

Meal Kits: When the Digital Needs the Physical

CHEF'D'S DOWNFALL IN JULY ONLY PROVES THAT GROCERS WILL INEVITABLY OWN THE MEAL-KIT SEGMENT.

One of the hottest topics in grocery technology over the past year has been the rise and fall of meal-kit brands. From Home Chef and Plated's acquisitions by increasingly omnichannel grocers to the fall of Blue Apron and the rise of HelloFresh — and Blue Apron's attempts to correct its course through physical partnerships — there's rarely been a week without something interesting happening to at least one of these ecommerce kitchen-helpers.

Then Chef'd, the gourmet-style brand that also pioneered brick-and-mortar partnerships, suddenly shut down. Experts' suspicions were only further confirmed: The future of meal kits belongs to the grocers. (Chef'd's assets have since been acquired by True Food Innovations.)

While the El Segundo, Calif.-based service sold its kits in some stores — and several other brands have since followed suit — it still based much of its operations off a subscription-based online-ordering model, meaning that, just like other pure-play providers, it was somewhat lacking in two key assets that grocers with physical operations possess: proximity and connection. These two assets — being closer to the consumer and having an established relationship — help reduce the distribution and marketing expenses that pure-play meal-kit providers struggle to overcome, according to David Bishop, partner with Barrington, Ill.-based retail consultancy Brick Meets Click.

“Chef'd deserves some credit for moving quicker than rivals in partnering with grocers and integrating new products online and in-store,” Bishop says. “Unfortunately, the move wasn't enough to offset the extraordinarily high cost related to the direct-to-consumer sales model.”

Pure-play meal-kit services have always been a challenging and expensive proposition relative to other online grocery-shopping options, from both the consumer's and the operator's perspectives, Bishop notes. As consumer interest has grown, so has the level of competition — and with it, expectation and perceptions related to the various value propositions.

“Saving time and money and offering more control and choice are all appeals of shopping online for groceries, and this applies to the meals segment, too,” he says. “What started out as pre-assembled kits of ingredients that take 20 to 30 minutes [to prepare] now compete against pre-packaged meals that are ready

in less than five minutes. Instead of receiving meals once a week, you can now get them delivered the same day from your local grocery provider. And why buy more than you need when you can shop a la carte, and even make substitutes here and there?”

In the end, grocers have to understand how to respond if their partner meets a similar fate or begins developing an alternative plan that transitions to a more stable source. As for meal-kit providers, they must continue to remember that consumers shop online very differently for fresh food compared with packaged food. They also shouldn't count on consumer loyalty — as expectations and competition continue to increase, these companies must focus on improving consumer outcomes.

“Chef'd isn't alone, as others continue to wrestle with similar challenges as grocers refine their own meals offering,” Bishop stresses. “While these realities hurt Chef'd, they also should help grocers in developing more sustainable strategies in this area.” **PG**

