

# FAST, FRESH, EASY

**FRESHDIRECT HAS A PROFITABLE GROCERY HOME DELIVERY BUSINESS, INCREASED FUNDING AND SOON NEW DISTRIBUTION CAPACITY TO HELP IT SCALE.** > By Mike Troy

**Slow and steady does win the race**, or so it seems with FreshDirect. The grocery home delivery company founded in the aftermath of the dot come bubble to serve residents of Manhattan has since expanded to nearby geographies, refined its value proposition and given shoppers new ways to interact with its brand all while dealing with increased competition. The result, according to the 15 year old company, is annual revenues that last year exceeded \$600 million, profitability since 2010 and the leading online market share in the New York and Philadelphia metro areas.

Now FreshDirect is looking to replicate its success in the Washington, D.C., market. Service in the nation's capital

was introduced to 60 Zip codes in April, with plans to expand to nearby areas in Northern Virginia and Southern Maryland.

"Competition has exploded in the food delivery space the past few years, but unlike many of the new entrants, at FreshDirect food is in our DNA. We are a food tech company whose focus has always been on fresh," said PJ Oleksak, FreshDirect's Senior Vice President of Business Expansion.

"Based on the research we have done we think that while there is a player in the market there is an opportunity for a company like ours who can provide great high quality food, be a one stop shop and convenient delivery to your home."

D.C.'s proximity to FreshDirect's other major markets ensured some familiarity with the brand, but FreshDirect went all out to promote awareness and generate trial.

"We viewed it as very much a new market for us and an opportunity to really introduce a new market to our brand. We used broad marketing tactics such as out of home, direct mail and more targeted outreach via influencers, social media and local community partnerships."

The entry into the D.C. market was made possible in part by a \$189 million cash infusion the company received in September 2016 from J.P. Morgan Asset Management, W Capital Partners and the AARP (yes, that AARP) Innovation Fund. As a result of the investment, Larry Unrein, head of J.P. Morgan Asset Management's private equity group, and Ashmi Mehrotra, Managing Director of the private equity group, gained seats on the FreshDirect board.

FreshDirect arrives in D.C. as the supermarket industry overall is in the early stages of what is widely considered to be the most transformative period in a half century. Operators nationwide are scrambling to roll out digital offerings, either outsourced home delivery or order online pick up at



▲ PJ Oleksak, SVP Business Expansion, FreshDirect



▲ FreshDirect entered the Washington, D.C., market in April and has plans to expand its service area beyond the initial Zip codes.



◀ Known for its offering of high quality fresh food, FreshDirect's assortment includes non-food items as well.

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—PJ OLEKSAK,  
SVP Business Expansion,  
FreshDirect.

store services. There has also been a proliferation of meal kit providers and Amazon Fresh continues to expand in urban areas. In D.C., FreshDirect is taking the battle to larger rival Peapod, owned by Ahold Delhaize, and hoping to reshape food shoppers' expectations around quality.

“FreshDirect was really founded on the idea of making great food easy to get and over the years we've evolved that vision into a commitment to source the freshest and best tasting meat, fish, produce and other specialty items through direct relationships with suppliers, growers, farms and people that we call friends,” Oleksak said. “We've evolved the idea of easy to get to encompass much more than grocery delivery. Easy today means allow-

ing customers to get food on their terms which could include ordering on a mobile app, Facebook bots in the future, who knows, or same day delivery.”

Same day delivery is an area where FreshDirect has become more aggressive with the launch of its FoodKick app in January 2016. While the traditional FreshDirect model involves ordering food for delivery the following day or up to a week in advance, the FoodKick model appeals to the “I want it right now” shopper segment.

“Because we are a solutions oriented food company and people who love food, care about food and want to eat to eat great food ourselves and want to feed our families great food, we ask ourselves how do we do that easier and make it better. We are constantly thinking along those lines,” Oleksak said. “With FoodKick, we are trying to offer customers a curated assortment of great food that is easy to get. Our customer spend only an average of 19 minutes shopping a week. These are busy people who want to get some time back to do something else.”

To make the mobile experience appealing and

inspiring, the content on the app changes four times a day with information about how to cook, features on new farmers or partners and a “Today's Picks” section that features hot items.

“Everything we have is great, but with Today's Picks we are going to tell you what is the absolute must try,” Oleksak said, adding that products are delivered in as little as an hour from mini-fulfillment centers strategically located in the New York area.

“The whole shopping experience around FoodKick was really built so the on-demand, on-the-go consumer can get the food they need very quickly. We've been really excited about the reception in the market,” Oleksak said.

To execute the FoodKick promise of speeding delivery FreshDirect operates facilities ranging in size from 15,000-sq.-ft. to 25,000-sq.ft that are located in and around Manhattan with deliveries handled by a courier network. Conversely, the company's new distribution facility slated to open later this year in the south Bronx measures 650,000-sq.-ft. and uses FreshDirect vehicles.

“We are excited to expand in the state-of-the-art facility which will really enable us to amp up our growth and reach,” said Oleksak, a financial analysts turned foodie who joined FreshDirect in 2012.

Her first exposure to the company came in 2005 when the firm she worked at, PineBridge Investments, was an early investor in FreshDirect. “Super cool and interesting,” is how Oleksak described her experience with the company prior to joining because FreshDirect was a real innovator in the food world yet approach it growth in a responsible way.

“Perfecting the last mile takes rigor, patience and focus to make the unit economics work,” Oleksak said.

The unit economic appear to be working well now and will likely work even better in the future as the company brings its massive new fulfillment facility online. The added capacity will presumably facilitate FreshDirect's entry into new trading areas where its “easy to get” philosophy has a unique appeal with urban residents who lack the convenience of nearby stores and plentiful parking that is more common in suburban areas and makes grocery shopping less of an undertaking.

Oleksak is a suburban resident but firmly in the camp that regards grocery shopping as a chore, despite the efforts of highly regarded operators such as Wegmans, Whole Foods and Eataly to make food shopping more experiential.

“As a suburban mom myself I can't imagine my life without FreshDirect,” Oleksak said. “Going to the grocery store on a Saturday is more of a nightmare to me. I can't imagine wanting to do that. I know some people do and that's okay.” RL