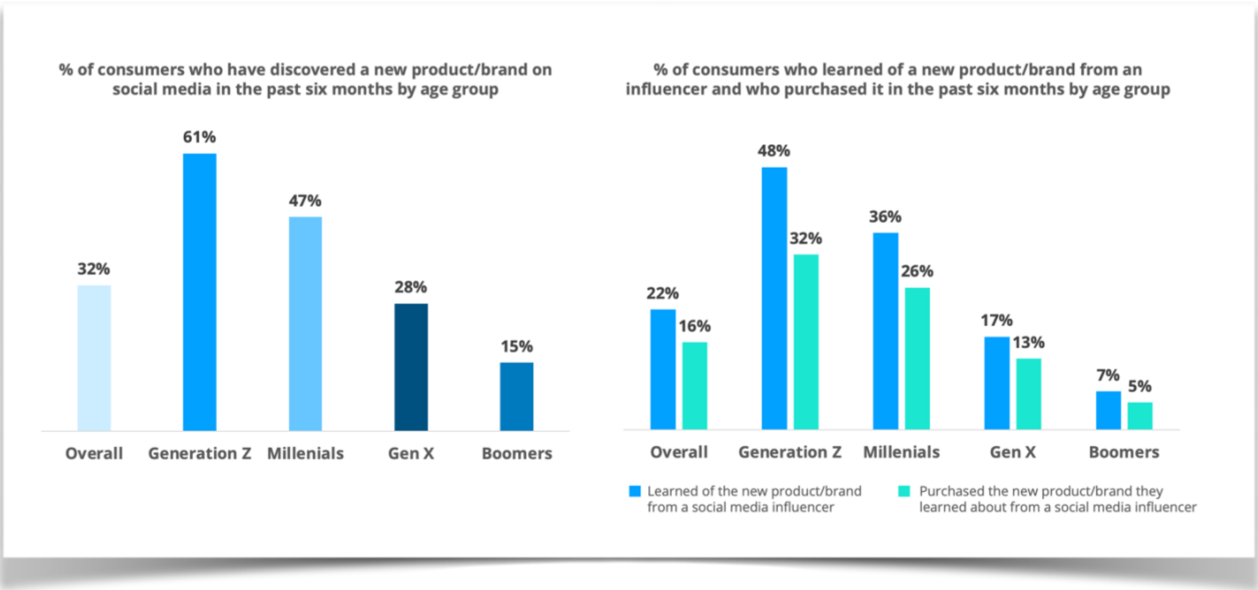

Figure 18: Left: % of consumers who have discovered a new product/brand on social media in the past six months by age group; Right: % of consumers who learned of a new product/brand from an influencer and who purchased it in the past six months by age group

Source: Own illustration based on Capgemini (2023)

Coupled with inspiring content which triggers an instinctive desire and a frictionless buying process, it is possible to deliver on impulse purchases. At the same time, a close customer relationship is created through direct personal interaction and content tailored to the target group.

Since this potential has been virtually untapped in the food delivery industry (see Appendix 6) and some social commerce functions have not yet been unlocked for the German market, competitors can achieve a real first mover advantage by developing and executing a social commerce strategy that gives the company a competitive edge. As social commerce for TikTok is currently being tested in the UK and a launch is planned for 2023 in Germany, companies should act upon the arising opportunity. According to a Shopify study, using social channels for marketing and promotions is the most important customer acquisition and retention strategy for companies to drive growth in the next few years (Shopify 2023a).

To achieve this goal and be successful with a social commerce strategy, brands not only need an understanding about how they can use social commerce tools to provide a top-quality customer experience but a solid knowledge of their target audience's purchasing preferences, needs and pain points too. For a detailed picture possible new Generation Z consumers see Appendix 7.

Social Commerce Concept

Social commerce is currently implemented on Instagram, Facebook, TikTok and Pinterest. Since TikTok's video-only platform dominates the social media landscape, it will serve as an example to show which aspects are crucial for a social commerce concept and how an approach can look like in practice. TikTok is particularly suitable since the commerce option for companies will only be launched in Germany this year and meal kit deliverer can therefore prepare for the upcoming opportunity. Advantages of the concept have been described previously.

The platform's success is based on the social media-wide trend for video format (Shopify and Stanley 2022). For brands and businesses, the preference for video content is good news, as consumers are becoming increasingly reliant on video throughout the shopping journey and 88% of people say they've been convinced to buy a product or service by watching a brand's video (wyzowl 2023). According to Shopify (2023b), 88% of people want to see more video content from brands. This is especially true for short vertical content. The most successful videos are between 15 and 60 seconds long (Schmitz 2022). The message of the business must be communicated in this time span. For brands, this can be a real challenge when trying to convey a lot of information in a short amount of time. The success factors for short vertical content are the editing as well as the sounds used (Schmitz 2022). This recipe holds the potential for viral or wide-spreading content even with a small following. This underlines why the strategic recommendation is suitable for attracting impulse purchases from users. Short, high-quality, creatively designed sequences can directly appeal to the emotions and desires of potential consumers - like appetite. If meal kit deliverers manage to present their dishes visually in a way that makes users crave the food and develop an instinctive desire, a one-click purchase option can lead to the realization of individual purchases and the acquisition of new customers in the long term.

For the operating companies it will be necessary to create a business account within TikTok. This allows adding the shopping tab to the brands profile, which then showcases a virtual storefront for users to browse without the friction of exiting the application (Shopify 2021). Adding the catalogue of products will allow a seamless discovery for users to browse and purchase products on the commerce site. Cooperating shop systems that enable the best possible integration of the company's own website with the TikTok platform are Shopify, square, big commerce and Ecwid (TikTok n.d.). Once the products are uploaded and approved, they will be displayed on the businesses profile under the product showcase tab. Following the establishment of said catalogue, the different products can be promoted. Video content which is in line with the above-mentioned criteria will be the success factor in this context: short, high-quality video content, which shows the preparation of a specific meal and directly appeals to the users' instincts of craving a meal. The goal is to make a user watch the company's video showing the preparation of a dish and to instantly trigger his or her desire to recook the meal and add it to the shopping cart without hesitation. By making this possible with just one click, impulse purchases as well as regular purchase decisions can be realized on the spot. Both native content and paid ads are suitable to serve this purpose. Cooperations with testimonials hold potential as well. These do not necessarily have to be celebrities, but rather content creators who gained popularity through their cooking videos and have built up a significant organic reach. Together either new products can be developed collaboratively, or the meal kit deliverer focuses on offering popular recipes of the respective creator. User-generated content holds just as much potential, which is why it makes sense to encourage consumers to share their experience in video format. Through consumer incentivization, this strategy can be systematically enhanced. Best practices for each type of content can be found in Appendix 8.

It is crucial to coordinate the product offer with the playout of the content in a way that only those products are shown which the meal kit deliverer offers in the respective week or has on stock. The submission of the consumer's shopping cart is carried out in the usual rotation of the company. If a customer can usually order meal kits until Thursday for the coming week, this will also apply to the products ordered additionally. The same logic holds true for new customers or those consumers who have not signed up for a subscription model but place individual orders.

A minimal viable product sketch of how a social commerce concept could look like, using the example of HelloFresh, is shown below.

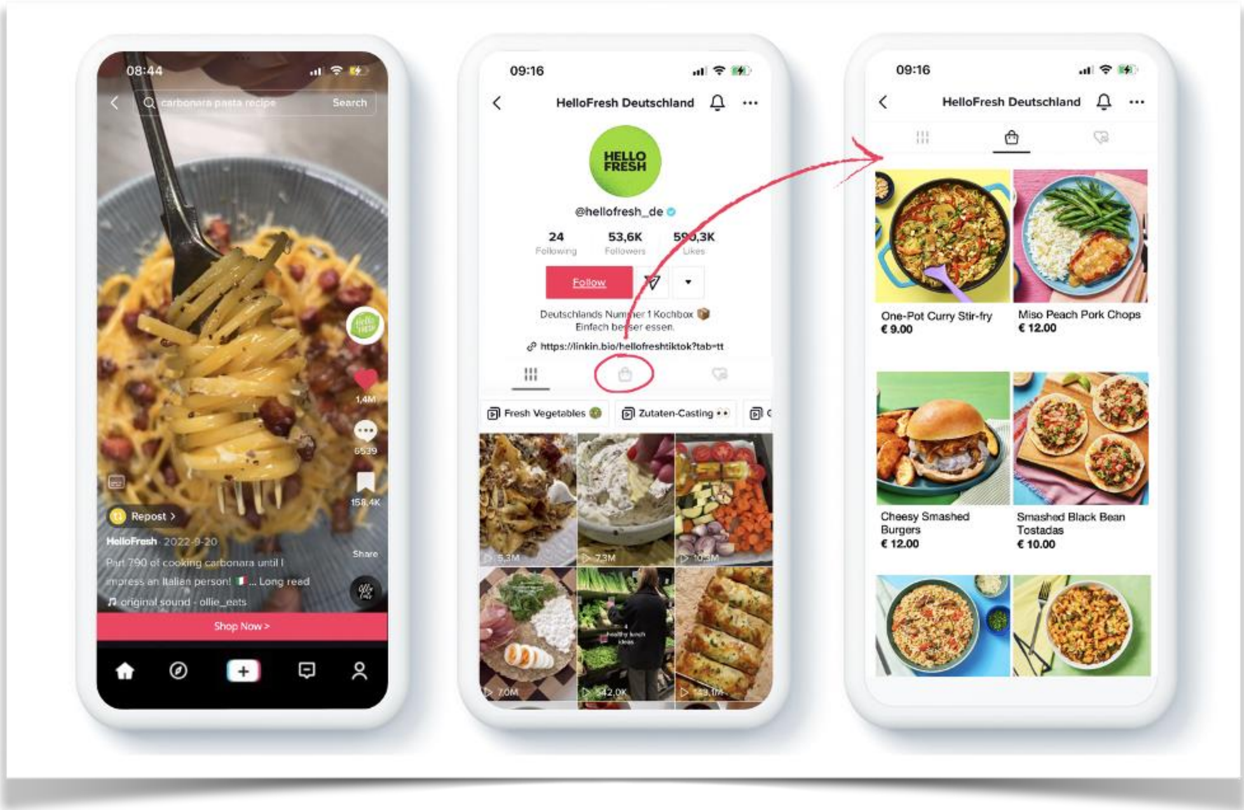

Figure 19: Minimum viable product sketch for social commerce on TikTok using the example of HelloFresh
Source: Own illustration based on Capgemini (2023)

Capabilities Needed for the Execution of the Social Commerce Strategy

Owning the next era of growth for companies means going beyond traditional e-commerce and online sales. Succeeding in this new field of business requires the development of a personalized experience that's tailored but at the same time consistent across all channels. Finally, this needs to be backed by adapting technology and an operating model which places digitally driven commerce at the center of business (McKinsey & Company 2022b).

For meal kit deliverer, this means adapting their own business processes and structures to the new business field and investing in future-oriented technologies. The focus therefore lies on marketing and technology developments. In terms of marketing, the companies should make sure to employ experts for the target group, who are able to translate the understanding of the behavior and needs of the potential customers into concrete recommendations for action for the business. In cooperation with product development, new products and suitable customer journeys can be incorporated that inspire the target group and ultimately turn them into customers. Achieving success on a new platform is not a trivial task, which is why it is important for companies to gain the necessary expertise and test out what works well for the respective business. Different trends and formats should be tried out, but at the same time it is important that the company's appearance fits the actual brand identity and that the overall image is authentic and consistent.

Investments should also be made in the technological infrastructure and automations to make the company more responsive and efficient. The smooth integration of the social media storefront is crucial for success and needs to ensure that orders can actually be placed within a few clicks. Orders on TikTok should be linked to the customer's account or offer a buy-it-now option for new customers without an account. The dishes that the business has planned for the following week should be played out on social media, so that the company's anticipatory ordering activity does not change, and the current efficiency of the supply chain remains untouched. If necessary, fulfillment must prepare for larger order volumes and adjust corresponding to the increase.

Regarding resource efficiency, the focus on sustainability and the intention to keep the waste production of food as low as possible, it should be refrained from switching to a warehouse structure and offering products permanently.

The new sales channel is a new source of data which companies should use to learn more about customers and their buying behavior in order to identify trends early on and to adapt accordingly.

Changes within the Business Model

The development of the new sales channel results in changes for the meal kit delivery model. However, the unique selling point, which is valued by consumers, remains unchanged. The strengths of the model are to be preserved and further utilized through the recommendation at hand. The main changes occur in the target group, the distribution channel as well as the sales structure.

The main objective of the recommendation for social commerce was to increase the number of revenue streams in order to reduce the dependence on a single revenue source and to spread risk. The new revenue stream social commerce is therefore the most important change in the meal kit deliverer BM. It differs significantly from the main revenue source subscription service as it allows users to become customers without committing to a subscription. Products in the social storefront will therefore be slightly more expensive, as they are not subsidized by the subscription price a customer pays. This does not apply to existing subscription customers, who will continue to enjoy the benefits of their membership and pay a reduced price. The option for one-off purchases is intended to lower the inhibition threshold for new customers to try the meal kit product. The businesses can win over these customers with the quality of their products as well as the service and turn them into subscription customers in the long term. In order to achieve this, it will be necessary, as described above, to make higher investments into marketing measures and technological developments - these cost factors will therefore increase.

The customer groups for which this new channel is tailored are the younger generations of the population - specifically Generation Z. This segment has previously been deprioritized but shows high potential for the near future as the younger generation is about to step into their earnings prime. A new customer segment and a new channel are therefore changes to the existing BM. In the context of the implementation of this measure, cooperation with creators is recommended to quickly realize a high reach, to establish one's own name in the minds of the users and to gain their trust. This type of partnership contributes to the increase of marketing activities and related costs. Ultimately, companies can create added value by inspiring potential customers with their content, evoking lasting emotions and inspiring them to cook new dishes. Consumer enthusiasm has a high value for companies because it often translates into high product loyalty and positive word of mouth advocacy.

Although the strategic recommendation does not entail groundbreaking changes, it has the power to unlock untapped potential through minor adjustments. Meal kit delivery companies can diversify and attract new customers through new creative products and marketing activities. A first-mover advantage can be achieved in this context if companies prepare now, enter into key partnerships and launch with high-quality content before the competition does. An overview of the changes to the BMC can be found in Appendix 9.

Hence, the underlying recommendation represents a strategic adjustment based on BCG's definition (BCG 2023) as changes only occur in the underlying operational model while the value proposition remains unmodified.

6 Limitations and Extensions

Several limitations were encountered during the research of this paper.

Regarding the primary data collected through interviews, limitations arise from different aspects. Firstly, the limited sample size could impact the generalizability of the findings. Furthermore, the participants chosen for the interview could underly a selection bias. Finally, some interviewees – workers and consumers – may have some difficulty recalling past events, which might affect the reliability of their information. Another point to add is that due to the publication of this work, no barring clauses with interviewees could be arranged. This caused some of the professionals to withhold sensitive but insightful data.

Looking at the secondary sources, limitations include limited data availability. Since the meal kit delivery industry is still relatively new, limited information about the industry and its participants is available. This can make it challenging for researchers to obtain accurate and comprehensive data on trends, market size, and consumer behavior. Furthermore, much of the available data may be proprietary, making it challenging to obtain or analyze. Although the research limits its scope to the German market, some of the data used in this report is only available globally or for specific regions like the US. Findings from those regions do not necessarily need to be transferrable to the German market.

Furthermore, the understanding of the industry is subject to limitations. For example, the meal kit delivery industry is complex, with many players, BMs, and consumer segments. As such, there needs to be more understanding of how the industry operates and what factors drive its growth. This challenges researchers to identify the most essential variables to study and develop hypotheses that can be tested rigorously and scientifically.

The rapidly changing landscape of the meal kit delivery industry is subject of another limitation. As new players enter the market and existing players make changes to their BMs, it can be challenging to draw a broad conclusion about the industry as a whole. Moreover, the rapid pace of change can make it difficult for researchers to keep up with the latest developments and ensure that their findings are current and relevant.

Moreover, the limited geographic scope impacts the generalizability of the findings. For example, since the work project focuses on the German market only, the findings may not apply to other regions' meal kit delivery industry.

Since the meal kit delivery industry is subject to economic forces, including recessions, market fluctuations, and supply chain disruptions, the industry structures and dynamics may change in unforeseen ways, making it difficult to draw firm conclusions about its prospects for growth or profitability.

7 Concluding Remarks and Future Significance of Business Model Innovation in the Food Delivery Industry

The objective of this paper is to explore the meal kit delivery model's potential for BMI within the context of the food delivery industry by analyzing it and identifying strategic recommendations to enhance its competitiveness. Using a qualitative BMA, advantages and vulnerabilities of the meal kit delivery model were identified and concrete recommendations given to secure innovation potential for business practice.

In a world of seemingly limitless options and convenience at the fingertips of consumers, meal kit deliverers have found a way to monetize on the idea of a convenient and healthy lifestyle and solve the decision fatigue involved in meal planning. The BM gained significant momentum throughout the Covid pandemic, enabling consumers to enjoy restaurant-quality meals without leaving their home - a progression shared by the competition.

The results of the study show that the food delivery industry is determined by the rivalry of competitors. This condition is caused not only by players operating within this market, but by the totality of companies offering products that serve as substitutes, thus including players from the broader food industry. Considering this larger scope, the saturation of the market as well as a pronounced price pressure within the industry further exacerbate the rivalry. The meal kit delivery model faces the challenge of successfully competing in this environment.

The results of the qualitative analysis allow conclusions to be drawn about the competitive dynamics. The strongest threat to the meal kit BM emanates from the competitive power of supermarkets. In addition to the substitutability of the product, risk arises from the low degree of flexibility for potential customers which is implied by the subscription model. However, the BM asserts itself through the high profitability within its niche, achieved by the combination of a highly predictive model and a streamlined supply chain.

The prevailing conditions and factors were successfully translated into possible innovation potential. Three key measures were finally identified as potential strategic instruments for the meal kit delivery model. These allow companies to gain an advantage in the competitive environment through increased differentiation from market participants and through the exploitation of significant new revenue potential.

Pursuing an omnichannel strategy, which intends to complement the online offering with brick-and-mortar stores, will reduce barriers to entry for new customers, increase flexibility and differentiate the business in a unique way by creating a great customer experience.

The value proposition of this strategic recommendations was designed to target internal and external vulnerabilities while preserving and leveraging the key strengths of the BM. Following this strategy, companies can maintain relevant in the competitive food (delivery) industry.

This work project has been able to identify innovation potential for the meal kit delivery model and has made an initial contribution to its implementation. Yet, execution requires efforts at process level to allow an integration into the corporate context.

However, the innovation process for companies does not end with the identification of innovation potential. Due to the ongoing developments in the food delivery environment, the continuous pursuit of innovation is essential for long-term success in the market. Since BMI can offer benefits for the business as well as for society, as confirmed in the example of the meal kit delivery BM, it would be advantageous if the search for possible innovation potential and its development became an integral part of the company's practice. By integrating the respective innovation processes into the company's own systems, a continuous quest could be realized.

The question of how the fostering of innovation can be ensured and how practice-oriented innovation processes could be designed will be the focus of future work projects.

