Always fresh, always easy.

Home Chef To-Go
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Always Fresh, Always Easy

Proposed to:

Home Chef Chief Executive Officer and Founder Pat Vihtelic

Prepared By:

Top Tier Consulting

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November 9, 2017
Dear Home Chef,

Subject: Home Chef To-Go - Always Fresh, Always Easy

Since its humble beginning in 2013, Home Chef has exhibited tremendous growth potential, and Top Tier Consulting believes its innovation and integration will both be essential for the ultimate expansion of Home Chef. Top Tier Consulting strives to inspire your company, demonstrate proper awareness of the industry, and fundamentally assist in the expansion plans of Home Chef. This report will observe the concept of a strategic partnership between Home Chef and Southeast-based company Publix to introduce Home Chef’s healthy, delicious meal kits into Publix’s existing and future locations.

The food industry continues to innovate seemingly by the day, and Home Chef must join this movement if it intends to retain and attract consumers. Our team has researched the needs and desires of target demographics in relation to retention rates, and we recommend the implementation of Home Chef To-Go in physical grocery stores to boost the expansion of Home Chef. Home Chef To-Go aims to develop modified meal-kit options made available in Publix grocery stores through a strategic partnership. In store meal-kit options provide numerous benefits for both Home Chef and Publix. Introducing Home Chef’s health-conscious, delicious, affordable, and eco-friendly meal kits into stores will differentiate both Home Chef and Publix from the harboring competitors, which do not offer all four of those variables. By developing Home Chef To-Go, your company will competitively satisfy new and old consumers and improve its company rapport. This will ultimately heighten retention rates and maintain both an economical and eco-friendly approach to business.

Top Tier Consulting sincerely thanks Home Chef and EY for the opportunity to present this report. Our team also extends its gratitude to Professor Jeffrey Cannon for his leadership and assistance with this opportunity. This report is intended to be informative, thought-provoking, and inspiring. Top Tier Consulting hopes that it will benefit the expansion plans of Home Chef.

For any questions, comments, or concerns, please do not hesitate to contact Top Tier Consulting by calling (305) 335-8906 or by emailing toptierconsulting@gmail.com. We will take all feasible measures to ensure the success of Home Chef To-Go. We look forward to working with you and the rest of Home Chef on our proposal.

Respectfully,

Top Tier Consulting
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Executive Summary

Our report defines: (1) the benefits and logistics of a strategic partnership between Home Chef and a grocery store chain (Publix Supermarkets), and (2) that the integration of Home Chef meal kits into stores is effective for the ultimate expansion of Home Chef.

Home Chef is one of the food industry’s top ranked meal-kit providers for consumers all around the United States. Home Chef, headquartered in Chicago, currently delivers nearly 2.5 million meals each month through three distribution centers across the country, and aims to further innovate the company in an expanding, competitive market (New York Times). Since entering the market in 2013, Home Chef has employed over 800 workers and accrued over $500 million in revenues, with a projected revenue of over $300 million for 2017 (Reuters). Home Chef is continually growing due to the company’s straightforward, ready-to-prepare recipes helping the company generate a 70 percent return rate amongst consumers (Reuters). Home Chef’s positive cash flows, supplemented by $57 million from angel investors in 2016, open promising leads for expansion or an opportune sellout in the future (GlobeNewswire). Home Chef has built a consistently positive brand reputation, and its history spells a bright future for the company.

Our team believes that Home Chef should alter its value chain operations, and integrate meal-kit options into grocery stores to fully market itself and enhance the consumer experience. Ultimately, Home Chef will lead the industry and innovate the standard of healthy and delicious meal kits. The meal-kit industry is projected to surpass $12.3 billion in value by 2022 in just online sales, and barely any of Home Chef’s current competitors (except Albertsons Co.) have integrated meal kits into stores (PackagedFacts). Successfully integrating meal kits into stores and entering the grocery store industry will further improve the reputation of Home Chef, and it could potentially stimulate expansion on a scale which Home Chef has not yet reached.