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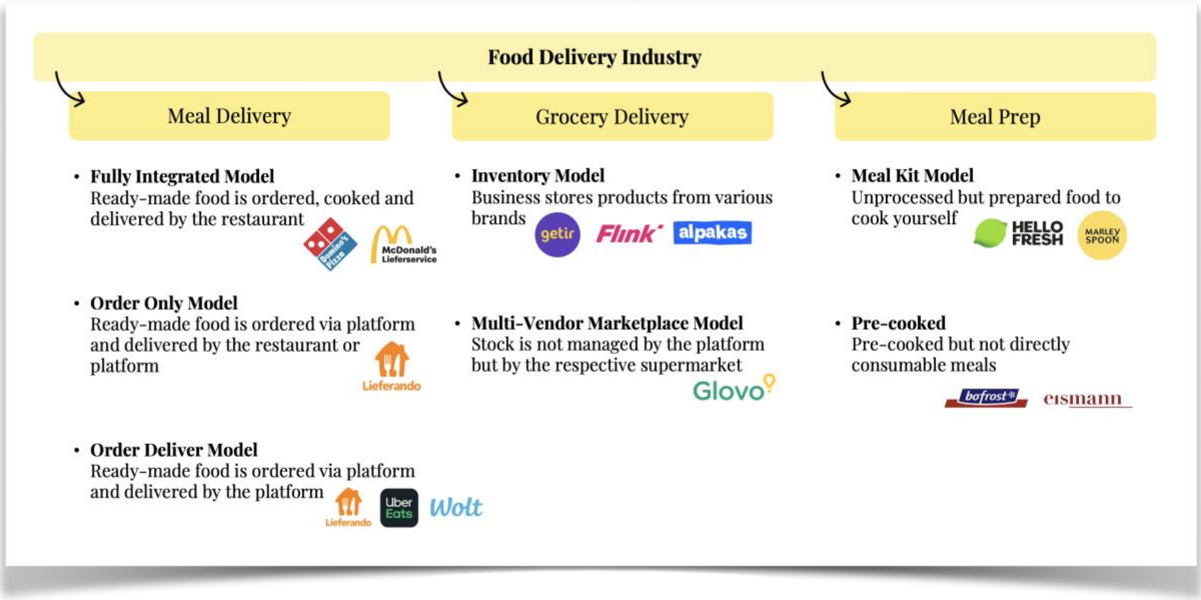
Appendix

List of Appendices

1. Overview of prevailing Business Models

Sorting of Business Models inside the Scope

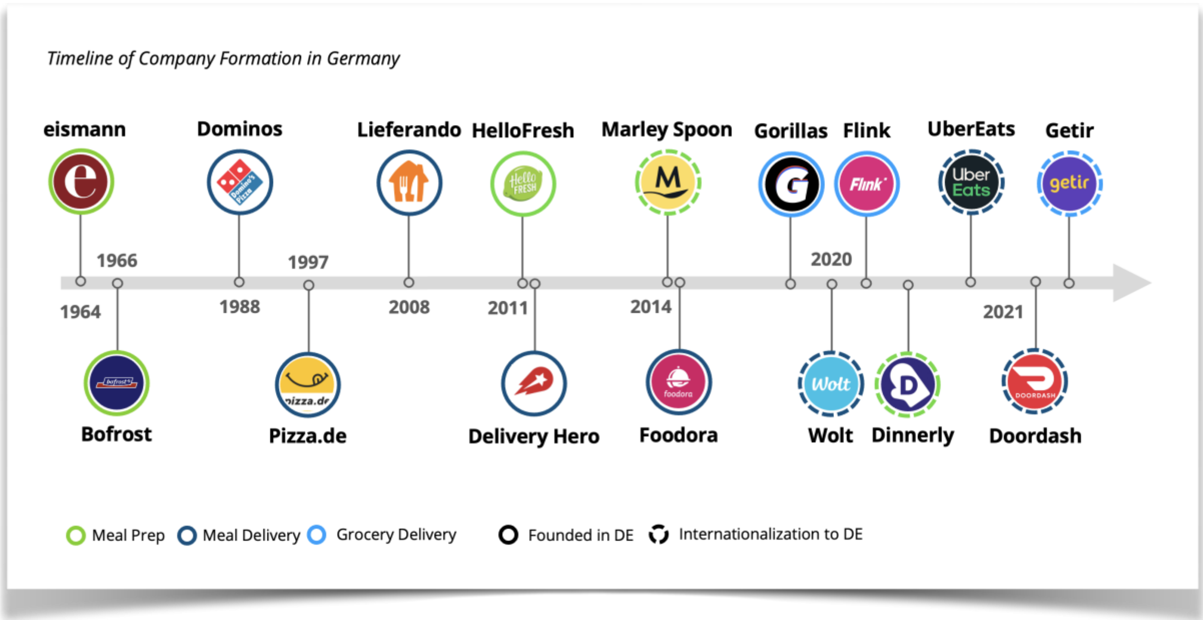


Source: Own illustration

2. Infographic Market Consolidation

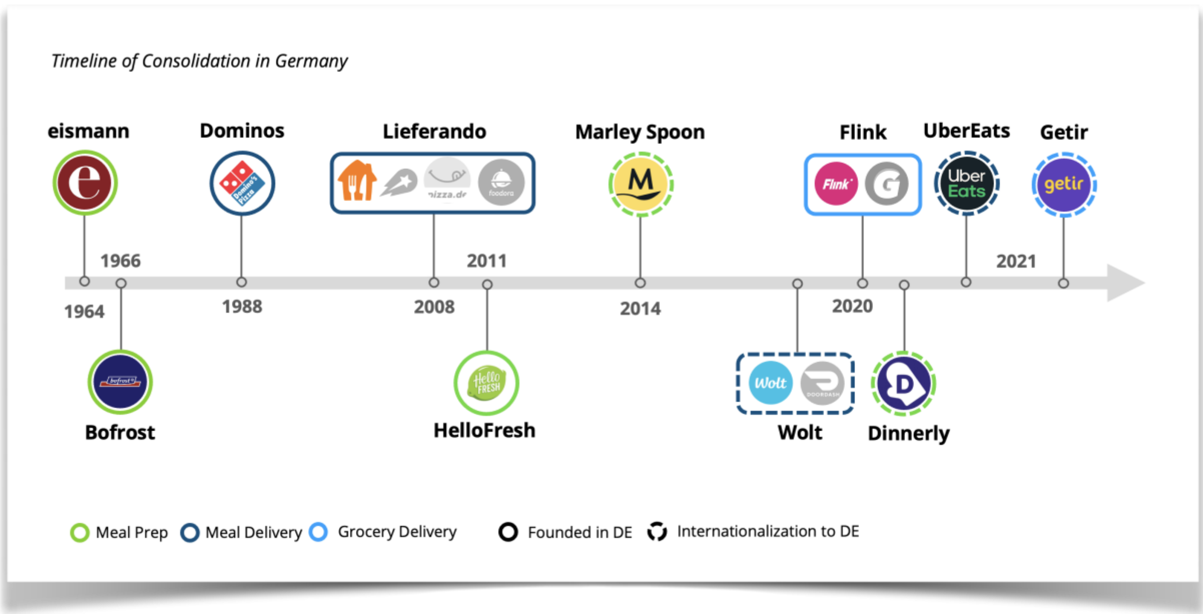
Selection of the main established companies in the food delivery industry in Germany.

Timeline of Company Formation in Germany



Source: Own illustration

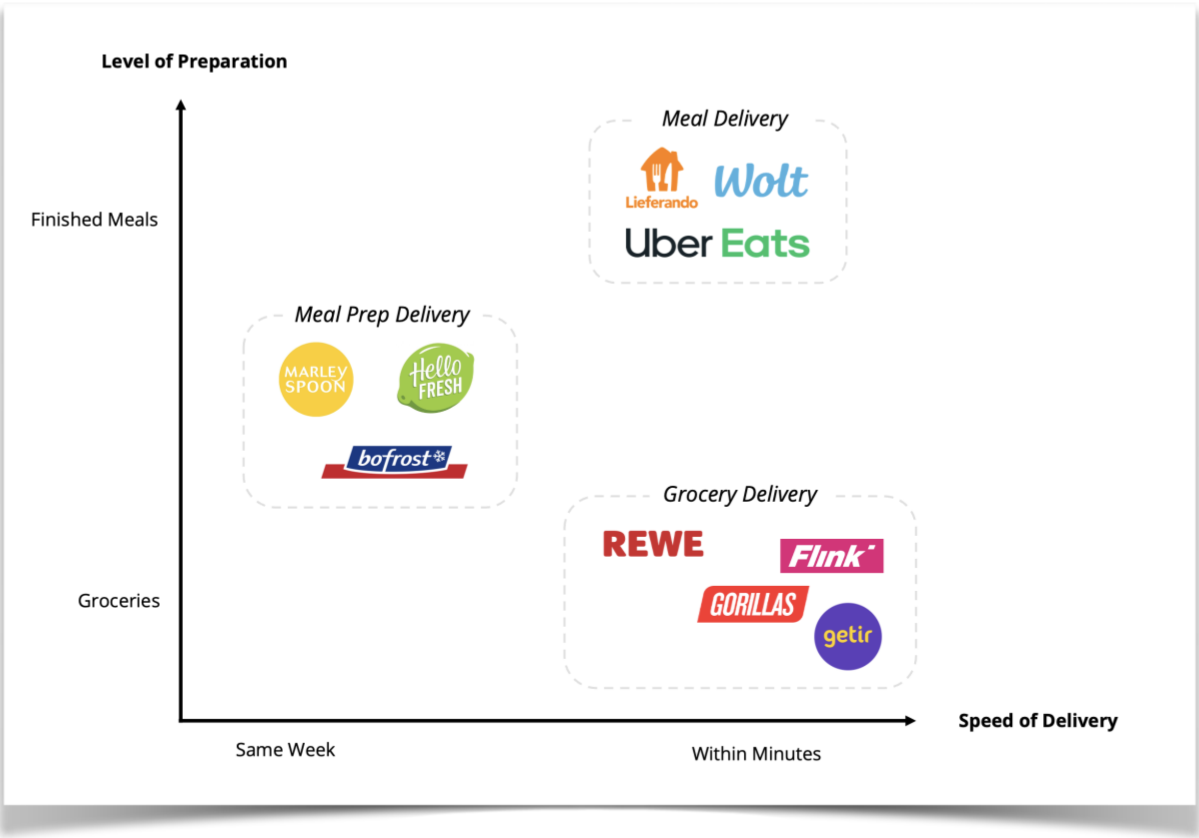
Timeline of Consolidation in Germany



Source: Own illustration

3. Matrix of the German Food Delivery Industry

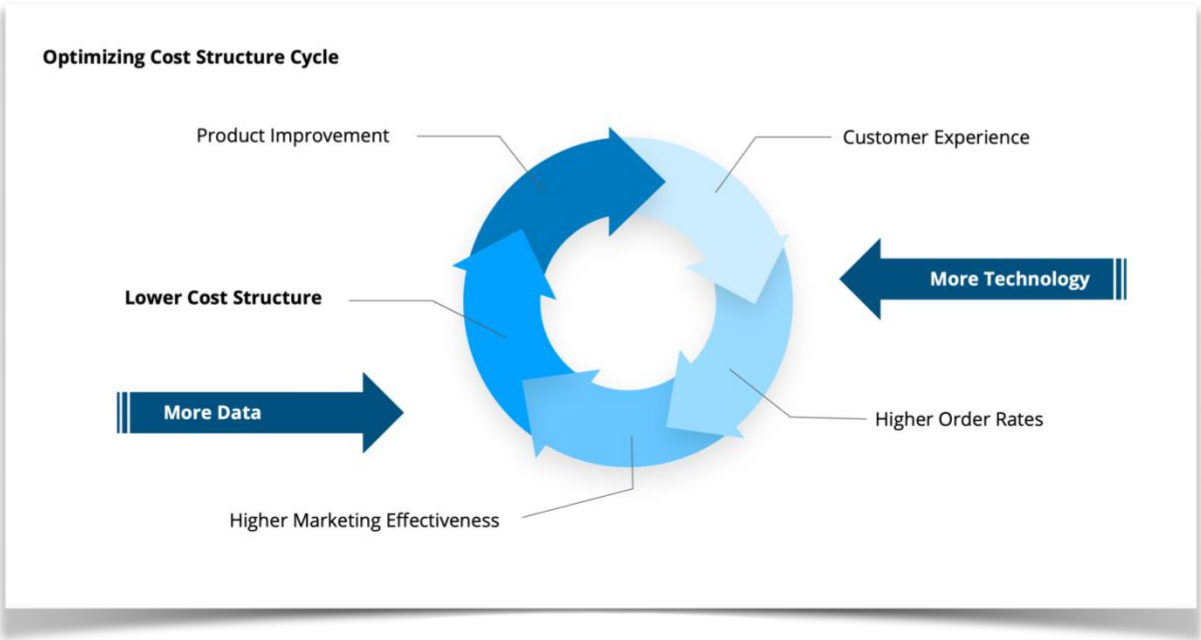
Overview of current Market Players



Source: Own illustration

4. Cost Structure Optimization Cycle

This cycle shows how the cost structure of a meal kit delivery company can be optimized using more advanced technology and more data.



Source: Own illustration

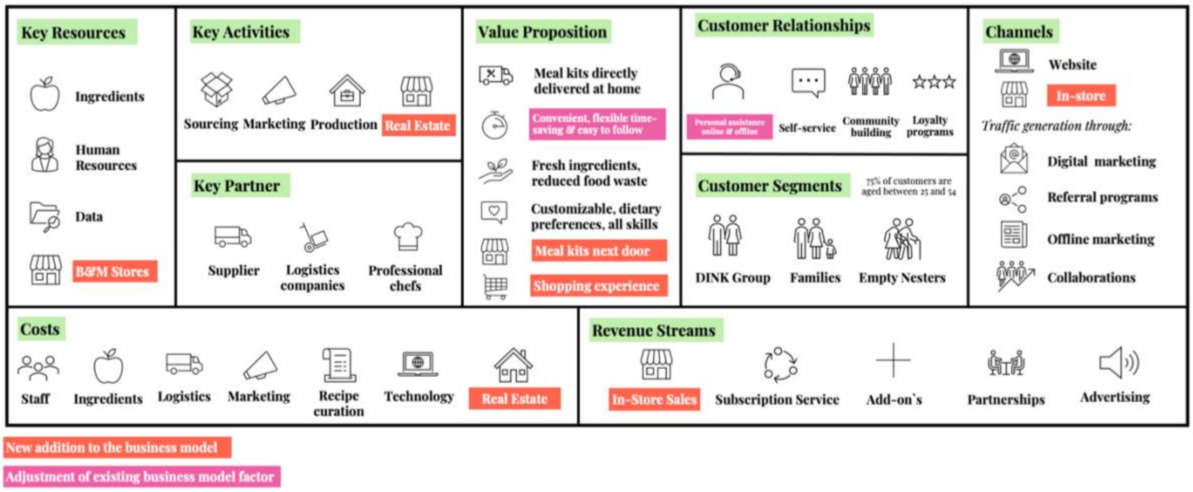
5. Prioritization of different Recommendations for Innovation

Recommendation	Explanation	Assessment
Brick-and-Mortar Stores	Following an omnichannel strategy by complementing online sales with physical stores in major cities	The integration of physical stores in the BM is associated with high effort and high investments due to space rent, staff hiring, construction activities, technological and supply chain changes. Nevertheless, the impact of developing an offline channel is estimated to be significant
Hybrid-Platform Marketplace	Establishing a hybrid-platform marketplace, enabling partner brands to augment the product offering and expand product diversity while keeping supply chain efficiency	Facilitates quick growth rates without overcomplicating the supply chain, by not only attracting a greater number of customers, but also significantly increasing the revenue generated per customer. Moderate effort is required to establish an own platform. Adequate financial resources are essential; if not available, collaboration is an advisable alternative
Social Commerce	Selling products on social media channels per swipe option to unlock new channel growth and tap into new target group	The effort required is limited to additional staff in marketing and the IT department (to guarantee a smooth integration of the social store front). The impact can be significant, as a target group is addressed that was previously neglected and which is highly responsive to discovering and buying products online
Nutrition Consulting Service	Offering a nutritionist consulting service that provides specialist guidance on dietary and nutritional practices, followed by the sale of personalized meal kits, to diversify revenue streams	While the effort required is minimal (additional staff), the impact is also likely to be modest, with sales projected to show only a marginal percentage increase
B2B Extension	Expanding the customer base by targeting businesses, as employers are demonstrating an increased interest in supporting the wellbeing and healthy nutrition of their employees	The effort required is relatively minimal, as the product would only necessitate minor modifications. However, the impact is likely to be modest since meal kits can be challenging to prepare in an

		office setting and comparatively costly against other solutions
All-Kit-Delivery	Broadening the product range to incorporate non-food items, such as hobby kits or special occasion packages	While the effort involved is moderate due to the need of expanding the product offering and consequently complicating the supply chain, the impact is relatively low. The incremental sales generated are unlikely to proportionately offset the resources expended
Digital Fridges	Offering smart appliances that monitor food stocks using RFID tags, suggest recipes, and can order groceries	Digital fridges hold great potential; however, their demand in Germany remains relatively low, primarily due to their higher price point. Moreover, the implementation of digital refrigerators would necessitate a substantial investment in both financial and technological resources.
Vertical Integration	Transforming into a vertical farm eliminating supplier dependencies through self-sustaining, multi-level indoor cultivation systems	Establishing an in-house supply chain has a considerable impact, enabling cost savings and enhanced control over product quality. However, this undertaking requires significant financial and technological resources

6. BMC for Brick & Mortar Stores

Changes in the BMC with the implementation of Brick & Mortar stores



Source: Own illustration

7. Guidelines Interviews

7.1 Interview Guide for Strategy Managers and Department-specific Managers

Thank you (Mr./Mrs.) for agreeing to participate in our interview as part of our master's thesis. We are currently writing our master's thesis on business model innovation in the food delivery industry and are conducting several expert interviews for this purpose.

The goal of our research project is to be able to make recommendations that have innovation potential for one type of business model in the industry ("Meal-Kit-Delivery").

Strengths and weaknesses of the respective model should also be worked out - that will be the goal of this interview.

In addition, we would like to discuss how the industry may evolve in the future and how companies are preparing accordingly. In the conclusion of our work, we would like to evaluate the innovation potential of the industry and present a future-proof business model.

Introductory questions and personal information

Name of person interviewed:

Place, date:

Do you agree to be audio recorded?

How long have you worked for x and what is your current position?

What is part of your daily tasks?

Business model

1. Can you tell something about the history and vision of the company?

Customer

2. Who are x's target customers? Are there any specific segments?

3. How does x identify and understand the needs and preferences of its customers?

4. How does x achieve value for these customers?

5. How does x maintain a relationship with its customers?

Product and profit structure

6. What products/services does x offer and what are the distribution channels?

7. What are x's various revenue streams?

8. How does x develop its products and services?

9. What are the biggest cost drivers for x?

Resources and partners

10. What are the most important resources for the operation of the company?

11. Who are x's most important partners?

12. How does x source its products and how is quality & freshness ensured?

13. How does x manage its supply chain and logistics?

Key questions

14. What differentiates the company? What are x unique strengths?

15. What challenges does x face in the industry? How has the company overcome these challenges so far?

16. What are the company's greatest weaknesses? What steps is the company taking to counteract them?

17. What are the biggest opportunities in the industry and how does x plan to take advantage of these opportunities?

Future

18. What are the further development plans for x? How does the company plan to continue to innovate and develop its offerings?

19. What developments do you see in the industry for the future?

20. What are the biggest risks for the industry in general?

Conclusion

In conclusion, would you like to name any aspects that you think should be mentioned and discussed in connection with this topic?

Thank you very much for the intensive discussion and your time.

7.2 Interview Guide for Industry Experts and Consultants

Thank you (Mr./Mrs.) for agreeing to participate in our interview as part of our master's thesis. We are currently writing our master's thesis on business model innovation in the food delivery industry and are conducting several expert interviews for this purpose.

The goal of our research project is to be able to make recommendations that have innovation potential for one type of business model in the industry ("Meal-Kit-Delivery").

Strengths and weaknesses of the respective model should also be worked out - that will be the goal of this interview.

In addition, we would like to discuss how the industry may evolve in the future and how companies are preparing accordingly. In the conclusion of our work, we would like to evaluate the innovation potential of the industry and present a future-proof business model.

Introductory questions and personal information

Name of person interviewed:

Place, date:

Do you agree to be audio recorded?

What is your current position in the company and what are your responsibilities?

How long have you been involved with Consumer & Retail?

What are your daily tasks?

Industry

1. The food delivery industry is still a young industry. What do you think has contributed significantly to its development?

2. Do you believe in the digitalization of food retail or will supermarkets always remain the most relevant?

3. What is the main reason why the food delivery industry is not bigger than it is today?

4. What is the biggest risk to the industry?

5. What are the opportunities?

6. How has consumer behavior changed in recent years?

7. What trends are you currently observing in the industry and what impact do they have on market participants?

Business Model "Meal-Kit-Delivery"

8. Years ago, HelloFresh revolutionized the food industry with a novel business model. Do you see the model retaining relevance in the future?

9. What do you think is the biggest weakness of the business model?

10. Do you see potential for innovation in the business model?

11. Can you imagine that a new service product in the form of nutritional advice could make sense for a business like HelloFresh?

12. Do you think backward integration (food production) makes sense for the "meal kit delivery" business model?

13. Would you recommend companies of this model to increase their own stationary footprint to be present for more customers?

14. If you were the CEO of HelloFresh, what would you invest in?

Competitors

15. How can market players use data and technology to their advantage?

Future

16. Can you imagine social commerce playing a role for food suppliers in the future?

17. Are there developments in the market that you see as having a lot of potential for the future? (Robodelivery, automation...)

18. in a world where everything could be made possible, what would be your very personal wish scenario regarding grocery shopping?

Conclusion

Finally, would you like to name any aspects that, from your point of view, should be mentioned and discussed in connection with this topic?

7.3 Interview Guide for Meal Kit Delivery Customers

Thank you (Mr./Mrs.) for agreeing to participate in our interview as part of our master's thesis. We are currently writing our master's thesis on business model innovation in the food delivery industry and are conducting several expert interviews for this purpose.

The goal of our research project is to be able to make recommendations that have innovation potential for one type of business model in the industry ("Meal-Kit-Delivery").

With this interview we would like to better understand customers needs and desires. We have developed a questionnaire to find out more about this firsthand.

Introductory questions and personal information

Name of person interviewed:

Place, date:

Do you agree to be audio recorded?

1. How did you first become aware of meal kit delivery services, and what convinced you to try it out?
2. How would you describe your overall experience with meal kit delivery services? Do you think it is a convenient and useful service for busy individuals or families?
3. What factors did you consider when choosing a meal kit delivery service? Was it based on price, selection, quality, or other factors?
4. Can you describe your experience with the ordering process? Was it easy to navigate the website or app, and did you find the ordering process straightforward?
5. How do you feel about the quality of the food in the meal kits? Were the ingredients fresh and flavorful, and did you find the recipes easy to follow?

6. What do you think of the price of the meal kits? Do you think they are a good value for the price, or do you think they are too expensive?

7. Have you ever had any issues with your orders, such as missing ingredients or damaged packaging? If so, how did the customer service team handle the situation?

8. Are there any features or options that you would like to see added to the meal kit delivery service to make it more convenient or useful for you?

9. What are your thoughts on the sustainability practices of the meal kit delivery industry, such as reducing packaging waste or sourcing more environmentally friendly ingredients?

10. Can you suggest any innovative business concepts that meal kit delivery companies could adopt to stay ahead of the competition?

Conclusion

Finally, is there anything else you would like to share about your experience with meal kit delivery services? Do you have any additional feedback or suggestions for improvement?

8. Interview Transcripts

8.1 Transcript No. 1 – Felix Ecke

Name, Position, Company: Felix Ecke, Head of Marketing, Wolt

Date: 24.03.2023

Duration of Interview: 43 minutes

1	Sofie Hoffmann: Great, would you like to start by telling us what you currently do at Wolt, what your position is called and how you came to the company?
2	Felix Ecke: Exactly. I have been with Wolt since August 2020. At the time, I was one of the first employees in the German market, the first ever in marketing, and I built up the whole marketing topic - initially as a one-man show with the help of a few people from the Central Marketing Organisation who helped me. But for a relatively long time I did it alone. Then I gradually built up a team. In the meantime, I'm Head of Marketing for Germany. I lead a team of ten people - that's my job.
3	Sofie Hoffmann: And what is part of your daily doing? What exactly do you do?
4	Felix Ecke: In the end, I am responsible for getting as many new customers as possible in the german market and make sure that those who have ordered with us before order with us again. There are a number of activities that we run. On the one hand there is the whole performance marketing, CRM and building up the brand. Then there is a lot about partnerships. And I specifically do the budget planning. I work with my team to make sure that we have the right strategies and that we do the right things. This has changed a lot in the last two and a half years. Since I was all alone in the beginning, I was extremely operative: I answered comments on social media myself and built things

	in Photoshop. Now it's much more strategic. More precisely, that means setting the right course, which is very, very fast-moving in this business, because it's a high-frequency business: very competitive - you must adapt your plans very quickly.
5	Sofie Hoffmann: Okay, I see. But it speaks for the success story of the company that the team is much larger today and that you operate and market throughout Germany.
6	Felix Ecke: Exactly. Back then, when I joined, we had just started in “Berlin Mitte” and “Berlin Prenzlauer Berg” - so only a very small part. In the meantime, we are active in over 20 cities in Germany and already cover quite a good part of those - but we are actually still relatively at the beginning. Germany is a rather unurban country and we still cover less than 10% of the population. We have very ambitious goals that we want to grow further.
7	Sofie Hoffmann: I see. Can you say a little bit about what Wolt's vision is? How did the company come about? What was the initial idea behind it?
8	Felix Ecke: Wolt is originally from Finland, from Helsinki. Back then, founded in 2014, the original idea was a "skip the line app": that you simply order your food on the app instead of queuing up in a restaurant, but then pick it up yourself. The delivery aspect was added later but what really reached the product market feed and what was then really scaled quickly. The vision was, and still is, to make the cities we're in a better place because we end up being a platform business and serving three different sides. On the one hand, we want to support local traders, so mainly restaurants, but now also other businesses beyond that. We want to help guarantee and generate additional revenue and open up new customer groups. Then we have the couriers, who we want to enable to earn money flexibly and easily. And then on the third side, the

	customers, to whom we offer our app and our website, with which they can quickly and easily discover the best food and more in their neighborhood, order it or still pick it up themselves.
9	Sofie Hoffmann: So it's not exclusively delivery?
10	Felix Ecke: Exactly, there are basically two points. We have now even added a third one and are continuing to expand. So the biggest part is definitely our own delivery fleet, which delivers food from local restaurants to people's homes. The second part, which has always been there, is that people can also pick up their food themselves. So it's just an easy way to order. And this is now becoming more and more the case that we only offer the platform and the infrastructure to restaurants on the platform that want to deliver their food themselves. And meanwhile we also go so far as to simply offer our logistics. That a local trader can also say, I want to sell via my own website, but I still want to offer super-fast delivery. And this local trader can then work with us and we provide only the logistics as a service, so to speak.
11	Sofie Hoffmann: Very interesting, I didn't know that. Sometimes it's not even obvious to the customer who will deliver in the end.
12	Felix Ecke: Exactly, you are a corner shop and end up delivering with Wolt in 35 minutes, while DHL needs two or three days.
13	Sofie Hoffmann: In terms of clients, do you have specific focus segments that you try to address? Or do you try to be as broad as possible and get everyone on board somehow?
14	Felix Ecke: In the end, we want to be broadly positioned. Wolt is a platform and a platform thrives on having something for everyone. Nevertheless, there are of course

	customer segments that are easier to reach than others. In classic demographics: The 20 to 40 year olds who have a somewhat above-average income, who tend not to live alone. Because they have to achieve a minimum purchase value, live in urban areas, because that's where we are, and have a certain digital affinity. But of course we are working on expanding this target group by adding more services, by being as affordable as possible and by having partners who do not have a minimum order value or that we also go further into less urban areas.
15	Sofie Hoffmann: Because you say it's mainly about segments that have an above-average income: is that because the products tend to be more expensive than in retail?
16	Felix Ecke: That's because we charge a delivery fee, of course, and it's also partly the case that restaurants charge higher prices than they can offer in the restaurant and that in Germany it's still seen as a bit of a luxury to have food delivered to your home. It's not about the super-rich, but it is about above-average income.
17	Sofie Hoffmann: I see. How do you go about identifying the needs and preferences of your clients? How do you identify them and which ones would you include?
18	Felix Ecke: Well, we have different mechanisms that we look at. We do surveys with customers where we ask how they rate their experience with Wolt, what they want to improve, how they see us compared to the competition. Apart from that, we generally look at a lot of data: How do customers actually use our app? We then try to improve it. Which restaurants are searched for particularly often and which of them do we not yet have on the platform? Or we look at which restaurants have been added. Then we also do larger brand surveys where we ask people who are not Gold customers what is important to them: Why do you order food? Why don't you order food?

19	Sofie Hoffmann: I see. How does Wolt achieve added value for the customer?
20	Felix Ecke: In the end, our offer is that you can find food and more as easily as possible, as quickly as possible, and order it. Thinking in the direction of the competitive edge, we put the user experience in the foreground: we have an app which is award-winning and functions as simply as possible - we take the user by the hand. Then, in addition, we know that delivery is something where a lot can go wrong, and we want to stand out with particularly good customer support. A customer service where I can get in touch quickly, where I don't need an email address and only get an answer after three days when the problem is no longer relevant. But rather via a chat that allows me to get an answer within one minute and my problem is solved as simply and quickly as possible. Exactly these kinds of things are the great added values. Apart from that, we also make sure that we have the restaurants and traders on the platform that the customer wants. And last but not least we offer a product that is as affordable as possible, whereby we do not define ourselves by being the cheapest. We don't join into a price war, but we look at how we can build a sustainable business that is profitable and at the same time as affordable as possible for the customer.
21	Sofie Hoffmann: Okay, that makes sense. You already talked about customer relationship management at the beginning. What else is involved in maintaining relationships with customers? How exactly do you go about it?
22	Felix Ecke: Exactly, that's definitely part of it, that we look to have engagement with our customers through different channels like email lists etc. and through social media channels where we can engage with the customer. Apart from that, a lot is happening in the app itself, where we are trying to get better at personalising the experience and

	showing you what is relevant to you and playing content that goes beyond the restaurant itself.
23	Sofie Hoffmann: Okay, I see. I would like to know a bit more about the products. I understood correctly, you can order food or ready meals from restaurants and you can either pick them up, they can be delivered to you by Wolt or the restaurant delivers itself. Have I forgotten any products or distribution channels or is that basically the whole spectrum?
24	Felix Ecke: Exactly, we started with restaurants, that we offer a platform for deliveries to restaurants. We have always said that we want to help the restaurant to make more turnover, to win new customers and to enable the restaurant to concentrate on what it does best: Cooking. In the meantime, we have extended this to retailers, supermarkets, flower shops, pharmacies, etc., in order to offer even more everyday products. And in some countries we work with our own supermarkets. We call this principle World Market. It's a similar concept to a flying business model like Gorillas. Where we have our own warehouses and where I can then order via the app. In other countries, we have arranged it differently, in that we are increasingly working together with partners. In Germany, for example, we work with Flink. In the end, we want to offer the customer as much choice and channels as possible (our app and the website).
25	Sofie Hoffmann: How does Wolt earn money apart from the delivery fee?
26	Felix Ecke: We take a commission from the restaurants plus the delivery fee - that's our turnover in the end. I can't give numbers, but there are some articles that have broken down these commission models before. But exactly, those are the revenue streams. A lot of it actually goes directly to the courier and then what's left is basically our margin.

27	Sofie Hoffmann: But it is "only" the two positions, so to speak: Commission and delivery fee, right?
28	Felix Ecke: Exactly. At the moment, 99% of the revenue is generated that way. The model is different when we talk about our own stores. We still have the procurement behind it, but in the end it's the delivery fee, exactly. And everything else is a dream for the future: you could consider selling advertising space in the app or something like that. But that's not something that's relevant at the moment.
29	Sofie Hoffmann: And there is no subscription model yet that you pay 100 € a year and then have no delivery fees at all?
30	Felix Ecke: No, we actually don't have that in Germany. But in other countries: it is called Wolt plus. You can imagine it like Amazon Prime: I pay a certain fee per month and then don't pay delivery charges. I still have to pay for food, of course, but then I save the delivery fees and it's worth it for me to order more often.
31	Sofie Hoffmann: Yes, okay, I see. You just mentioned that you also offer everyday goods and even flowers in addition to food and wholesome meals. Is that the main way for Wolt to develop products and services, to basically open up new product categories? Or are you also trying to grow in other directions?
32	Felix Ecke: Exactly. I also mentioned Delivery as a Service or Wolt Drive, that's also a growth driver. But what we are still growing the most from is that we are expanding geographically into new cities and new countries. Furthermore, our CEO always likes to paint the metaphor of the shopping mall in your pocket. That we basically started with restaurants and now we are adding bigger stores. Shops like pet food etc. And you can order everything through Wolt in 30 minutes. There are no limits at the end. There

are already a lot of tangible goods, but there are also scenarios where customers can order from Zalando or books from Ebay. In Finland, we have a situation where at Christmas you can order everything online, from the Christmas tree to the iPhone you want to give as a gift.

33 Sofie Hoffmann: Wow. Is your goal to deliver within 30 minutes?

34 Felix Ecke: Exactly, it depends a bit on the country and the market. But yes, 30 minutes is the average delivery time we usually aim for.

35 Sofie Hoffmann: Are delivery costs the biggest cost drivers for you or are they more product purchases, personnel costs? What is the most important factor?

36 Felix Ecke: The biggest cost driver is the delivery itself, yes. That is the biggest cost driver.

37 Sofie Hoffmann: Okay, I see. In terms of the resources that are most important for the company, how would you prioritise?

38 Felix Ecke: In the end, we have a platform, or a triangle: you have the couriers, you have restaurants or partners and you have customers. It's always a balancing act. Of course, we need enough couriers to offer the service. But we also need enough restaurants so that the whole thing is exciting for the customer. If I only have two restaurants or three and they're all pizza restaurants and the customer can't find what they want, then it's not exciting for the customer. But at the same time, of course, we need enough customers that it is exciting for the restaurant to be on the platform. And for the couriers, there must also be enough orders that it is interesting for them to work for us. And this is our balance act. So you can't pick and choose. Some people make sure we have enough couriers, others look at what we have in the restaurants. My job is

	to make sure we have enough customers on the platform. That's what I would call resources.
39	Sofie Hoffmann: My next question would have been who are Wolt's most important partners, but that would answer the question. It's the restaurants and the couriers, right?
40	Felix Ecke: That is exactly it.
41	Sofie Hoffmann: How do you source the products? Sure, the food comes from the restaurants, but the groceries? How are quality and freshness guaranteed? Do you have your own warehouses or does someone go shopping?
42	Felix Ecke: I can't answer that very well because, as I said, we don't have our own warehouses in Germany, we only work with partners. But of course there are certain guidelines in every country that have to be adhered to. There are partners with whom you can work for the supply chains. And I can't say that much about the supply chain and logistics either.
43	Sofie Hoffmann: So in Germany it's basically supermarkets that take care of the products?
44	Felix Ecke: We only work with partners and do not have our own warehouses or logistics.
45	Sofie Hoffmann: I see. You already mentioned Wolt's competitive advantage at the beginning. Could you nevertheless summarise again what distinguishes the company from other comparable companies? What are its unique strengths?
46	Felix Ecke: I think Selection. We have partners and restaurants on the platform that you won't find elsewhere and who work with us exclusively. Additionally through a

	very, very good user experience in the app - even beyond the support, we are very fast and straightforward.
47	Sofie Hoffmann: Would you say that the market in Germany is competitive? That there are a lot of competitors Wolt has to deal with?
48	Felix Ecke: Yes, the German market has a very, very competitive history. And even before we entered with Wolt, there was already a lot of competition between big brands. Since we entered, a lot has happened again. More new brands and new players have come in, some of which are investing a lot, and in addition the Q-Commerce providers that didn't exist before: Gorillas and Getir. They are a substitute service. They don't do completely the same as we do, but of course I can decide whether I want a frozen pizza or something from a restaurant. And in addition, of course, there are also Hellofresh and concepts like that, with which we are in competition in some form. But the biggest competitor for the whole industry is the telephone: I call the pizzeria around the corner myself and have something brought to me or of course that I simply cook myself. In the end, as a business, we have the opportunity to win customers three times a day. And if we think even bigger, in principle even more. That's why the potential is huge and the frequency is correspondingly high.
49	Sofie Hoffmann: So high competition in the sense of many market participants who can substitute for each other?
50	Felix Ecke: Which influence each other, exactly. I mean, there are two other players besides us that are doing exactly the same thing as us: Lieferando and UberEats. They both have money up their sleeves and of course we are in competition with them.

51	Sofie Hoffmann: Apart from the tense competitive situation, what other challenges does Wolt face in the market and how do you deal with them?
52	Felix Ecke: I think that the biggest challenge is always that I... It looks simple from the outside but there are incredibly complex operations behind it. And I have to build that up piece by piece. And if I want to expand further, it doesn't happen very quickly. But I have to be fast, because I have competition. And because I want to grow quickly in terms of volume and because it is also a business that changes quickly and is very dynamic, I believe that the biggest challenge is always to take the right strategic steps and to grow while at the same time offering a good customer experience. Because that's the most important thing, not to just quickly put my flag in a new city and end up not gaining customers there - that's the biggest challenge we have.
53	Sofie Hoffmann: So basically, the initial investment and building the business in new regions?
54	Felix Ecke: Yes, you could put it that way.
55	Sofie Hoffmann: And would you say that Wolt as a company shows weaknesses in certain areas of the company that need to be addressed?
56	Felix Ecke: We are perfect. No, of course not. I think you can always develop as a company at all ends. And in the end of the day, we are still a young company and we learn things every day, be it from our customers, be it from colleagues or other companies. What marketing strategies can we drive? How do we make pricing smarter for customers? How can we work even better with our restaurants? How can we make the remuneration model for our couriers better and fairer? What's the best way to launch in a new city? There is an insane number of things we learn every day. It works

	a bit like a start-up in itself. We test and learn. That's why I wouldn't name any particular weakness. But I would say that we have potential for improvement. It is an eternal process.
57	Sofie Hoffmann: Have you joined a business alliance or a group of companies?
58	Felix Ecke: Exactly, Wolt was taken over last year by the US company DoorDash. It's the market leader in the US for food delivery and more. They basically do the same thing as we do, but in other markets. But we continue to stand as the Wolt brand. This gives us completely different possibilities in terms of resources and knowledge that we get from them.
59	Sofie Hoffmann: What I noticed in my research is that there has been a big wave of consolidation in recent years: many companies have merged, been bought up or bought out of insolvency. Would you say that there is an opportunity in the market for companies to merge into groups?
60	Felix Ecke: I think it's relatively natural that this happens. People look for strong partners and join forces. Especially during Covid, many new companies were created. And now you have a completely different macroeconomic situation in which it is inevitable that there will be faster consolidations. In Germany, Takeaway took over Delivery Hero and there have been many consolidations in other markets as well. But I think Covid has accelerated this because there has been a wave where supermarket deliveries have increased rapidly and consequently a wave of consolidation has been triggered.
61	Sofie Hoffmann: Are there any other big opportunities that you see in the market at the moment?

62	Felix Ecke: I think the opportunity is really to build a product where I, as a customer, can find everything I need and that I can expand the foundation that I already have with restaurant delivery to many other things that can be delivered. That I don't have one app for food, one for the supermarket, one for everything else, but that in the end I have everything in one app. In the US, for example, we have a feature that can send a driver to two different partners. There are a lot of possibilities to build on the existing product and make it even more interesting. So that it is ultimately used more frequently by existing customers, but also new customer groups are added, for whom food delivery is not so exciting, but who find it very exciting to have medicines delivered or pet food or something else.
63	Sofie Hoffmann: I have to take a step back because you just mentioned the courier. Is it also the case that a courier makes his way to different stations and then drives to different customers? Or does he usually make one big round and then go to a single customer?
64	Felix Ecke: That depends a lot. We try to optimise the routes in the background so that it is efficient. And it may well be that a supplier has two deliveries in his backpack at the same time.
65	Sofie Hoffmann: But not much more than that?
66	Felix Ecke: No, exactly. In the end, the customers should have their food within 30 minutes if possible, and it shouldn't be in the backpack for too long. These are KPIs that we track. It has to arrive as warm as possible. Of course, it's different when it's non-food. You have less of a problem there.