Top Tier Consulting recommends the creation of Home Chef To-Go to assist in the immediate expansion of Home Chef and the ultimate expansion of the meal-kit industry. Home Chef To-Go represents more of a joint venture than a marketing campaign; this is made possible through a partnership with Southeast-based company Publix Supermarkets. Both Home Chef and Publix have earned positive reputations in the food industry, and a partnership between the two generates many synergies. Publix has every intention to expand, and a partnership will contribute toward that goal (Publix). First, our team suggests a trial-run for Home Chef To-Go with the ten most revenue-generating Publix supermarket locations in the following cities: Charleston, South Carolina; Savannah, Georgia; Miami, Florida; Nashville, Tennessee; Tampa, Florida; Atlanta, Georgia; Charlotte, North Carolina; Birmingham, Alabama; Richmond, Virginia; and Orlando, Florida. Integrating meal kits into physical grocery stores and ultimately partnering with Publix will grant Home Chef access to the in-store food industry, which can only further improve the company’s bright future.

Home Chef To-Go is a unique opportunity for Home Chef to capitalize on a niche market for meal kits. Top Tier Consulting recommends Home Chef follow these steps when implementing Home Chef To-Go:

1. Establish a partnership with Publix, for rival competitors do not offer the same meal-kit options in addition to the quality of Home Chef.
2. Finalize a trial run with the most revenue yielding meal-kit options for Home Chef To-Go to be implemented into the ten selected superstore locations through market research and collaboration with Publix.
3. Begin development at the selected ten superstore locations to offer a redefined and enhanced consumer shopping, cooking, and eating experience.
4. Allot six months to observe the wholistic success of Home Chef To-Go in relation to overall sales, location, and wastes.
5. Monitor and analyze data from Home Chef To-Go to continuously improve the meal-kit experience for consumers.
Meal-Kit Industry Analysis and Home Chef’s Efforts in the Market

Home Chef in the Market

Home Chef is one of the food industry’s top ranked meal-kit providers for consumers all around the U.S. Home Chef, headquartered in Chicago, currently delivers nearly 2.5 million meals each month through three distribution centers across the country, and aims to further innovate the company in an expanding, competitive market (New York Times). Since entering the market in 2013, Home Chef has employed over 800 workers and accrued over $500 million in revenues, with a projected revenue of over $300 million for 2017 (Reuters). Home Chef is continually growing due to the company’s straightforward, ready-to-prepare recipes helping the company generate a 70 percent return rate amongst consumers (Reuters). Home Chef’s positive cash flows, supplemented by $57 million from angel investors in 2016, open promising leads for expansion or an opportune sellout in the future (GlobeNewswire).

Home Chef prosperes due to affordability, variety, and precision. Home Chef tailors ten meals per week, each costing $9.95 and escalating in price (package pending), to taste preferences. It then allocates the exact amount of fresh ingredients necessary for a quick 30-minute meal, and eliminates waste (Market Research Reports). Home Chef aids consumers in the value chain by providing consumer precision, for the company does not ask subscribers to commit for a specific period of time. Instead, Home Chef offers flexibility in meal plans to better suit consumers’ schedules, health concerns, and eating habits. All strengths come with weaknesses, and Home Chef’s main weaknesses roots from lack of exposure and retention rates (Forbes).

Figure 1: Investor Financing: The meal-kit delivery services’ third-party investors reach almost $4,000,000 in 2015.
Home Chef Prioritizes Affordability

Consumers desire cheaper prices in the long-run, but prefer quality over price in the short-run (Shugan). Inside the meal-kit industry, companies compete to provide the best quality products possible at the most affordable price, which results in either successful or non-profitable business models. Home Chef eliminates the costs associated with going out to eat or to the supermarket by offering free shipping on orders of $40.00 or more. Although Home Chef provides somewhat affordable pricing, according to a survey taken from 2,100 adults who have never subscribed to a meal-kit delivery service, 59 percent claim pricing steers them away from the industry (Business Insider). Understanding the average subscriber loyalty is vital as well. At the end of 2016, Time Money polled just over 2,000 adults who subscribed previously to meal-kit services. The result indicated that companies only retain 5 percent of subscribers for over one year (Time). The lack of retention in the meal-kit industry is indicative of short-term consumer interests. Hence, by recognizing the short-term relationship consumers retain with meal-kit delivery services, Home Chef needs to realize that price currently guides consumer behavior more than product quality within the meal-kit industry.