67	Sofie Hoffmann: When we look into the future and think about what could happen to the industry, what do we see? What is developing on the horizon? How are you preparing for it? How does Wolt plan to stay successful in the market in the long term? What are the company's development plans?
68	Felix Ecke: It is a bit difficult to name concrete things because we are not allowed to publish that much as a listed company. But I think I have already outlined quite a lot. We believe that further geographical expansion makes sense: to be able to offer our product to as many people as possible. Looking at the US: Wolt reaches 93% of the people. That's more than the US Postal Service. In Germany, as I mentioned at the beginning, we are still a long way off and therefore we want to expand significantly. Then we will open up new product categories and continue to improve our products. I think these are the most important things. There is still a lot of potential to build on the product in different directions.
69	Sofie Hoffmann: Can you imagine that there will be major disruptive developments in the industry again, if we think about technological progress now? Bigger developments that you might not even expect yet.
70	Felix Ecke: I think that can always happen. There are a lot of technology topics, like robo delivery and so on, but so far nothing is really happening that goes beyond PR gags. But it might get exciting again. I don't know if AI will somehow play a role again, but what we have seen through Covid is that external effects can have a huge impact. And that can always happen, of course, disruptive developments that enable new business models. But it is difficult to predict.

71 Sofie Hoffmann: Yes, I think for a long time this picture has been painted of drones dropping orders and food in the garden. But I also saw a documentary about it and it they explained that it is not at all ready for the future. And in the US, for example, there are a lot of restrictions in terms of airspace.

72 Felix Ecke: Yes, and these regulations make sense. We have already done tests, others do tests... There are robots in Hamburg, I think Dominos works with them, that bring things. But someone has to run after them all the time because otherwise it's not allowed. It is not allowed to just drive around and then of course it doesn't do much good. So the technology is already there somehow and that can potentially make it exciting again, but the business is so fast-moving that it doesn't really play a big role in our current considerations.

73 Sofie Hoffmann: Yes, but it's interesting to look into it. But you're basically saying, for now, delivery remains a human contact?

74 Felix Ecke: I don't know, it can always happen quickly. What I see is that it depends mainly on the type of legislation and less on the technical possibilities. And I think we still need a bit more time.

75 Sofie Hoffmann: Then the last question I have: Are there any risks in the market that you are watching? Is there anything that could happen that would lead to you being out of business the day after tomorrow?

76 Felix Ecke: I think there are always things that can happen, be it certain legislation, be it some external influences, disasters, whatever. What we try to do, of course, is to position ourselves as broadly as possible in order to prevent such things. It is quite possible that deliveries from restaurants will be banned, that restaurants will close

	down or no longer want to deliver, or whatever. But then at least we still have supermarket deliveries, for example. Yes, I think there are always risks somehow. Influences, more competition, whatever - that's how I would see it.
77	Sofie Hoffmann: Yes, okay, makes sense. I see. Thank you very much for taking the time to do the interview with me, I appreciate it!

8.2 Transcript No. 2 – Javier Gimenez

Name, Position, Company: Javier Gimenez, Co-founder of Yababa and Angel Investor

Date: 29.03.2023

Duration of Interview: 28 minutes

1	Clara Dietrich: Thank you so much for taking your time today. As I said before, we're doing a master thesis, regarding the development in the food delivery industry. So basically, our topic is business model innovation. And the goal of the thesis in the end is to give recommendations how in this business model we can evolve this industry further and what gaps are there still to be filled. And Erica told me that you were the co-founder of Yababa. So maybe we can start talking about this. Like why did you see potential in that industry or why did you choose that industry to build such a big delivery platform?
2	Javier Gimenez: In a nutshell, grocery delivery or food in general is one of the biggest industries in the world. The understanding is that it is an industry which will keep developing and keep growing, and it's also something that everyone uses on a daily basis. Then through COVID, we saw a huge explosion within the industry, especially within the e-commerce vertical with companies like Gorillas and Flink and SAP and all that. But we also still saw even in traditional retailers like Rewe or Edeka, a huge increase within the delivery vertical as people moved from offline to online push through, you know, the COVID restrictions. And all that. So that gave ground for, you know, very big companies, very large companies to build very quickly.
3	Also empowered by VC funding, which was not so traditional, right? So heavy operations, high earning businesses like groceries are typically not funded by VCs,

	right? Ultimately expect to have high returns over a large period of time and burn as little money as possible. Now, because we saw that opening in the market. And you know, me and my co-founders, we are within this sort of environment. We try to identify gaps in the market within the grocery space to see where we could approach maybe an interesting vertical. And what we saw was that, you know, there was clearly a pretty big gap within the ethnic grocery delivery space. The people were moving from offline to online, and retail was moving heavily, heavily to online. I mean, I think, you know, before COVID, you were around 10%, 12% online grocery penetration and now you're above 20%. So, it almost doubled in less than three years. Yeah. And we then set to do a bit of research on vertical. So, there we got inspiration from the US, which is a typical thing that, you know, entrepreneurs would do in Europe. And we identified a couple of players, one specific player which is already very large, which has been alive for around ten years, I think, or a bit less than ten years, maybe like eight years old, Say weee.
4	Which is an online grocery retailer which focuses on Asian and Hispanic groceries in the US. So, they were one of the first guys to actually pioneer this ethnic grocery delivery.
5	And what we saw is that they already had built a very large business, also funded, and we basically set sail to identify, you know, which could be an interesting market to do the same in Europe. So, we ended up sort of looking at the biggest demographics in the continent and maybe the most the ones that were present more broadly across most countries. And we ended up identifying the Oriental market as the fastest growing one and the biggest one. So Oriental meaning anything towards the Middle East and also Northern Africa, right? So, you can think about the Levant, like Lebanon. Syria, yeah.

	But also, Iran, Morocco, Algeria, right. So, France, you have a huge North African community and in Germany you have a huge Turkish community. In the UK, you have a huge also Pakistani and Indian community. So, you know, we basically saw this Oriental sort of page or spectrum to be very interesting and that's what inspired us to build Yababa. So, the combination of, you know, groceries being a huge market heavily moving online, VCs being interested because it was moving online very quickly. And then the gap in the market for that we identify for the Oriental.
6	Clara Dietrich: So where the Oriental customer your target customers then or were you also trying to focus on customers who are not already familiar with these products in the long term?
7	Javier Gimenez: So, so good question. It was a question that we never answered to 100%. Right. I think the clearer answer is that, you know, we build the brand that where they would identify with, right? So we built it thinking, you know, you call it Yababa.
8	You focus on halal products; you focus on finding products. So Blue Cross or Hero products that, you know, they would maybe identify as something they ate when their grandma when they visited their grandma back home because in the end it's also targeting a community of second or third generation immigrants right. Parents were immigrants but like within with immigrant heritage, basically. So, yes, the brand was built for people like that to identify with. Right. And to enjoy, but also understanding that, you know, we expected maybe 30% or 20, 30% of the sales to go to non-ethnic. Okay. Yeah. Yeah. That's the reality. You still do build the brand for them and over time it evolves the use of recipes. So, learn how to cook Shakshuka. Then you try to target around the population. The truth is though, that oriental cuisine, just for what it's

	worth, right? It's a bit different to, to Asian cuisine, which I think is more widespread in the ethnic world. Oriental Cuisine and food is really consumed by Oriental people. Yeah. Um, you rarely hear a friend saying, you know, come home and let's cook oriental. Right. You say let's cook some noodles or, you know, let's make whatever, okay, sushi or whatever, right? It is a bit difficult. We tried, but then it was very difficult. We did target the ethnic population more and more aggressively.
9	Clara Dietrich: Yeah. Okay. And in terms of cost structure, does Yababa differ in terms, for example, to gorillas? Like do you have your own drivers, or do you outsource this process? Could you maybe describe this a bit?
10	Javier Gimenez: So hybrid. Yeah, maybe. That's also interesting for you. One differentiation that we made at the beginning is that we were not going to build a quick commercial operation. Right. We also looked at the market and we thought that, you know, quick commerce did a lot to digitize and develop the grocery, the online grocery business, but we did not think it was a sustainable business. We thought it was impossible to build, to build and operate a profitable operation from it. You know, it would require very high baskets, which would commerce normally is not able to do because they cannot carry so much stuff or it would require a lot of conversion or a lot of utilization from the bikers. So being able to deliver too many orders per hour. So ultimately, we knew we didn't want to build that model.
11	So, what we did is a bit of a hybrid between the convenience of quick commerce. The convenience of, of retail and, and the speed of quick commerce. We built a scheduled delivery model, which means is that, you know, you could conveniently choose a time window, a two-hour time window across six days into the future and decide when you

	want it to, to receive your order. Which allowed us to basically pull orders together, improve conversion, and then, you know, be able to accomplish better unit economics.
12	And one very large differentiation. We were close, much closer to Olek. You know, Olek, if not, you should have a look close by in Germany. It's called Olek, or Picnic.
13	Picnic, I think was the biggest inspiration for the for the operational setup and even closer to really than we were two gorillas or Flink operationally. So just to close the circle because you asked. So, we did not employ drivers, so we owned our warehouse operations vertically end to end. So, anything happening inside the warehouse, we considered something we had to excel at because that was kind of like a proprietary sort of like processes and technology that we had to develop and be very good at. But drivers we feel, are a commodity, so we didn't employ drivers, we outsourced them. For logistics provider, therefore giving us, you know, more flexibility and less way on the books, right? Because otherwise it would be employing a lot of people. And so we just had them, had them outsource basically. So similar to what Amazon does, they don't employ drivers. They hire 100 companies and they do deliveries for them.
14	Clara Dietrich: Okay, understood. But like when you don't have the drivers in your own cost, what would you say are your biggest cost drivers then? Could you name this? So the biggest cost drivers.
15	Javier Gimenez: Are staff for sure. You still have the warehouse. So this is huge.
16	And your COGS, right? So purchasing goods is huge as well. So this is probably bigger. This is probably bigger or as big as staff. And then so I'd say those two definitely are the biggest ones. And then, you know, infrastructure is also expensive, right? So if you want to develop. And fit warehouses to for something so complex as

	grocery picking and Grocery dispatching that's also costly. Yeah. So you do have to spend on infrastructure, you do have to spend on assets, you do have to spend also on tech and all that. Right? But the biggest costs on the books would be staff for sure.
17	Clara Dietrich: So, okay. Coming quickly to the purchasing goods, as you said, in the warehouse. So you have an own warehouse where you beforehand buy the groceries and then offer it on your website. So when a customer orders groceries, you already have it in your warehouse.
18	Javier Gimenez: Correct. This is a supply chain. We're talking the complexity of the model. So we were not a marketplace model where which exists especially also in Latin America and Asia, like Rappi, for example, think that and Happyfresh in Indonesia also also did that. And I'm sure there's more where, you know, they link their they, they link their backhand to supermarkets and then you know, people purchase and then once they purchase, they go to the supermarket, they pick it and then they bring it to you. What happens there is you have a lot of a lot of missing items and problems. And you can also not kind of control quality, which can be very bad for a customer experience.
19	But it's cheaper because you don't have to eliminate this box topic. You maybe need some kind of a revenue agreement with the supermarket, but you don't have to spend money on costs, okay?
20	The ones that really excel in groceries and the ones that really penetrate markets, ultimately you need to buy the stuff yourself.
21	And you need to control it. And so one of the biggest complexities is to control a fast moving, dying inventory. So you know, ultimately the question is, whatever you saw

	in the app we had in the warehouse, but there's also there's also a trick. For example, we had a function developed which we called virtual inventory, which means that maybe I only have 100 pieces of beef, but someone and that's only going to last two days. Right. But I only receive beef every day. So yeah. If someone wants to buy today, Thursday, for next Monday, you know, I will still allow him to keep buying beef even if I don't have it because I know I will receive beef on Saturday.
22	Now what happens is that your supplier might deliver less beef on Saturday, so 1 or 2 customers can affect it. Just one edge case, right?
23	But for most, for 97% of the items that you saw on the app, we had them in the warehouse. Okay.
24	Clara Dietrich: You shortly mentioned suppliers here. How did it work for you? Did you buy from large supermarket chains or rather smaller suppliers, like, for example, I don't know, bakeries or where did you source your products from?
25	Javier Gimenez: So the goal is to cut the middle man, Right? So you don't buy from supermarkets. You buy from the people at supermarkets buy. So to give you some some factual data: We had 2500 available at any given time.
26	And for that we had over 80 suppliers, 80 different suppliers. Okay. So what we try to do over time is you also try to hedge yourself so you don't have one supplier for fruits and veggies, you have four. And then you try to kind of like, you know, switch them around also. Depending on what what sort of like seasonal products they have and so on. And what happens over time when you become very large. So say you become as large as Flink then you can have a purchasing agreement with the union, which is like, you know, is going to get much better prices than I do. Right? Even if they buy from

	the same people. Because they buy much more. We you know, the focus was always to get the price point from the suppliers of big retailers. You don't want to go to retailers because then the margin is already lost.
27	Clara Dietrich: Right. Okay. I understand. Thank you so much.
28	Javier Gimenez: Yeah, excuse me again, please. This is a huge pain point, by the way, for for for the industry and especially for anyone who wants to build a company.
29	They want to break into the industry because when you're small and trying to grow, they're going to squeeze you. You can use a lot of margin there.
30	Clara Dietrich: Okay. Maybe looking at this pain point again and also having a bit of a view in the future here. Because I think a lot of these business models face huge problems like that. It's not that profitable right now. Do you think the market is not there yet to make it profitable or is the competition too big? What would you say is the main problem here that all the companies are facing?
31	Javier Gimenez: Yeah, so I think so. I think the market is definitely crowded, but I think if you look and I fundamentally still believe in it, if you look into the, you know, into how fast it's growing and how consumer behavior is pivoting to online, it's only going to keep growing. You know, it's only going to keep growing. And it's not a one market. It takes all kind of thing. You know, you need competition. There will be competition. There will be different offers and different services. When you do start to realize is that the companies that are maybe not so mature and have not had enough time to develop a business model which is safe or that are not sitting on a lot of cash. So, for example, the online business for review is just one vertical. It's the fastest growing vertical, but the bulk of it is revenues and money. They come from offline,

right? Yeah. So ultimately they can just divert a fraction of their budgets into online and then start developing it. But when you you look at that scale and you might be looking everywhere else. It's also super digitized. Very, very advanced technology. And that's not money and resources that a young company like Yababa would have. If you look the ones that are born online and are only online. Right. So like, I think those are the best examples if you want to compare against retailers. Otherwise you obviously have the e-commerce players like gorillas and Flink, which are clearly struggling, right? Yeah, of course, the ones that are the ones that are purely online and have built a business over time, I think. The expectation was that they would grow so fast. Right? Or you need a year to launch in Germany. It's because to guarantee the service that they need to guarantee to stay competitive. Any time to build the warehouses, to find the right warehouses, to target the right population, to target the right cities and so on. If they did it as quickly as a quick e-commerce player would do it like Flink or gorillas.

32 So what I what I was saying is that there is a reason why this pure online retailers take so long to to penetrate and to come in. It's because to build this kind of business, you can only be that fast. And that's where maybe the misunderstanding of pouring VC money into this industry comes, that it's not healthy for such a company that needs to build safe and sustainable infrastructure needs to be sustainable business unit economics to do it so quickly. So for companies like gorillas, which are, you know, in the end they are infrastructure heavy, but they need to justify huge valuations. They run into trouble. They either need to finance themselves much quicker than they expected, you know, or they go bust. And like, what's the case with gorillas that had to be sold to to a bigger player? Yeah. So for anyone coming in, I mean, you know,

	ultimately I think it's still possible because as I said, for me, the business is so the markets or the space is still growing extremely, extremely fast. But, you know, you are again, so I think traditionally retail was always the same. Right? So how long is there edeka and Aldi? How long have they been around? No one touching them right through COVID, through this online, sort of like massive push.
33	You've had companies come in actually challenging the status quo and taking market share away from them. And you've had incumbents which are online only like Picnic to really benefit and grow very fast and become, you know, instead of becoming acquisition targets for rave or for the likes of rave and so on, they've become on their own, you know, huge businesses and possible challenges to the hegemony of this kind of like companies in the future. But still, you know, it's complicated to see how it's going to go. So on the one hand, you might be going into a moment of the industry where there will be a bit of a plateau where the companies that now are there and have money to withstand. Also the the shock. Right. They will be still there in ten years. And but I think you maybe you won't see another curve of a lot of companies coming into the business because there is no appetite from investors to pour so much money into it right now after what has happened. Rather pour it into the ones that are already there and are already, you know, functioning.
34	Clara Dietrich: So you do strongly believe that the business model itself of this food delivery business model has the potential to be successful in the future. So you don't think the business model itself needs to be overcome or improved?
35	Javier Gimenez: So I think it's a business that works at scale. Yeah. Because it's anyway, low margins, low EBITDA. But still, if you generate 50 billion in revenue with a 5% or even 4% EBITDA, you still have a bunch of billions to reinvest on

	growth, right? However, they are never going to be businesses like VCs would want them to be that generate 30% EBITDA and you can sell at ten x the price. Actually, you know, ultimately the worth of these companies if you base them on revenues. So to give you a benchmark, what has happened is that, you know, VCs would invest money in this heavy operations, businesses thinking that they could justify at an X valuation versus revenue. Right. But traditionally, if you look at, you know, maybe private equity sort of valuation schemes or even how banks do it for this kind of businesses, you look at two x maximum three x, which doesn't justify this kind of VC investments because you're like 70% away from the target. Okay, So ultimately, you know, yes, it's still a business. It's there to stay online. Groceries are going to keep growing. There's going to be huge companies, huge companies being built. And, you know, it's also very difficult, I think not because you sell groceries, you can do both perfectly. Groceries are very complex. So Picnic having built an online only business, shows how far ahead they are, right? So if they go into a situation where they have to compete head to head with just online, picnic is going to give you the better service and ultimately they're probably going to steal market share.
36	However, people are still going to buy offline, right? So the real estate infrastructure that they have picnic will never have. Yeah, because they will never go inside the city. Okay. So it's also unfair to believe that it won't be there in 20 years. Yeah. So what I think is that the online sector is 100% growing and any, any offline retailer, any of them or offline focused retailer will invest heavily into online either by M&A and investing like they did in Flink and so on, or by building their own infrastructure. Potentially both. They will hedge themselves. They will say, I will do online and I will invest money into an oncoming online player. But I think you won't have new, you

	know, online businesses coming into the grocery space, at least not in Europe. Right. I cannot tell you much about Asia. Yeah, sure. I think would be a bit the same about the US, but I think you won't have any coming in the foreseeable future. But not forever. Yeah. So I think it will recover. There will be successful stories to be told, online will keep growing and you will have potentially new businesses coming in or maybe even businesses breaking apart. It would be smart in my opinion. For example, you won't have another gorillas coming in maybe next five years.
37	Clara Dietrich: Okay. Thank you. One last topic I'd like to touch here is because our thesis looks at the business model, the groceries delivery, but also the meal prep business, for example, Hellofresh that offers like meal kits. How do you see the potential in the future there? Do you think this is like a more profitable business or is it really hard to compare here? What is your opinion on that?
38	Javier Gimenez: So to be honest, so for me, I have my opinion, but for me, meal kits have always been a bit of an incognita because there's clearly huge companies in the space and frankly performing pretty well. I mean, first it‘s listed, you can see the data, the numbers, and honestly, they're not like doing particularly bad. I think it's two different businesses. So people that buy meal kits still buy groceries. Truth is, they don't go through retailers. They go like, you know, directly to the stores because they're large enough to do it. But I personally don't see it as more of a niche market. Right. Okay. And when you speak, when you speak about groceries, you're talking about, you know, everything, everyone, all the time, every day kind of thing. Meal kit is more targeting a very specific type of people and also using online acquisition and retention strategies to not let them leave to basically, you know, provide a product which in theory they're telling you is replacing groceries. But in reality it's not. You

	know, so I think as a niche market, it still works. I think, you know, you do have so I would on the one hand say sort of one one winner takes all kind of market. But at the same time, you'd rather have someone who does it very well and has its niche and focuses on its niche and that's it. You know, they will maybe produce DTC boxes for supermarkets as a way to scale vertical. But you know, I think it's a very niche sort of market. I don't I think it can work, but in a niche, Yeah. Now these can be billions.
39	For example a hellofresh at some point when they peak. I mean right now the way they grow is they grow geographically or via M&A. It's very difficult. It's very difficult for them to grow further in Germany, whoever buys Hellofresh and I don't know anyone who does, but whoever does it does it already. And very difficult to penetrate further. But what they could do, they could maybe, you know, build a hellofresh and basically build meal kits that you can buy at maybe directly, for instance. Okay. Or they could move also ethnic. Why not? You know, but ultimately they already do kind of all sorts of recipes. And the reason why they work is because they plan the boxes themselves. So they have a very, very, very, very optimized supply chain warehouse management. It's cheaper for them because they can plan ahead what they give you, right? So they don't have to rely on what the customer wants.
40	Clara Dietrich: Thank you so much. It was very, very insightful. I don't want to steal more of your time and thank you so much. I'm happy to stay in touch. I'll send you an connection on LinkedIn if you agree.
41	Javier Gimenez: I'm always happy to help.
42	Clara Dietrich: Have a good day. Bye bye.

8.3 Transcript No. 3 – Laura Jacobson

Name, Position, Company: Laura Jacobson, Head of Marketing, Marley Spoon & Dinnerly EU

Date: 12.04.2023

Duration of Interview: 34 minutes

1	Mike Hammel: Hi Laura! Thank you for taking the time and participating in this interview. My first question to you would be to just present yourself and describe what you're doing and why you're an expert in this industry.
2	Laura Jacobson: Well, I'm Laura. I work at Marley Spoon, a DTC meal kit company, and I'm the leading head of marketing in Europe for both Marley Spoon and Dinnerly. Marley Spoon is live in Denmark, Austria, Germany, the Netherlands, Belgium, and Dinnerly is live in the Netherlands and Germany. So my job is basically to acquire new customers and to retain those customers or reactivate those customers when they decide to leave us.
3	Mike Hammel: Okay, perfect. As a marketing manager, it's very important to identify a company's customers. Most DTC meal kit customers are like between 25 to 55, which is quite a large group of people. So, besides families and young professionals, for whom might it also be interesting? What are interesting customer segments for this kind of offering?
4	Laura Jacobson: Well, I guess like thinking back to the core of it, the reason why it's such a large segment as a whole is that we're solving quite a problem that's kind of accessible and a problem that a lot of people face, which is people are looking for an easy way to shop, cook and eat. So, when thinking about the people that need help

	shopping, cooking, and eating, that's anyone with a mouth that buys groceries or anyone that needs to eat. There is a really diverse audience and for that reason, that's why the target is so wide.
5	When it comes down to specifically finding different customer groups, we do a ton of AB testing through our ads. We throw a lot of ideas out there, and we see which one sticks. What that generally means is, we'll go out with lots of different messaging claims that might be more appealing to younger skewed audiences, people in couples, people with families, people with young kids, older kids, maybe people that are retired. And we'll see which out of these ads converts a different range of customers. We actually look at the quality of those customers long term. So yes, young people are the future and they might be super hooked on to the idea of a subscription. They understand what it means. They're more technologically advanced. They are more okay putting their credit card information on the internet. But they might not be very sticky customers. They might be cash tight. They might need more flexibility in their life than having a weekly meal box delivered. So, we might go off to those customers, and we might get them in a large volume, but it doesn't necessarily mean that they're sticky customers that stay around with us for a very long time. Of the elder people, we might get a lot less of them, because they're more adverse to technology or they might not like the idea of subscription or they may be more stuck in their ways in how they like to shop, cook and eat. But those customers might be really sticky because they have the financial means to stay with a meal kit. They're more stable and less, I guess, spontaneous in their life. They've got a bit more of a routine. So, they might be stickier customers. This is all to say that we go after a large range, but then the blended approach means that our general customer profile is broad, because we might need

	large volumes from younger customers. They might use us once or twice a month or even less. That's one segment. And then we might have other segments that engage with us more frequently.
6	To answer your question: it is broad. There's a reason why it is broad, because there's a big problem that we're trying to solve for people that doesn't necessarily just come down to age, but the way that different customers behave is different. We need to be balanced in our approach, I guess. Do we want volume? Do we want sticky customers? Do we kind of want both? So that's why we go after such large ranges. Really interesting is Dinnerly in particular. Speaking generally about budget meal kits, so this can apply to every plate. They are more affordable brands in the market. They're more targeted at young people and families. So, people that maybe don't want the financial commitment of a Marley Spoon or a HelloFresh, which are a bit more expensive, but they really need a meal kit. So those will generally be able to go after much younger skewed audiences and families that might be more budget tight or restrained. Started out just like with Dinnerly, we see a much clearer audience for Marley Spoon for example, like HelloFresh a more middle tip to premium meal kit. You generally see a more stable or higher socio-economic status. Not so much families, but more like two people living in a household or two friends sharing a house or like two partners, whatever it may be. But it does come down to price at the end of the day. It just depends on what people are willing to pay. So, we’ll see a lot of switching between the meal kits as well. A big thing is that, yes, there's brand loyalty in the meal kit industry at some degree and people have a preference. But there's a lot of switching between our brands to other brands, big brands, small brands. We would love to be like it's about the recipes, it's about the brand experience, it's about all these more product

	specific things. But at the end of the day, this is just my opinion, I think it comes down to price and what people are willing to pay at a certain time of the week or a certain period of time, or a month or whatever it may be.
7	Mike Hammel: Okay, got it. That answers my question. You already said that you're offering quite many advantages. Supermarkets, like Rewe for instance, are also offering recipes and are also providing kind of similar uncooked meal boxes online already. So, the market is getting quite competitive right now. Do you see more and more supermarkets and retailers expanding to the online meal kit delivery business. For instance, Wolt and Flink that are ready-to-eat and grocery deliveries, they're also entering or trying to enter the market in the future. Do you maybe see one major platform where you can order anything from groceries delivered in under 10 minutes to weekly delivered meal boxes or precooked meals?
8	Laura Jacobson: They all have their place, right? I think that they all exist for a reason. And they've all grown for a reason, right? Like we will never stop people going to the supermarket. That's not why we exist. We don't say that we're here so you no longer need to go to the supermarket. We're not there, at least yet. And I don’t think any meal kit it is there just yet. So, supermarkets have that place and also when it comes to hyper convenience and those delivered to your door in 10 minutes services, they have that place too. Customers are willing to pay that premium for it, right? You will pay a lot more to get those goods delivered than going to the supermarket or even engaging with a meal kit. Ready-to-eat is an amazing industry that's growing. We acquired a ready-to-eat brand in Australia. We've done a lot of work on it globally as well. It definitely has its place. People are extremely time poor, they want high quality, nutritious food that doesn't come frozen or that just looks like mush. Ready-to-eat has had an amazing

evolvement from the perception of being like TV dinners where you put it in the microwave and it's kind of like prison food in a way to being actually really nutritionally good food. Products that can be delivered to you on a weekly basis to help you reach your health goals or to help keep you stay on track whatever it may be. The reason why all our recipes are designed and perfected. What we do is to perfect recipes that will be ready in under 40 minutes, will taste delicious, that require you not to shop or think about planning dinner for the week. We have our purpose as well. So, when it comes to an all-encompassing platform that provides everything that you need. Sure! But I don't think anyone has yet done it. Only every single one of those things amazingly, because like each of us kind of have our own place in the market. When it does come to meal kits though in particular, and you've seen it with HelloFresh, you've seen it with us, you've seen it with quite a few other players in the market, we've diversified a lot. We offer markets. So, wherever you go, you order your three meals a week, and then you have attachments of desserts, ready-to-eat meals, breads, oils, cheeses, eggs, whatever it may be to accompany your box? Do these exist to remove the need of going to the supermarket? Not yet. How can we add more value to our experience? How can we give you the extras in your delivery that week that will elevate your experience? And like hard-to-find products, right? So, it's not something you can easily access at the supermarket or at that price point all that conveniently? So, yes, we're diversifying. But at the core, we're still kind of just trying to deliver the best recipes and ingredients, that we can, to our customers. I guess all of us have our place in the market. Like we all can own something. And we're all growing. So yes, there's a place for all these different things because people want an easier way to shop, cook and eat at the end of the day. So, they will engage with different services to help them get solve that problem. Does that answer your question?

9	Mike Hammel: Definitely, thanks. Where do you see major challenges in the meal kit delivery business, or like the DTC market in general?
10	Laura Jacobson: I guess a big one is that media is getting more expensive, right? So acquiring new customers is not as cheap for DTC businesses as it used to be. Actual media investment, like CPMs, are going up across most platforms. That was once our advantage that we weren't reliant on a traditional trade model where you hope that a supermarket features you in a catalog, so it drives more foot traffic to the store and then you pay to have certain shelf placements and then you just hope to god that people repurchase you again after you see enough ads on the TV. Our advantage is that we can acquire customers relatively cheaply and contract the acquisition of those customers very cheaply. So, a lot of DTC is based on its performance marketing, which means that every single dollar spent, you can see what that investment gets you, so you can track when you’ll get that dollar back? There's this traditional belief in marketing where we don't know what’s effective. It's like marketing spends X amount of dollars, they waste half of that money, but we don't know which half. That is the traditional concept of marketing. There’s a waste of money, like we don't know what works. With DTC, you know exactly what works and you have full visibility of how you track your spend. DTC in general is getting more expensive. It's like a lot more crowded as it used to be. I can open up my own store tomorrow online through a Shopify account, go on to Facebook, put some ads live and literally have a business running overnight with the whole boom of dropshipping as an industry. So, the media landscape getting more expensive is one of the things that I think is a challenge.
11	The second thing is meal kits have a really difficult supply chain model. You have to plan your menus in a certain way. Have carrots in a dish for example. You plan your

menus in a way some weeks in advance to be right. We are forecasting X amount of orders so that we can get like X amount of carrots into boxes. Therefore, we have to order this much. The biggest challenge is just supply chain. And the reason why HelloFresh has grown so fast, the reason why we've dominated quite well in Australia and in the US particularly, is that we can minimize our wastage a lot. So, we can kind of forecast our supply chain and can on this week we're going to have x amount of orders, we're going to order this amount of food. Therefore, we're going to have no wasted food. Every single thing is used, which is very different to a traditional supermarket. The theory in supermarkets is that when you have an abundance amount of food on display, people are more willing to buy, right? There's a lot that goes to waste. The loss of the produce that's wasted, that's put on shelves, is outweighed by how much more people actually buy of goods. So, you don't go to a supermarket and you see empty shelves or like empty fruit and vegetable shelves. It's like very full and abundant. And that's a strategy. So, the advantage of meal kits is that we optimize to no waste. Every single thing that we buy is used when a customer is paying for it. And there's minimal waste. So that's one advantage we had. But this model is very dependent on being able to predict orders and to know our customer behavior well enough that we know that orders are going to come in and we're going to fulfill those orders and we can kind of not waste anything. Problem is that customer expectations are getting higher and higher with Gorillas or UberEats. With hyper convenient types of brands, you can get deliveries same day. Overnight delivery from Amazon, like that's crazy from where we were five years ago. With fresh food in general, you can literally go on your phone right now and get a whole meal delivered to you in 30 minutes. So that's kind of a widespread expectation now, whereas meal kits, you generally have like a four to five to six day cutoff period. So you have to commit to

	ordering food. Money is taken out of your account six days before you actually get anything on your plate. With these expectations going up, it's how we have to innovate and how we are innovating. But we just kind of need to get better at full costing model. I definitely see that it is industry-wide the biggest problem. But there's a reason why HelloFresh and all other meal kits have these really large cut off periods where you can only edit your order six days or more before it's actually delivered. And that's because of the supply chain and our model. So, shortening that time I think is not a risk, but it's something we have to do to be able to continually keep up with consumer demands.
12	A huge other risk I see is price and inflationary pressures in general. Food cost is going up exponentially. As you know what you're paying at the grocery store now is definitely higher than what it was a couple of months ago. That's the exact same for us. So, do we take that hit as a business? Or do we increase the cost to our customers? And what does to our customer conversion as a whole. So food cost in general is a really big issue because it's our entire business. I guess inflationary pressures at the moment is definitely a huge risk for us and a huge challenge for us as it has such an impact on our food cost.
13	Mike Hammel: I think you haven't changed the prices as much as the inflation rate rose, right. So that's definitely something to look at. Let's say we look into the future in like 5 or 10 years. How do you imagine the future of the industry to be like? For instance, will people only buy online through DTC companies? Although you've already told me that people will still go to the supermarkets, how is your imagination about the future?
14	Laura Jacobson: Obviously, being in the industry, my dream would be that everyone just shops food on a subscription basis, and it's like all online and it's going that way. Is

	that reality? I don't think so. As I said, everything has its place. I don't think supermarkets are going anywhere. How people engage with supermarkets, I believe, will change. What you're generally seeing in the US and in, I guess, more like evolved markets, is a lot more grocery delivery from primary supermarkets. So, the idea that three, four or five days in advance, you can get your groceries delivered, I definitely see that will be a growing trend.
15	I believe supermarkets will always exist. I don't think that they'll ever disappear. I think people like to touch and hold and to kind of see what's on the market and see what's new and get inspired. There's a ritual behind going to the grocery store. I don't think it's going anywhere. People want that level of control over what they buy. When it comes to meal kits in specifically, I definitely see that in order to innovate, survive, keep growing, to be able to solve more problems for our customers, and to be able to add more value to people's lives, I think we'll start to see much bigger growth in meal kits diversifying into offering marketplaces, breakfast solutions, lunch solutions, the ability to customize your recipes, customize ingredients in your box. In Europe and also globally, we've just launched our variant feature, which means that you opt in for a beef burger, but you have the option to make that vegetarian. You can also double the protein that's available. So really being able to customize your recipes a lot more, I definitely see that they'll be a bit more of an integrated solution. Hopefully, there'll be a meal kit solution that will serve your pets, your kids, your colleagues, your friends, whatever it may be. Meal kits tapping more into wider meal kit occasions and service of the needs. I don't know if that kind of answers the question. The long-term vision is that for any business to be able to really dominate and what you do is you just own the whole supply chain. So, from production to until it gets to a customer's door will be

	owned hopefully - that's the vision of what a meal kit business should be as you own that whole supply chain.
16	Mike Hammel: Very interesting opinion. I already told you that we analyze the business model and we refer to the classic Business Model Canvas. You got customer segments, customer relationships, channels, key activities, key partnerships, key resources, the value proposition, revenue stream and the cost structure. So, you've already told me that for example, the revenue stream with the prices you offer is a big topic. In which parts of the business model canvas do you see the highest potential for improvements or innovation? Is it for you the customer segments? I think the value proposition is great. But is there more to add on. In your opinion, what's the part that you feel there is much room for improvement?
17	Laura Jacobson: I think every segment of the business improves and grows and we've all gotten many work streams on at the moment, that touch upon improving every single piece of the business model. I guess because I'm in marketing, I'm just a bit biased that I always just look for how we do things better from a marketing point of view.
18	Mike Hammel: You already mentioned two parts, namely the revenue stream with prices, and the key activities which refer to the supply chain and distribution. What is it on the marketing side? Customer segments? Channels?
19	Laura Jacobson: As I said, every single dollar is tracked. There's very little margin for error. When it comes to risk taking, when it comes to just having a million dollar campaign that just gets written off. It's extremely hard to do that in performance. Where I see the biggest challenge as a whole, is actually the way that we discount our

boxes as it's like vicious cycle that happens with HelloFresh. So, we're hyper competitive with them. Customers are not really that loyal between our brands. I wish they were, but at the end of the day, it's fit in a box and gets delivered, that's pre-portioned and comes on the table in 30 minutes. People really switch between prices. How we generally outcompete each other is through vouchering. They'll offer a higher voucher, customers will run to them. We offer a higher voucher, customers running back to us. So, there's this vicious cycle that we're continually discounting our products more and more and more to kind of outbid each other in the race. And this is for all majority of performance DTC companies that have really strong competition. So, you find your levers that you can pull, and a major level for us is high discounting and high vouchering. Do I see this as a way to grow a brand sustainably and long term? No. But I guess it's like how people have discovered meal kits. It is generally a new concept. While we've only been around like eight years, nine years, HelloFresh like 10 years. To onboard people to the way to stop going to the grocery store and order this box of food online, one has no control over how the products are picked or packed, or what the ingredients actually are. Just give us your money, and trust us, and subscribe. Subscription for food is also kind of a new concept in a way. So, the way we were able to get people in as being like, "hey, come try us here is 40%, 50%." And this behavior of customers actually onboarding, to learn how to use a meal kit, it will discount across like four or five boxes, until we believe that you've learned how the concept of a meal kit works. You see the value in what it brings to life. We don't need to discount you anymore. You get the point. I think long term, it's not sustainable to run a business, giving away so much money to customers at discounting our products at such a high rate.

20 Mike Hammel: Is it a winner takes it all marketing?

21 Laura Jacobson: No, I don’t think so. Gousto in the UK has done a really good job. They are premiumish. They don't discount as heavily but I guess they're the leader in the market. So maybe the winner does take it all, but then you just are not able to penetrate the market as quickly as you want to. To grow as quickly as we needed to, we just needed to bring as many people in as possible to be able to trust us and buy us. Winner takes it all? Maybe. That's why we haven't stopped using vouchers. I guess it is a huge risk. You see that conversion rate completely drops when vouchers are much lower. So, what we were used to when we first launched, was “get 10% off” to buyers, “get 5% off”, “get 15% off”. Now it's like “get 50, 60, 70% off when you order your next box” to try to get all customers back or try to acquire new customers. I don't know if it's a winner takes it all, but it's definitely a challenge I see not just in our business, but for the category. Think about it this way: would you like when you see something is valued at 20 euros, and then you're like “Well, I'm gonna pay 10 euros because it's a 50% off discount” called and you get this box of food. Your perceived value of that box of food is 10 euros. Your perception of the value of the brand is much lower than what it actually is. And then incrementally we decrease the vouchers. You incur a higher cost while you're onboarding to the behavior of try using a meal kit. The perceived value upfront is already skewed. And I think that's a problem of meal kits as a whole, that people just see it as a cheap box of food and don't really get the point and are not willing to pay higher as people drop off. Because that initial experience is cheapened quite a bit, so your value proposition is tainted upfront.

22 Mike Hammel: That's a really good point actually. I've done an internship at Uber last year and we had the same issue with the competition of Bolt and Free Now. It's also a

	price war and if people do not get any discounts and vouchers, it's really hard to compete with the competition.
23	Do you have any interesting things to add?
24	Laura Jacobson: What I will say is that being DTC it's like, we have full control over all customer data, which allows us to be really strategic in the way that we try to change or influence customer behavior. This is something I don't think supermarkets generally have. So, you can have category data as a whole to understand overall customer trends and you can look at micro sales and behavior, but understanding how people fully engage with you in real time, with your platform and understanding who's editing their recipes, when, what days they changed their deliveries to, why they're canceling, what makes them come back - meal kits, or just any DTC online has full control over this. It's a really interesting lens that's quite different to, I guess, traditional trade businesses. By trade, I mean brick and mortar, like physical stores. It's one of the biggest strengths of meal kits.
25	Mike Hammel: So, data in general provides the biggest opportunity to grow? That's what you wanted to say?
26	Laura Jacobson: Yeah, every single day, we will look at like every data point, like full visibility of absolutely everything that's happening on a customer level, on a logistic, on a backend level, on an operational level, on a marketing performance level. You have full visibility of it all.
27	Mike Hammel: Great. Thanks for sharing your opinion with me. That's it from my side. Thank you again for taking the time. It was really nice meeting you.
28	Laura Jacobson: It was my pleasure.

8.4 Transcript No. 4 – Indy Broekman

Name, Position, Company: Indy Broekman, Head of Commercial Operations, Gorillas

Date: 14.04.2023

Duration of Interview: 20 minutes

1	Mike Hammel: Hi Indy, thank you for taking your time and participating in this interview. Could you quickly present yourself and describe what you're doing and why you're an expert in this industry?
2	Indy Broekman: For sure. So, my name is Indy. I started at a quick commerce player in May 2021, which was quite during the rise of quick commerce. I started in an expansion position as an intern. I did expansion for about six months. So, I was opening up all the warehouses in the Netherlands and in Belgium. After expansion, I moved into the commercial team and I started out in Berlin, then in commercial strategy on a global level. I was looking over several countries, doing projects, then I moved into the German team. I ended up working on a project where we implemented a system to manage the assortment data, so a master data management system. And after this, after rolling out the system, I basically got asked to be the head of the team that was working with this tool. And that's my position right now, I'm the Head of Commercial Operations. I've been doing this for the last five months. So, what we do is we manage all these assortment data. We're kind of the team in between the category managers and the supply chain. A lot of the product data comes from the buyers and the category managers, and then we clean it and make sure that it's correct for supply chain, who then orders everything to the warehouses. And the data also flows into our

	other systems, like any analysis that are done through Tableau, for example, or our supply chain ordering tools.
3	Why I might be considered to be an expert is, I've been in this industry for almost two years now. And maybe two years doesn't sound that long for any other industry. But there's been so many events in the past two years.
4	Mike Hammel: Thank you for the introduction. Coming to my next question: what has changed the most in the industry? You said, there were many changes. What is the biggest change you experienced?
5	Indy Broekman: I think the main change is funding. In the beginning of 2021, there was a lot of funding in the industry. A lot of investors were dumping a lot of money into the companies here. And this has definitely calmed down a lot. So, I think the first round of insecurity about investments was in the summer of 2021. At least the one that I experienced. So, in that first year until May 2021, we launched in eight or nine countries, like hyper growth. Then in July 2021, all the upcoming expansions were basically cut, and we weren't really expending anywhere else anymore. In a period after that there were also a lot of cities and then countries that were actually closed. Now we're in April 2023 and the industry is consolidating. Gorillas were bought very cheaply by bigger players. And that's a trend that will continue, I think. In the beginning, there was a lot of flexibility on how things were done. There was a lot more innovation going on, which now has slowed down a lot more. So, process operations have to become a lot more efficient and leaner. Which means that, in a way we might be moving closer to how traditional supermarkets are working. When we had to grow really quick, things were simply done.

6	Mike Hammel: Interesting. Getir recently acquired Gorillas, for instance. Do you think there will be more consolidations in the industry? In other words, we still have a lot of players in the market. Do you think there will be only one or two players in the industry? Is it a winner takes it all market? Might there be only one app everybody's using in the future?
7	Indy Broekman: I think out of the new players that popped up, like Flink or Gorillas, that industry will definitely become consolidated. I don't think there will be a lot of players out there. I think Flink will also merge at some point. There's even rumors that Getir is also buying Flink, for example. So, in that way, those players will definitely consolidate. But then I think other big players like Uber or Rewe itself, for example, will start offering these options as well. And because they have a lot of funding already, it will be easier for them to maintain the business basically, because it's a very capital-intensive industry. There's a lot of cash burn.
8	Mike Hammel: That would be actually my next question. We identified in our work project that there are many business models in the food delivery industry. We have ready-to-eat deliveries like UberEats or Lieferando, we have grocery deliveries like Gorillas, and we have meal kit deliveries like HelloFresh or Marley Spoon, for instance. As you already said, they're all expanding their product offerings. UberEats started offering groceries. Do you think that there will be one app that offers everything? For instance, on the Uber app, one can order groceries, ready-to-eat meals and scheduled meal kit deliveries? What do you think?
9	Indy Broekman: Yeah, I think that's very plausible. If you look at Getir, they come from Turkey, right? They have been existing in Turkey for six years already. And if you look at their app, they have about 11 verticals in there. So that's like 11 different

	types of services that they offer. So, it's not just quick commerce, but they also do like water delivery, or in bulk delivery, or even taxis as well. They really expand on their offering. And that's where they're profitable in Turkey, and that's why they can fund their expansion in Europe and the US. They simply get funding from other parts of their business, and they're burning a lot in Europe, for example. I think in that way, the industry is very much in its infancy yet. I think there's a lot more developments that will happen.
10	Mike Hammel: Alright. You mentioned funding as one big challenge. Besides funding, is there another major challenge in the industry, not specifically for one company, but for the industry in general? Inflation for instance? What would you name as the biggest challenge besides funding?
11	Indy Broekman: I think a big challenge right now is, for example, our suppliers. The traditional supermarkets still have a lot more buying power than we do, because we simply don't have the demand. So, our numbers in which we order are a lot smaller than they do. And I think that often challenges the margins of the business. You're cutting into your margins basically you don't have good negotiations with suppliers. And I guess that's also somehow related to inflation because prices are rising on both ends. Workforce is also always a bit of a difficulty. And demand as well, I think. So, workforce in big cities, like Berlin or Munich: it’s not that hard to get riders, for example, but it's a lot harder to get riders in smaller cities because they're not the most glamorous jobs. And that is one issue. Then on the other hand, in smaller cities as well, there's just not as much demand as in bigger cities. So, for scalability of the business, it will take time for smaller cities and the population to get used to the idea of ordering

	your groceries through an app. Especially the quick commerce model. So yeah, scalability is also an issue.
12	Mike Hammel: Okay. We are using for analysis the business model canvas. I think you're familiar with it. You have customer segments, customer relationships, channels, key activities, key partnerships, key resources, value propositions, revenue stream and cost structure. Where do you see the highest potential for improvements and innovations? You mentioned already, the revenue stream and cost structure because you have quite thin margins there. So cost structure might be a part of the business model canvas where you see the highest potential, or is it key partnerships with your drivers or suppliers, for instance?
13	Indy Broekman: Key partnerships with suppliers are definitely a big thing where companies can win on. If there's a good partnership with suppliers, this really helps the business. I think channels and customer engagement are also really important in a way. I see branding and marketing as part of this, for example. What you saw with Gorillas is that the branding was super strong, which kind of created some sort of brand loyalty. I was in a club the other week, and there was a guy wearing a Gorillas t-shirt, for example. It kind of has a culture on its own. But with other brands like Flink or Getir, this is way less, I feel. So, they're not really binding their customers to the brand. There's some loyalty between brands. There are some customers who are just opening all the apps to see where it will be cheapest, for example. Getir was throwing a lot of promotions at their customers, but that doesn't build brand loyalty.
14	Mike Hammel: What about key activities? For instance, sourcing the ingredients or storing them in dark stores. You mentioned that it's becoming more like a supermarket. Will key activities change in the business model somehow?

15	Indy Broekman: An example that I can give here is that Getir have their own central warehouse. So, they basically own something upwards in their value chain. And I don't think the other payers are doing this. They work more with partners there. If you do this vertical integration of the value chain, I think you gain a lot of efficiencies in your management of your supply chain. So your suppliers delivered directly into your own central warehouse. The dark store model, a lot of small stores in cities, is completely new compared to the central warehouse model. A central warehouse that works with McDonald's just knows that they have to deliver this huge badge into these several locations in the city. Whereas for us, they have to do a lot of hand picking, which means that they have to send small quantities to our dark stores, because the demand was basically not there or there is so many stores where the demand gets spread over that it just looks different from traditional logistics. So, if you have your own central warehouses, you will gain a lot of efficiency there.
16	Mike Hammel: Okay, that’s an interesting point. So, you see the vertical integration as the biggest opportunity in the food delivery industry?
17	Indy Broekman: I'm not sure if I would say the biggest but it's definitely one of the biggest ones.
18	Mike Hammel: In your opinion, will people in 10 to 15 years still go to the supermarket and buy groceries there?
19	Indy Broekman: That's a very good question.
20	Mike Hammel: Just from your perspective.
21	Indy Broekman: Honestly, I think it will become less and less, especially people in our age group. But even if I look at myself, I still like to go to the supermarket sometimes.

	There is something that is quite nice about it, right? You go and see all the veggies spread out in front of you, you get some inspiration while you're in the store. And that's why I think it will never really disappear. And especially for the older age groups, I don't see it happening that they will order. When I look at my parents, for example, they don't have this available in where they live. So, for them to become used to this, if it maybe does get rolled out in the next five years in those areas, it will take time for them to not go to the supermarket. So people will still go to the supermarket, but it will become increasingly less if you look at the lower age groups.
22	Mike Hammel: And my last question would be: in your perfect imagination, how would the DTC or the food delivery industry look like in 10 years? Will there be one app where everybody can buy everything, from groceries over ready-to-eat meals to meal kits? Or how would you imagine it?
23	Indy Broekman: I think there won't just be one app. I think there will be a small group of key players of big brands. I think there will be a lot of consolidation in the industry and bigger players will buy up small players. Also, I think you'll end up with like HelloFresh, Uber and maybe Getir or Bolt. And those will have a range of different offerings. So those will have all the verticals.
24	Mike Hammel: Thank you so much. These were some interesting insights and opinions!
25	Indy Broekman: It was a pleasure.

8.5 Transcript No. 5 – Robert Jaczinski

Name, Position, Company: Robert Jaczinski, Logistics – Fleet Management, Gorillas

Date: 17.04.2023

Duration of Interview: 15 minutes

1	Erden Köse: Hello, Mr. Jaczinski. How long did you work for Gorillas? And what was your position at that time?
2	Robert Jaczinski: Hello Mr. Köse, thank you very much for the opportunity to participate in the interview. I have worked for Gorillas for one year and have. I was employed in the position of a Fleet Manager. As a Fleet Manager, my main tasks were to coordinate the Last Mile couriers with the internal warehouse workers and that to have an overview of the daily business.
3	Erden Köse: Thank you. Can you tell me something about the history and vision of the company?
4	Robert Jaczinski: Well, of course. Gorillas was founded in 2020 by Kagan Sümer. And yes, okay, easy shopping is exactly our vision of Gorillas. True, our aim is that one day that the tedious activity of shopping in line to be completely automated or taken away from the end customer and switch to a convenient delivery model via decentralized warehouses and a very sophisticated last mile infrastructure.
5	Erden Köse: I'd like to talk a little bit more about the customer now. I know that it's not necessarily their profession now. But anyway, I would want to ask a few questions about that. Who are Gorillas' target customers? Are there specific segments?

6	Robert Jaczinski: Who Gorillas' target customers at this stage are? Young, urban and technology savvy. That's at the current stage of Gorillas. But the strategic goal is really to have Gorillas cover all demographics, regardless of age and also local. Because yes, Gorillas wants to convert the entire traditional retail business to a delivery model, so to speak.
7	Erden Köse: How does Gorillas identify and understand the needs and preferences of its customers?
8	Robert Jaczinski: At Gorillas, we work relatively much with data. We work relatively much with data in the sense of customer data. That is, where are our customers located? What are our customers buying? And in which demographics do our customers move? We also work relatively proactively a lot with artificial intelligence and recognize patterns, so to speak, from ordering behavior. We also align our procurement strategy to that and look based on work processes with reactive schemes like machine learning, for example, to optimize our predictions. Based on past ordering behavior, we can infer a lot in general.
9	Erden Köse: Very interesting. Okay, then I would ask further to what extent Gorilla cultivates the relationship with the customers. So what kind of value do they add? How is the customer relationship going? What does Gorilla do for that?
10	Robert Jaczinski: We have various means of retaining customers. On the one hand, we work relatively heavily with discounts to attract new customers. That is also a major focus for us. We also invest relatively heavily with our partners so that we can offer customers relatively competitive prices and, of course, also delivery conditions and guarantee new customers in particular an individualized ordering experience. We once

	had a campaign with name cards for new customers, which were customized in each case. Another very important branch for us is, of course, customer retention, and here we also work with programs that we want to use to maintain customer loyalty by also working with various discounts and loyalty programs. We also want to work on individualized discounts. That's also something that's currently in the pipeline. And that's exactly how we always try to create incentives. Apart from that, of course, what we want to make possible for all customers, whether they are new or existing customers. That is an uncomplicated ordering experience, a simple interface and, of course, from an operational point of view, where I was also largely responsible for ensuring that the quality of the orders is right, as well as the quantity. The quantitative KPIs such as delivery time, etc..
11	Erden Köse: What products and services does Gorilla offer? And what distribution channels do you have?
12	Robert Jaczinski: Our sales channel. Our sales run exclusively via our Android and Apple app and are thus aimed directly at the end customer or end user. We only have a B2C model currently. And yes, our core business is food. So currently our product portfolio is still relatively small due to our high level of decentralization. Our goal, however, is that everything you can find in a discount store should eventually also be found in a Gorilla. At the moment, however, you can imagine it more like a smaller convenience store in terms of product portfolio.
13	Erden Köse: What are the biggest cost drivers for gorillas?
14	Robert Jaczinski: The biggest cost driver for us is personnel. We have a relatively large workforce compared to traditional logistics. Many people who come from other

	logistics companies are often shocked at first by how overstaffed we are, in quotation marks. But that's because we have relatively generous promises to our customers in terms of delivery times. And because of our high level of decentralization and the fast response times required to keep our delivery promises, we have a relatively large workforce. Apart from that, of course, just because we are in many urban areas and because we are relatively decentralized, rent is a big cost factor. And now, of course, especially in the early phases of the company, we place a lot of emphasis on innovation. Accordingly, Research and Development also have a relatively large number of specialist departments internally that are involved in this and which, of course, do not have any direct operational impact on the returns that we receive.
15	Erden Köse: I would now simply focus a bit more on the logistics area. Supply chains and logistics, because that's what they do. How does Gorillas manage its supply chains and logistics? How do they source their products and how can quality and freshness be guaranteed?
16	Robert Jaczinski: We work with relatively short delivery routes. Of course, this is a challenge, especially with fresh products. We buy many of our convenience products from wholesalers. This is handled centrally by our central purchasing department and distributed to the various stores. Our fresh products are very segmented, and we have a lot of cooperation agreements with smaller and local suppliers. Because of our decentralization, we need short supply chains, but of course we also try to combine this with competitive purchasing prices, for example by concluding contracts with suppliers who operate regionally across several stores, where we can then also achieve advantages through certain graduated prices. And so, on the one hand, we try to offer

	our customers regional, climate-friendly products and, on the other hand, we also want to be competitive and be able to offer our customers something in terms of price.
17	Erden Köse: How is Gorilla different from other companies in this respect? And what are Gorilla's unique strengths?
18	Robert Jaczinski: I think the main difference between us in this respect is that we don't have a very centralized purchasing department, which transports extremely large volumes centrally. As a result, our supply chains naturally also have a certain higher level of complexity. That could be seen as a weakness. But I also see it as a strength, because it enables us to create our network of suppliers and sales points from scratch. Something that Aldi or Lidl, for example, do not have. This means that for these supermarkets, even if they have many points of sale, a changeover to a delivery model, especially if this is increasingly in demand in the future, will be much more complicated than for us, who already have the trained staff and the suppliers and everything. And I believe that this is actually the essence of our advantage. We are creating new standards in the industry and customers are following suit, and we want to gradually create a completely new standard for retail.
19	Erden Köse: What then are the company's greatest weaknesses?
20	Robert Jaczinski: So that's a big point for us, which is still preventing us from taking over a large share of the market. You simply have to say that retail is extremely competitive when it comes to prices. So the price pressure on companies is very high, especially in Germany. If you look at the French market, for example, with companies like Ocean or Carrefour, you can see that the French buy much higher-priced products or are willing to spend more money on food than Germans. And accordingly, our big

	weakness in the German market is the price, because we simply have higher prices due to our fast delivery times, our high personnel and rental costs, and of course local suppliers, and to a certain extent, of course, these higher prices are then passed on to the customer.
21	Erden Köse: What are the biggest opportunities in the industry and how does Gorilla plan to capitalize on those opportunities?
22	Robert Jaczinski: The greatest opportunities for us are that the service sector in Germany, especially in the western world, is growing ever larger, and at the same time, technology and the digitalization of society are advancing. And we see an extreme opportunity here, similar to how the discounters replaced the corner stores and the supermarkets replaced the corner stores, we are now trying to create the next big wave in the retail sector through technology and to outstrip the current top dogs by changing the industry completely to a delivery model or, to a large extent, to a delivery model.
23	Erden Köse: Super. Thank you very much, Mr. Jaczinski. Finally, would you like to mention any aspects that you think should be mentioned and discussed in connection with this topic?
24	Robert Jaczinski: Yes, one thing that is now times still close to my heart is also the environmental aspect. I think we are working a lot with emobility, a lot with green technologies, and of course we are also trying to make social gains in addition to economic gains, especially in terms of climate change, in terms of environmental protection, and we hope that more companies will also follow a bit of decentralized and fossil-free strategies.

8.6 Transcript No. 6 – Matthias Guffler

Name, Position, Company: Matthias Guffler, Partner at EY-Parthenon

Date: 27.04.2023

Duration of Interview: 45 minutes

1	Sofie Hoffmann: We first analyzed the market and discussed the prevailing business models which actively operate in it. There are companies that deliver complete meals, companies deliver groceries and then there are models in between, like HelloFresh. We looked at this last business model in detail. For us, it is now a matter of identifying innovation potential and looking at how the business can develop further, what options the business has, what risks we can identify and what opportunities arise in the market.
2	Matthias Guffler: Okay.
3	Sofie Hoffmann: To start with, a few personal questions: what are you currently doing at EYP? What are your tasks and why are you an expert for consumer and retail?
4	Matthias Guffler: I am a partner in the strategy consulting department of EYP and have been doing strategy consulting here for 18 years, almost exclusively in the retail and consumer sector. Everything from purely stationary, purely online to purely digital: growth and development strategies, developing new business models, improving them, opening up new markets, developing new product categories: everything that is not restructuring. I spend about 70 % of my time with so-called corporate clients. We evaluate the business models of targets on the sell-side as well as on the buy-side.
5	Sofie Hoffmann: What are your daily tasks?
6	Matthias Guffler: That's a very good question since it's not easy to answer. We do projects. A typical strategy project takes about 8 to 12 weeks. Most of the time it's

	because a company has a problem, with something that is not going the way they would like it to go. For example, they're not growing fast enough or the business model is on the decline. And then they consult us: what is the problem and what can we do? We then develop a strategy together with the client. In other words, a way of setting up one's resources in the future and how one sets oneself up, structurally and/or organizationally, in order to be able to grow further. The daily doing includes workshops, client interaction and discussions. Of course, I always have a team to do this with me. I used to do it myself, but now as a partner we have teams with analysts. In the end, it's a presentation that shows exactly what the client needs to do. At EYP, we are also partly involved in the implementation.
7	Sofie Hoffmann: This gives very detailed insights.
8	Matthias Guffler: You could say so, yes.
9	Sofie Hoffmann: Sounds exciting. The food delivery industry itself is a relatively young industry that has experienced an enormous boost through Covid. What do you think has contributed to the development of the industry besides Covid?
10	Matthias Guffler: I think we have to backtrack a bit. The shift to online in retail and in the consumer goods sector has developed for many years. Amazon will soon be celebrating its 30th anniversary. Many categories are already very advanced in this context (such as media and retail with many categories). Food, however, has always been at the back of the pack and we have spent many years thinking about why that is. In Germany in particular, it's because consumers simply didn't accept it. They don't want to order the products, they want to look at the food on site, touch it, experience the look and feel. And in the very competitive German food retail sector, the margins

are so narrow that the additional cost aspect also prevented it from really being rolled out on a large scale. With the meal-kit-delivery concept, a business model successfully pioneered. There were a lot of start up balloons, but it succeeded since a) it's an area that was very close to consumers and b) it's an area that is operationally very, very advantageous compared to general food retail. From the consumer's point of view, it was like this: you didn't do a single food purchase or your Saturday afternoon shopping (where you see and look at each product individually and each one is looked at three times and I'll take something else, etc. - there is a lot of impulse buying here, which then all falls away), but there are meal boxes, a completely different concept. That means: the company gets you everything so that you can cook a meal and that went very well. Consumers said "yeah sure, I'll do that", it's an add-on to what I'm already doing anyway. It replaces another purchase, like going to a restaurant etc., it also takes a lot of hassle out of it because I don't have to worry about the recipe etc. and that's why it was adopted very quickly. On top of that, it's a subscription concept and other concepts in the USA or in Sweden, which were already further along at the time, demonstrated that the concept works. Consequently, the demand accelerated very quickly. Operationally, it's very grateful because you have a very narrow assortment. You don't have 25,000 items, like supermarkets do, but a few 100 items. This allows you to make your warehouses super efficient. In the beginning, I don't think they didn’t have fresh meat for that to keep the logistics simple but that has changed in the meantime. Additionally, the margins are completely different. In the supermarket, the margins are very thin while for a meal you pay a lot of money for the products you actually get, so the ingredients they put in the boxes are very high-marginal. Consequently, they have the opportunity to spend a lot of money on online advertising and still be profitable. If you look at the current stock market figures, you know that

	they are still profitable. Which is not self-evident for online retail. And as I said, the demand side and the favorable operational supply side allowed the concept to get so successful.
11	Sofie Hoffmann: Yes, true, the business model is very predictable.
12	Matthias Guffler: Sure, that's the beauty of a subscription model. You have predictable revenues and a very high customer lifetime value. These are the key figures an investor looks at and which allow you to raise a lot of money quickly, so you can scale up. This is much easier, more cost-efficient, cheaper and subsequently more profitable than supermarket concepts like REWE or an Edeka, i.e. a full-range retailer.
13	Sofie Hoffmann: You already said that there were initial hurdles in Germany with the growth of online grocery stores since people like going to the shop, looking at things, touching them, etc. Do you think that the shift from offline to online will happen anyways? Or do you rather believe that food retailing will always remain offline for the most part?
14	Matthias Guffler: So far, the share is still small, I don't remember the exact figures. But I believe that the market will continue to grow. Anything over five years is difficult to predict, in my opinion, unless you are a futurologist or something. But in the next five years, brick-and-mortar retail will definitely remain the majority. There was a brutal shift during Covid, where many people used the service for the first time. Even senior citizens were talking about ordering from HelloFresh. Now everyone is noticing that business is declining again, since of course it has also become more expensive. There is a shift towards the discounters, which are the big winners because people's purchasing power is declining. Food prices have gone up by 30% in the last 12 to 18

	months – in some cases even more. Subsequently, the industry won't grow as much, but it will continue to grow, I'm pretty sure. But it won't be the majority. In the next five years, I don't believe it will.
15	Sofie Hoffmann: What do you think are the reasons that offline will retain such a large share?
16	Matthias Guffler: That's partly a cultural aspect. People like visiting the grocery store, they want food choices. Due to primal instincts of "hunter-gatherers" customers want to look at the products and then take them home. And the feeling of being inspired is important, too. It's also still very much a habit. I use an online full-range grocery store myself - it's super practical with the family, but I still go shopping in stores at least as often because I just like doing it. Many people also say that otherwise they wouldn't leave the house at all - for them, a visit to the supermarket is still a highlight. Additionally, there is the cost aspect, because it still is much more expensive to have groceries delivered than having consumers picking them up themselves. In an industry that has very narrow margins, i.e. low single-digit profit margins anyway. And now even more with inflation, the reduced purchasing power of consumers doesn't make it any easier.
17	Clara Dietrich: Do you think it would be a possibility for HelloFresh or meal-kit-deliverer to also have brick-and-mortar stores, to allow customer to have the feeling of shopping and have the cultural experience that you talked about. Or would you still see this model completely online?
18	Matthias Guffler: I don't think a store makes any sense at all. You have to differentiate a bit. Hellofresh has diversified its business model. They have grown very strongly

	internationally. Of course, when you have a successfully scalable business model, you roll it out mercilessly all over the world, or at least in the developed countries where it works. Today, a large part comes from North America and then they have diversified in the direction of, I think, office meal kits. I think they once thought about vending machines. But it's all about operationalization – they don't shift to a full-line grocery store. I would say that it doesn't make sense to do so, since the market is becoming smaller and smaller by definition. What value proposition should you go in with? What can Hellofresh do better than Edeka when they open a branch? There is no reason why it would make sense. And then you only tie yourself to the expensive, operative branch business, which makes no sense at all.
19	Clara Dietrich: Okay. And then again: would it make sense in your opinion to develop a stationary store that doesn't function as a supermarket, but more like the HelloFresh site but as a store where customers can go and pick up the boxes exclusively? Would that make sense?
20	Matthias Guffler: I don't know. I don't think so to be honest. We always start with the question "What does the consumer want?" and "What is the value proposition?". I always talk about the value proposition, because it describes the value promise a customer gets. And what is my value proposition? I can look at the boxes online, totally convenient from my app. Just press three or four buttons and the food arrives at my house. Why should I get up, drive somewhere and then look at these meal kits on the spot and choose one. That makes no sense to me. Where is the look and feel? I'm not going to pick out the onion from each meal kit. If I wanted to do that, I would go back to Edeka or Rewe. That's not a value proposition for me. To me that's additional hassle, as I said. A changed value proposition would be when I say I don't deliver

	them, but I now do B2B, set up a vending machine, and people can take buy lunch boxes there. That is a business model that is not yet completely distributed and which would fill a gap. I don't know if that would be successful, but it would be an idea. But a successful concept with the value proposition "I have as little hassle as possible and get all the ingredients including the recipe sent to my home" doesn't get any better by forcing people to get up and drive somewhere.
21	Clara Dietrich: The idea resulted out of the fact that when we looked at the business model, we found that a very big issue or weakness is the models' high churn rate. Customers often order a box, use a discount code but don't stay for the long term. We talked to a few customers who said that the concept lacks flexibility, that they don't want to subscribe since their next week is hard to plan. We thought that with a stationary model without a subscription, we could tap into these impulse purchases.
22	Matthias Guffler: That's a very smart idea, but it has different dimensions that I think should be discussed. On the one hand, the first issue is the churn rate, and I don't know how high the churn rate is for meal kit deliverers, but I think it is significantly lower than for other models. Basically, you can say that you gain new customers with a lot of money and then you lose some again, gain new ones and the longer you can keep them and the higher the customer lifetime value the better. Of course, they reach their limits in their core markets. And if I now look at how many euros they are promising new customers in the meantime, then you know, every additional so-called cohort (customer group that is newly acquired in a certain period of time) that they make is a worse cohort, because all the people who love the product and order often are of course already customers. That's why you can see: at the beginning you didn't get any discount at all, then you got €50 or €30, then €50, now already €75 discount. That

	means that the cohorts are obviously getting worse, so the market is slowly getting tighter. That's why the blatant internationalization is so important, in order to ignite the next growth or to enter other business areas. That's one aspect. The other aspect is that it's a very hardcore business calculation. It's like fitness studios. A certain number of people - I don't know the number, but I'm sure it's known for HelloFresh - order the box and don't cook it at all and are too late to cancel the subscription - the classic subscription trap. Now I could also implement an add-on, add-off business model with the fitness studio. It already exists, but the subscription is simply cheaper. And with the gym, it's said that the gym is paid for by the people who never show up, since they just pay and don't use the product. It's different with HelloFresh, because there are operational costs, but you can calculate that very easily with A/B testing. You just look at your cohort and say okay, I'll allow selecting and deselecting the products: how many euros of revenue will I make after a certain period? And with the second period I have a higher churn, but the people up to the churn have to pay the subscription fee. I'm pretty sure that the second option is the more attractive one. The more the business model expands, the narrower the untouched market remains the more it will develop into this direction. I don't have a subscription because of this exact reason: I know very well that the boxes would pile up in my kitchen. Would I order it individually? Yes, I'd probably try it. But I'm not yet their target group.
23	Sofie Hoffmann: Do you still think it is a business model that will continue to be successful in the long term?
24	Matthias Guffler: Hellofresh?
25	Sofie Hoffmann: Yes, we call it meal-kit-delivery. There are other companies apart from HelloFresh, but yes.

26 Matthias Guffler: Again, a differentiated question. Will meal-kits be successful in the future? On the one hand, I would say yes. On the other hand, I have already seen clients who are very, very successful operationally, as multi-brand retailers in the online food retail sector, who can also offer very cheap delivery, saying that in the markets where they are very successful, the meal box share is already declining again, because people can put together their own meal box very easily. You can already support this with mobile applications and then there's no reason why I should opt for the subscription trap. If I can simply put together and order everything myself on Rewe's app and then it arrives tomorrow, like a meal box, it combines both approaches. The more efficient the full-range market becomes, the more difficult it will be for meal boxes. Looking at the next five years, I believe that the meal boxes will hold up quite well. They have a relatively large international presence and live off it for the time being. The second question relates to Hellofresh itself. The question here is: how many top players does a market like this hold? In many markets you see that there is no "winner takes it all", there are two or three and that's it. In online food retailing we have done many studies (really big surveys with 5,000 or 10,000 respondents), and we found out that consumers have two or three suppliers at most. It always depends on the value proposition, but within a value proposition you have a maximum of two or three suppliers that you use in parallel. So if you have four or five providers, then it becomes difficult for number three, four and five. And again, that's logical, also with the supermarkets that you personally use. Very classically, you probably have two or three that you visit regularly. One standard, then there's a second one in case the one standard doesn't have the products you need. And then there are others with a different value position, like maybe the organic supermarket. But there are no more than two or three. And that means it's already difficult for the box suppliers number three and four.

27	Sofie Hoffmann: I see. Accordingly, what would you say is the biggest weakness of the meal kit delivery model?
28	Matthias Guffler: I can only say what the challenges are. The strengths are also the weaknesses. They are focused on a very narrow range of products and of course only serve a very specific "one-purchase mission" that the customer has, a ready-made dish, so to speak. It's changing a bit in that direction, but that's why you're trying to bring in new buying missions, like the office lunch. I don't know how often you cook, you're students, you still have a different life model than people who are a bit older. With that, you make the whole food market, which is many 100 billion big, smaller and say "I'll take a small part, but with that I will be successful". And that is, I think, the biggest challenge, because of course businesses reach their limits at some point. In addition, there are high delivery costs, which are still balanced out with the good price and a high margin. But the more efficient online grocery retail becomes and the closer its value proposition is to the one of Hellofresh, the tighter it gets.
29	Sofie Hoffmann: Okay, I see. Is there any specific innovation potential that you see for the model? Is there anything where you ask yourself, why don't they offer such a product or a particular function?
30	Matthias Guffler: Well, I don't know what they're already discussing internally and what they've tried out. But certainly, the topic of differentiating the value proposition is one of the biggest opportunities. We are back to the classic market-product-matrix: on the one hand you can open up new markets or you can develop new products with which you open up new niche markets, like Paleo diets or similar things. That is certainly differentiation. I found the following exciting: 4 We talk about mapping the "snacking moments" and if you go through them you will see: 1) Breakfast in the

	morning: they don't have anything yet. 2) Then you have snacking in the morning, then you have 3) lunch, which is mostly out of the house. They now cover that with the office box and then 4) you have the afternoon snack and then you have the 5) evening snack, which they mainly cover. You can certainly think broader and go into these dimensions.
31	Sofie Hoffmann: Can you imagine that some kind of nutritional consultation service would make sense for people who want to lose weight or eat a particularly protein-rich diet? Would it make sense if meal-kit-deliverer offered personalized nutritional advice and then, based on that, sent meal kits that are individually tailored to people in terms of the number of calories or the ingredients?
32	Clara Dietrich: Just to complement this: the idea came to us since we were thinking about how to diversify the revenue stream, which mainly comes from the meal kits. The idea would be to offer a service in addition to the product that the model currently focuses on.
33	Matthias Guffler: That's difficult, but it's definitely the right question. The question is whether people are willing to pay for such a service because you can get it relatively cheaply elsewhere. We once had a project that was about personalized nutrition. You can do that by sending in a blood test or a saliva test, for example. This is then analyzed according to various methods, from a full laboratory test to a less comprehensive scientific questionnaire. And then you get vitamin pill packets back. You can mirror that. You can say that Matthias is type A or type B and he needs a certain diet and then I'll send you the meal kits. Some providers are already doing that, sending you a jar of stew or something that goes with it. There are already small players who do that. It's aimed at a very small target group. I don't know if you pay for

	the service. Honestly, I don't think people pay for it. We have seen that in the customer data. I have advised three companies in this area on the subject of personalized nutrition. None of the customers was willing to pay for the service. You have to get the money back through the product price/the subscription.
34	Sofie Hoffmann: Good, but if you want to retain customers for a longer period of time, this could be a kind of entry point.
35	Matthias Guffler: That's exactly what you can do. There are models like that. You have to take a look at Instagram or TikTok, if you surf there, you'll get advertising again and again. But they are all super small target groups. And for a company that turned over 8 billion last year, I'm not sure if that's such a huge revenue stream.
36	Clara Dietrich: We also considered whether it makes sense to target companies as customers. You had already mentioned the vending machine. But one business tried it and they filed for insolvency. Then we thought, okay, how can we get to the companies in a different way? Many companies are more interested in how their employees eat, how they are doing mentally, etc. Subsequently, you could approach companies through a service and reach new customers. We thought about offering workshops to reach new customer groups.
37	Matthias Guffler: Yes, it could make sense. I'm not sure if the revenue stream is relevant enough. Again, if you're running a business that's doing 8 billion in revenue, you need something that's really going to give a boost. If that goes down a 1%, then the retailer needs to get €80 million out of the new revenue stream and 80 million is quite a lot. When I think about it, we've seen players following a platform strategy a lot. And I can imagine this being the most attractive move. You have a customer group; you have

	direct access to the customer group and you have a logistics system to reach the customer group (they link from a central warehouse to their customers and drive by once a day or once a week and deliver the parcels). Why don't you open that up to a platform and approach small, specialized suppliers of, for example, these disposable glasses. Why don't you offer, similar to Zalando, that partners can offer their products with us, and we deliver to customers via our logistics chain and we collect a margin from you, just like Amazon does. And with that, you open up this whole empire, you can offer or satisfy completely different food moments or consumption moments, and at the same time you don't tie yourself down with all the operational issues. You don't care if a product does particularly well or not, because a platform lives from the fact that many small players offer products. That's what I could imagine working very well.
38	Sofie Hoffmann: So, a platform concept is what you would invest in if you were the HelloFresh CEO?
39	Matthias Guffler: Exactly, besides the topic of "classic expansion based on the product market matrix". Going along the product market matrix is, so to speak, the organic development in the normal business model. And if you establish a platform, then you really have a kind of quantum leap.
40	Sofie Hoffmann: But I would say that in the context of a platform model, HelloFresh could also manufacture and offer the products that they purchase from external suppliers themselves, couldn't they?
41	Matthias Guffler: Exactly, you can always do that with a platform. But the point is that as a platform you a) can offer many more products much faster and b) don't have the operational risk of the inventory risk tied to your leg. So why does Amazon offer a

	large part of your products as a platform provider? Because they don't have to stock every magazine and pen and worry about whether that one is successful or not now. They say "Dear Anna, if you want to sell your self-designed pens with us, you are welcome to do so. We collect a 20 % fee for that. And if we do the logistics, then we collect 30 %." And whether you are successful or not, I don't care. If you are successful, then that's great for us. And if you're super successful, then we could even think about whether I shouldn't take it over into my own assortment and then suddenly there are self-designed pens that look like yours and you don't make any more sales surprisingly. You can think about something like that. Of course, there are regulations and legal limits on what you can and cannot do as a platform provider. But you sell your customer access, you sell your customer data, you rent it to other manufacturers and that is very, very attractive.
42	Sofie Hoffmann: Okay, I see. Yes, we actually haven't discussed that yet. That was something we hadn't thought about until now.
43	Matthias Guffler: And there is no platform concept in the food sector. At least none that I know of.
44	Clara Dietrich: Of course, this also covers what we had discussed: that when you shop at HelloFresh, it would be great if they could deliver snacks or products that you would like to eat in addition to these meals. And that could be achieved with the platform model.
45	Matthias Guffler: Yes, you just have to make sure that you don't overload the logistics, because the logistics are very streamlined. Products come in and are distributed straight away. You don't need a huge warehouse. One company that is developing into this

	direction is "Flaschenpost". Take a look at the concept, are you familiar with it? They started in Münster and had to close down after three months because they had so many new customers that they couldn't keep up. They were then sold to Dr. Oetker two years ago. Now they also sell other products on their website, for the same reason. The car already drives to you, you have a regular mark-up because you keep coming back. And this business would be the most obvious next step for me if you don't want to do a service or anything else that is not scalable anyway.
46	Sofie Hoffmann: Yes, we excluded drinks from our framework at that time to keep the scope of work manageable, but we definitely know the business concept.
47	Matthias Guffler: Exactly, but it's not about drinks, it's about how they scaled it.
48	Sofie Hoffmann: Do you still see opportunities or possibilities for these business models in the context of data processing or new technologies? Something that you think I would develop or invest in, or that you could really move forward with.
49	Matthias Guffler: I don't know. These are all business models that are very much driven by the fact that you understand customer behavior and learn to read data even better than the competition. As I said, it's about the moments of consumption. How can I identify them even better? That's the discussion that all the snacking providers and the big manufacturers of snacking brands are thinking about. How can companies be present at every moment when the consumer is thinking about eating a snack? First, there are these classic moments: you get out at the petrol station and your sugar level is low – that’s why there is this huge selection of ice cream and so on, because that is a snacking moment. People want sugar first after a long car journey: moment of consumption. And tapping into these moments of consumption even better, identifying

	them and then also occupying and dominating them, that's certainly where the technology must develop. Apart from that, there is a lot to be done in the area of "recognizing behavioral patterns" among customers. If customer A orders such and such things, then I have to offer this and that. A lot is already being done in this area.
50	Sofie Hoffmann: I think when you think about food delivery, there is often this image of drones landing in the garden and unloading things. A lot is being invested in robo delivery at the moment and some things have already been tested. I saw it in Hamburg. But I've already heard from someone else that the German market isn't really ready for it yet, because the legal framework isn't right and the market isn't ready for it. Do you have a similar view, or do you think that this could be a thing of the future?
51	Matthias Guffler: This is a topic that has been discussed for years and has been planned for years. DHL once ran a large pilot for mail and parcel delivery. They tested drone delivery in remote mountain villages. In this context, I spoke to the responsible project manager at DHL at the time, who said they would not implement something like this for one reason: the investment costs being too high. The capital tied up in the many robots and drones flying around everywhere is far too high. It's all far too expensive, and then there are tough legal framework conditions. There is absolutely no way to run it completely hands-free. Flight is very difficult in particular. And as I said, at the end you come to the point: how many kilograms can these drones transport for how many euros? What is the euro per kilogram? It’s a totally inefficient means of transport, which is why I don't see it developing soon. If you look at where the drones are having resounding success, it's not for fun, it's for reconnaissance in war, because in that case it doesn't matter what it costs. But it makes a difference whether a parcel delivery costs €0.20 or €3.

52	Sofie Hoffmann: Yes, yes, I see.
53	Matthias Guffler: If at all, then for high value items, i.e. items that have a high value and that I want right now, then yes, but otherwise not.
54	Sofie Hoffmann: I think there is a lot of research going on in the healthcare industry to transport drugs and blood transfusions.
55	Matthias Guffler: Yes, exactly, high value or high urgency - or preferably both. But that’s not food delivery. You can ask if you can get permission from the supervisory authority at German Air Traffic Control to fly chocolate bars around. Have fun.
56	Clara Dietrich: One additional question on the idea of the platform. How would you see the scope of the platform? Would you really see it on a snack basis? Or could you imagine selling kitchen appliances on it? How would you make sure that you don't experience cannibalism? Saying we don't offer a supermarket range. What kind of assortment would you see there?
57	Matthias Guffler: Successful platforms have always emerged from a situation of strength. If you look at a platform like Amazon, it came about because they had an incredibly successful book business and expanded bit by bit and were then able to offer super-fast services. Then they were able to expand the range. This is described very well in "The Everything Store", I recommend the book. It's the same with Zalando: the platform was able to emerge from their strengths. They were good at marketing, addressing, clothing. And that's exactly how I would do it in this case: from the strength that meal-kit-delivery successively opens up with ranges that are rounded off, i.e. that are relatively close to the actual product. These can be things that are not yet covered, such as breakfast or snacking, and then grow bit by bit. I don't know where

	the limit is. That depends on many things: how high is the demand? How high are the logistics costs? Etc. Would I start with kitchen appliances? Probably not. Where do you offer them? So does it then develop into a shop environment that you have to dig through or is it then said that the product is needed in the preparation, under the motto "it's particularly quick now if you have the KitchenAid" and then you can order it. We always look more at: What is the core? What are the complementary ranges? What goes with it? What does the customer need in her shopping mission? And then we add the products that are missing from her shopping mission. We go through the shopping missions in an organized way.
58	Sofie Hoffmann: Companies like Koro, which offer such sustainable, quality snacks, will probably make more sense.
59	Matthias Guffler: That was exactly the example I was looking for.
60	Sofie Hoffmann: That would fit in well with the HelloFresh brand, for example, because sustainability is a big topic for them. But snacks are something that is completely missing from their product portfolio at the moment. That's really exciting. I find that very interesting. Clara had already mentioned a topic earlier: We found it critical that for HelloFresh or meal-kit-delivery in general, the website is basically the most important stream, where all the sales are being generated. We thought about how to diversify this, how to open new channels to spread risk or to address new customer segments. At the moment, there are not many young consumers. In this context, we talked about social commerce. Right now, you can't shop on TikTok, for example. However, this is currently being tested in the UK and will probably be rolled out for Germany in the course of this year. Could you imagine that social commerce would be

	an option for the business model to address new customers, to gain more subscription customers and to open up a new revenue channel?
61	Matthias Guffler: Yes. This is basically a marketing mix question. It's about classic marketing control. How much does it cost me to acquire 100 customers, with what customer lifetime value, or in other words: what is the customer acquisition cost and the customer lifetime value of a TikTok customer versus the marginal costs of my traditional marketing channels? That's why distributors still stand in front of shopping centers and hand out vouchers. It's always about how high the customer acquisition cost of the channel or cohort is and what the customer lifetime value is afterwards. If another channel becomes more attractive because another is exhausted, it always makes sense to open up new channels if they become more and more attractive in the marginal cost range. Social commerce is one of several marketing channels that you optimize again and again in your optimal marketing mix. This also includes classic online banner advertising, affiliate, TV and print. You have to control these channels constantly and observe where you can reach new people or target groups.
62	Sofie Hoffmann: Yes, exciting. Then to conclude: in a world where everything could be made possible, what would your own personal ideal scenario for grocery shopping look like?
63	Matthias Guffler: I firmly believe that the digital butler is what everyone wants. I'm thinking about consumer needs again. The richest people who can afford everything have personal nutritionists and chefs. They don't care about where the avocado comes from, they want delicious food, and don't want to think about what's available and plan dishes - they just want it to be delicious. The cooks then conjure up a super menu for them every day, depending on what they want at the time. The Hollywood stars don't

	just look so good because they are genetically predisposed that way, but they look so good because they have different training and nutrition options. They get personalized sports programs as well as the nutrition plan that goes with it. But not everyone can afford that, because not everyone is a Hollywood star. But you can transfer that to the digital world. The stronger the topic, especially generative AI, becomes and the more AI reads data, the more you can make these butler services accessible to the masses and socialize them. I think that's very much where it's going and that would be my aspiration as well. I can say my goal is to lose weight or gain weight or build muscle and I always want to have the products that help to do that without having to worry about it every time, because that's a lot of effort. So, a personal nutrition coach, advisor, who does everything so that I only have to cook it. In the end, I wouldn't feel like cooking either, but you know what I mean, right? What do people do who can wish for everything? You can often assume that what they realize is what the masses would also like to have. I think that would be one direction.
64	Sofie Hoffmann: Yes, I can understand that. Great, Clara, do you have any questions?
65	Clara Dietrich: No, I think we have already received much more than expected. Thank you very much, we appreciate the insights.

8.7 Transcript No. 7 – Kayra Hohmann

Name, Position: Kayra Hohmann, Customer of Hellofresh

Date: 01.05.2023

Duration of Interview: 10 minutes

1	Erden Köse: How did you first become aware of meal kit delivery services, and what convinced you to try it out?
2	Kayra Hohmann: I have been using HelloFresh for a long time and first became aware of it through a recommendation from a friend. I had always gotten a lot of advertisement for it from social media but had been hesitant to try. After my friend told me that she had a good experience and could recommend it to anyone, I felt way more convinced to give it a try. I wanted to try HelloFresh because I often have no inspiration and do not know what to cook in the upcoming week. Although I really enjoy cooking I feel often too lazy to come up with a new menu at the beginning of each week.
3	Erden Köse: How would you describe your overall experience with meal kit delivery services? Do you think it is a convenient and useful service for busy individuals or families?
4	Kayra Hohmann: Overall, I find the idea and the concept of HelloFresh really good and compelling. During the time when I was an active customer I have enjoyed their services. However, I decided after a few months to cancel my subscription after my sister moved out from home and I no longer cook at home most of the days. Generally speaking, for families I find it very helpful to have some pre-ordered dishes with low effort on some days of the week.

5	Erden Köse: What factors did you consider when choosing a meal kit delivery service? Was it based on price, selection, quality, or other factors?
6	Kayra Hohmann: In my case, it was the large, the good range of vegetarian and pescetarian dishes that I would otherwise not prepare for myself. Regarding the cost factor: I came to the conclusion that I would pay for as much money for buying the ingredients myself, however, I would still have the additional time / effort costs, so, in most cases, I found the cost factor reasonable.
7	Erden Köse: Can you describe your experience with the ordering process? Was it easy to navigate the website or app, and did you find the ordering process straightforward?
8	Kayra Hohmann: The ordering process has been pretty obvious to me, at the beginning of each week I picked three dishes that particularly spoke to me. I found the website and app easy to navigate, I had no problems with that. I also find the app very appealing and user-friendly. I also enjoyed the option to pause my delivery during weeks I was on vacation or didn't feel like cooking.
9	Erden Köse: How do you feel about the quality of the food in the meal kits? Were the ingredients fresh and flavorful, and did you find the recipes easy to follow?
10	Kayra Hohmann: I found the quality and freshness of the products very good. At times, I was worried that fresh fish would go bad too quickly which, sometimes, put me under pressure to cook the fresh fish recipe as quickly as possible. As for the recipes: I found them easy to follow, instructions were clear. However, most often I found that the preparation was unnecessarily complex. Sometimes a recipe required using way too many bowls, pans, plates and cutlery that I would not normally use. Therefore, I often had unnecessarily washing up to do after cooking, which I disliked.

11	Erden Köse: What do you think of the price of the meal kits? Do you think they are a good value for the price, or do you think they are too expensive?
12	Kayra Hohmann: For the unusual or exciting dishes with fish or vegetarian meat substitutes, I found the price reasonable. However, there were too many recipes with noodles/pasta/potatoes which I did not believe were justified considering the price per portion ratio.
13	Erden Köse: Have you ever had any issues with your orders, such as missing ingredients or damaged packaging? If so, how did the customer service team handle the situation?
14	Kayra Hohmann: I had some issues regarding missing parts of my order. I remember that a couple of times some spice mixes were missing and once or twice a main ingredient. Customer service handled these issues politely and without any problems. If I remember correctly, I was compensated monetarily.
15	Erden Köse: Are there any features or options that you would like to see added to the meal kit delivery service to make it more convenient or useful for you?
16	Kayra Hohmann: I would like the option, to swap certain ingredient of a recipe in case I dislike it or I am allergic to it.
17	Erden Köse: What are your thoughts on the sustainability practices of the meal kit delivery industry, such as reducing packaging waste or sourcing more environmentally friendly ingredients?
18	Kayra Hohmann: I am in favor of most attempts to producing more environmentally friendly products, however, I think that it could be improved. Most of the plastic that the products were wrapped in, despite being compostable, cannot be recycled in the bin

that most households have access to but need to be thrown away in a special trash composting place, which no regular household would have access to. Also, I think that there could be more refillable glass ware or Tupperware that you give back after each delivery.

8.8 Transcript No. 8 – Luca Merkle

Name, Position: Luca Merkle, Customer of Hellofresh

Date: 05.05.2023

Duration of Interview: 22 minutes

1	Erden Köse: How did you first become aware of meal kit delivery services and what convinced you to try it out?
2	Luca Merkle: For the first time I have a contact through my mother. She was a HelloFresh customer at the time, one of the first customers. She became aware of it through a program where flyers were distributed on the street for a free box or for three free boxes. She tried it out and found it quite practical. And then I was still living with her at that time and I noticed it and then I subscribed to it myself when I moved into an apartment on my own, because first of all I think it solves two problems pretty well. The first problem is that you come home from work and you have little or no time. The most important thing is that you have no idea what to cook. This is relatively well solved by the fact that you already know what you will get in the case, or that you just a week before or a few days before always select the dishes that you want to have delivered. That is, you already know exactly what dishes are there, can then choose one. So it's still a small selection process, but it's not really long, because you select the dishes, as I said, three or four options. This process is then already completed and everything is already there. That means you don't have to invest time shopping, you don't have to invest time thinking about what you're cooking. Which I think is actually the bigger time investment. And that is to be delivered everything very simply actually and thereby actually a good product at a good price have what then also above all at the beginning rather fun makes also to

	cook and to deal there with the courts, even if one has little experience with the self-cooking. Generally culinary it interests me that one cooks with the time thereby many different dishes.
3	Erden Köse: How would you describe your general experience with Meal Kit delivery services? Do you think it is a convenient and useful service for busy individuals or families?
4	Luca Merkle: Exactly. Well, we have HelloFresh. Personally, we have another box besides HelloFresh. It's called Wyldr Bio. It delivers very sustainably. In itself, the first experience is great. Especially with HelloFresh, the app is extremely intuitive. You are lured with super incentives and it delivers what it promises. That you actually only have to be at home when the delivery takes place. That worked out pretty well during Corona. But what is getting more and more complicated. Now, once Corinna is over, one travels more, is away on business or is simply in the office. Now if you want to have a delivery in the evening in a certain time window that delivery fees were charged. Probably around the 4 € or so.
5	Erden Köse: You then had to pay another 4 € extra?
6	Luca Merkle: Yes, okay. If I want to have the delivery after 19:00 4 €. If I want it between 8:00 and 17:00 it would be free, but I'm never at home. That means you have to be there during the day or you have to be there if you want it delivered in the evening and pay for that premium service. That has partially changed over the course of our subscription. It wasn't like that in the beginning. What was also different is that, for example, my mother, who was not a customer at first, still had a cheaper price than me as a new customer. I think because she was still a first customer at that

	time and then the prices were raised, but the prices were raised only for new customers and not for loyal customers.
7	Erden Köse: Oh, gross. Okay, very interesting. Did you pay attention to anything at all when choosing a service? Or was it just, okay I know HelloFresh and that's it? Or did you decide based on price or quality? Or what factors helped you make that choice?
8	Luca Merkle: Yes, we have already looked around to see what else is on the market. At the time, there was also a Kochhaus cooking box, which was also tried out by my mother, for example. I don't know if it was very expensive and more in the premium sector. It was not so intuitive. We have partly tried other boxes at the beginning, because there was of course much lured with price discounts. But in itself, nothing came close to the quality of HelloFresh. Above all, the app is very well designed, very intuitive, and has many, many options for food and delivery. You could also intuitively pause the orders over the weeks. Even with the brand name, I would say HelloFresh is quite widespread and also has good reviews, from what one has otherwise heard so and thereby of course the first choice. What we noticed after a while though is that the experience is pretty repetitive. I think we probably had Hellofresh for almost half a year or so at a time. After a while, you just notice that things get repetitive, that dishes and processes get repetitive. What we then noticed is that the termination, for example, was extremely difficult. For example, it was not possible to cancel in the app, where everything actually takes place, where you also registered, but you could only pause the weeks. You then had to register again in a complicated way via the website. And look for the cancellation there in a very hidden way. And that led, for example, to the fact that you preferred to take a break instead

	of cancelling the weeks. So you can pause indefinitely. I think up to two months. But that also led to the fact that my girlfriend, for example, always took a break and didn't give notice because the process was time-consuming. This has then again led to the fact that she has forgotten, for example, to pause times and then boxes have come, although we did not want them. Exactly because we forgot that there was something coming or because we thought we had already cancelled it. What we also saw when we cancelled for the first time is that after we cancelled, someone called us and a co-worker then gave us the same discount again that new customers have. That is, the first box is free, the second box is half the price, the third box 10 € cheaper. Exactly that, which is actually quite useful and that has also kept us longer in the subscription, because of course we then had this bonus again, we said. So I just take that now, it already makes the boxes cheaper.
9	Erden Köse: The user experience in the app is very pleasant you said. Can you just walk me through this process and explain how it works?
10	Luca Merkle: The most important thing, especially what you then learned after the time and ask yourself. How fast does the court go? I think it's pretty important. Especially for me. For my friend, it was pretty important, how low calorie or how healthy is this dish? And HelloFresh has shown that pretty well on the app. So did a good job of showing approximately how many minutes it would take to cook. It even went so far as to offer so-called express dishes that went very quickly, with an average cooking time of about 15 minutes. Actually, at least every dish took 30 minutes. These express dishes with about 15 minutes were even more expensive. So you also paid the extra price for that. We have even but also accepted, because we just did not want to cook so long. Was actually a quick and good meal and you got

	that through these express dishes plus you quickly saw how many calories are in there. Here there were 1000 options, whether you want to have more vegetarian, vegan, meat or fish. I think per week there were probably around 30 different dishes to choose from. That's an extremely large selection and what was also possible is to tweak the dishes to the Thermomix if you want.
11	Erden Köse: What did you think of the quality of the food? Were the ingredients fresh and tasty? How easy was it to follow the recipes with the help of the instructions?
12	Luca Merkle: I would say that the ingredients were always mediocre. Sometimes it happened that ingredients were forgotten or no longer arrived fresh. That happened sometimes. Um, I would also say more often. So almost every second order. Partly it was easy to cancel the then or just to complain, the various individual food and the money you can then get back, then you just bought it in the supermarket what of course but disrupted this process. The quality was therefore okay. What made you happy sometimes is that they have partnerships with other companies. That means that there was some smoothie in there in the cooking boxes or some chocolate or some other food. Of course it came with a promotional flyer from a certain brand. We were always pleased with that, actually. The brand was pretty well received that was in a partnership together there. Compared to this other cooking box that we had, which delivered very ecologically, so where everything was unpackaged or in cloth bags that were recyclable. You could already see a big difference there. In the case that with HelloFresh everything was also packaged itself in Hellofresh's own containers, cans or bags and in the other case with the organic sustainability cooking box there were partly very high-quality brands that were in there and where then also

	whole jars were delivered and not everything was meticulously packaged to the ingredients, as now with HelloFresh.
13	Erden Köse: What is the name of this other company?
14	Luca Merkle: Um, yeah, I have no idea anymore.
15	Erden Köse: What do you think of the price, is it a good value you guys ended up getting now for what you paid.
16	Luca Merkle: In the beginning, I found the price-performance ratio quite convincing. And after a while, you actually noticed pretty well that steps repeat themselves, that you eventually also know everything so and so. I buy exactly the same product and make it myself. Um, but I think with about 6 € per person per meal, which is fine with just mainly meat and fish dishes.
17	Erden Köse: Are there any features or more options that you would have liked to see in these services that you've had now yourself? Anything that just makes it even, even easier for you, makes it even more convenient for you? Do you have anything there?
18	Luca Merkle: But a greater variety of dishes, then. It was actually quite traditional. German, Greek stuff and maybe sometimes a little bit Mexican or Asian, but never really original. So a little bit more original you could do. Um. Theoretically, which is also a possibility. If they already deliver, is to include drinks. The option would perhaps also make sense, simply to have a larger selection, because exactly the same problem then also arises, that one must buy halt in the case for beverages. Um, generally one has seen that there were also premium products, in the case that one had for example always the possibility to pay a lot of money on it and then had a huge steak. So you would also have if you now somehow invited people on the

	weekend and cooked something larger, you would have had the option to have a bit more. For example, at Christmas there were always certain Christmas menus, which were also sold out pretty quickly, so probably also quite popular. So there were different options. But otherwise, what actually? After a while, it became quite obvious that there were hidden costs with, as I said, express meals or different delivery times.
19	Erden Köse: Last but not least, how do you see sustainability in this industry? How important is it to you? Is it to yourself? Also, how much do you get that HelloFresh is trying to do that? Is HelloFresh really trying to use such environmentally friendly ingredients, packaging, etc.?
20	Luca Merkle: So I think you could tell that HelloFresh has really changed and evolved. Especially at the beginning I can still remember with my mother the packaging looked different, because much more plastic was in the game. And now you have already noticed that the whole design and also what is written on the packaging has changed. For example, the meat was packed in a bag and the bag was made of recycled paper. You could put it in the paper garbage can and there was plastic packaging with ice in it to cool the meat and fish. It also said in big letters that you could reuse the water to water flowers or something. But the packaging of it was plastic, also every single product was actually pretty much packed in plastic. Generally, one has already noticed actually that it contains quite a lot of garbage everything. So there was the big box where everything was in. Then there was as I said this, this bag where the products were inside. Then there was the plastic packaging for the ice cream, then there was again fish and meat was also packed in each case in ice cream and in plastic.

21	Luca Merkle: So there you have already noticed that there is actually the packaging much there, unlike the other delivery companies that have specialized mainly in delivering of course unpackaged.
22	Erden Köse: Is there anything else you'd like to mention? Or any suggestions for improvement or any feedback? Maybe also for these companies or on the business model?
23	Luca Merkle: Hm. I have a question that would be interesting, where I don't have an answer myself, but in general a question in how far will this kind of new delivery services like Gorillas or Getir have an influence on the buying behavior of these cooking boxes, because then it is no longer necessary to go to the supermarket? So one of those two problems that are solved falls away. So you actually still have to choose what you cook, but you no longer have to go shopping yourself; it can simply be delivered by the delivery service. In theory, that would be interesting.

8.9 Transcript No. 9 – Matthias Guffler

Name, Position, Company: Matthias Guffler, Partner at EY-Parthenon

Date: 12.05.2023

Duration of Interview: 9 minutes (Follow-up interview)

1 **Clara Dietrich:** Thank you very much for taking the time for a brief exchange again. We would like to come back to the idea of a platform from our last conversation. There are different ways to found a platform. Either you found a platform from scratch by yourself, or with a partner, or you join an existing platform. Which possibility would you see as most realistic?

2 **Matthias Guffler:** The purpose of a platform is first of all to offer consumers a non-stop shopping experience. That you capture as much of the shopping mission as possible. If you now start to join an existing platform that has a different name - where is the added value? You will then be pushed into a delivery role as a meal kit provider. It's all about the customer relationship, because in this business - sourcing is also important, but not as important as in others. But the customer relationship is everything and anything that pushes itself between you and your customers is very bad. And in the medium term, you're dead. There are enough examples of people who have tried it with Google. They all failed because they had to trade on Google's terms. Therefore. The third aspect falls away for me because of this. One could say, if the company is too small, then I go on a platform. But Hellofresh now has 8 billion in sales. They are not too small. There are companies that I advise that have 300 million in sales and have a platform. And they are very successful. Therefore, only the first two possibilities are feasible for me. Of course, you expand your business model from the core. You wouldn't expand it from the core if you could still expand the core. And building a platform is also not rocket science. You can run it like Google through the platform provider. So, fulfillment by Hellofresh, for example. In addition, however, you can also let the delivery run via the partners

	themselves, so fulfillment by partners. This means you provide the platform to the partners, but the partners handle the execution themselves. Then you simply get a commission for it. It's important that the platform creates interaction with the users.
3	**Clara Dietrich:** Okay. Okay. So definitely away from the idea of joining a platform, and rather setting up a platform on your own, so that you can capture the added value.
4	**Matthias Guffler:** I'm always very cautious about joining other platforms. That's a pact with the devil. There are so many examples. The last option would always be a finite path for me. I would be careful there.
5	**Sofie Hoffmann:** In the food sector, there is not much of it anyway. Last time you mentioned Flaschenpost. I looked at it again. They really have more than just drinks, so also real food.
6	**Matthias Guffler:** Exactly, exactly.
7	**Clara Dietrich:** In general, I have no idea how much effort it takes to create a platform.
8	Speaker 2: It's not that difficult. Of course, you need a legal framework and an IT infrastructure, that costs money. But that's absolutely standard.
9	**Matthias Guffler:** The problem is customer interaction. That has to be ensured. But for that, you don't have to find a solution. You just have to point out that there are challenges. But I have to go now. Thanks!
10	**Clara Dietrich:** Thank you very much!