Home Chef Focuses on Retention Rates

Contingent on price, the meal-kit delivery service industry faces one key dilemma: retention rate. According to a study, more than half of the subscribers cancel subscriptions in the first six months, and nearly three-quarters end it within a year (Wells). For meal-kit companies to make money, they must hold on to their current customers. This industry is currently rapidly growing, over 500 percent increase since 2014, but with such low retention rates, it is dangerous for companies to compete (Kessler).

Additionally, the companies who offer the most enticing sign up deals will attract the most customers. However, it is the ingredients, price, and convenience which will make them continue to order weekly. Slow retention rates hinder the potential for growth, and force companies to increase spending on marketing strategies to attract customers. Home Chef currently has higher than average retention rates in the meal kit industry; however, if Home Chef desires to remain at the top with competitors, it must alter its business model to strengthen retention rates.

Home Chef Needs Distribution Centers

Meal-kit delivery services need to further expand distribution centers to heighten geographic presence. Possessing the capability to send products to customers anywhere throughout the country impacts cash flows and accelerates company growth. Customers in more southern regions, such as Texas and Louisiana, are deprived of the opportunities to purchase meal-kits from certain delivery services (Neilsen). Instead of losing possible business opportunities to competitors, meal-kit delivery services need to ensure everyone is a potential customer.
Home chef opened a new distribution center in Atlanta, Georgia with plans to distribute throughout 100 percent of the U.S., however, Home Chef only currently covers 90 percent of the U.S. (PitchbookNews). Not acquiring 10 percent of land may not affect Home Chef terribly but still leads to inefficiency. The meal-kit industry is still an emerging market and has many great opportunities for businesses and consumers. If Home Chef so desires to expand and grow operations, it will need more distribution centers to match consumer demand.

Environmental Concerns

Meal-kit companies state packaging for their products is a problem. The meals come in a large cardboard box often not made from recyclable materials. Inside the box, each ingredient is individually packaged and contains ice packs. If customers order and cook three meals a week, customers are left with an immense amount of waste.

Home Chef sends out just under three million meals a month. Each box contains approximately three meals and two six-pound ice packs. Home Chef produces 60,000 tons of freezer-pack waste every year (Butler). With this amount of waste, environmentally conscious customers will be hesitant to order meal kits and resort to grocery shopping. While this is not the most important aspect for success in the meal-kit industry, it still poses the issue of social responsibility. If Home Chef reduced its carbon footprint to differentiate itself from the competition, it could allow them to grow in the market.

Competitors Alter Value Chain Operations

One of Home Chef’s current competitors within the industry, that is attempting to integrate meal kits into select grocery stores, is Albertsons Co. Albertsons invited itself...
into the meal-kit industry just under two months ago when Albertsons Co. acquired meal-kit delivery servicer Plated. Plated, the New-York based business established in 2012, was purchased for an estimated $200 million (Bloomberg). Since the acquisition, Plated will officially operate as a subsidiary of the United States’ second-largest grocery chain, and offer consumers a plethora of rotation meal-kit options. Albertsons Co. acquired Plated and its current business model of sending subscribers a box containing recipes and pre-portioned ingredients delivered straight to the consumers house. In addition to this already existing service Albertsons now offers, it offers meal kits nearly 2,300 United States locations, even in Albertsons’ Safeway chain grocery stores (Bloomberg). The overall intent of this merger and acquisition by Albertsons’ was to uniquely position itself in the market, for it no longer allocates funds to aimlessly market its product in the media and now appeals to consumers. Albertsons Co. now attracts meal kits to every demographic group.

**How Will Home Chef Compete and Grow as a Company?**

As competitors emerge meal kits into stores or partner with grocery stores, Home Chef will quickly be left behind and unable to compete. After thorough analysis, Top Tier Consulting suggests that Home Chef follows suit and integrates meal kits into physical grocery stores. The marriage with a physical grocery store will allow Home Chef to grow as a company and surpass competitors because of three key elements that physical, grocery stores provide that online stores cannot, which are: real-life experience, customer loyalty, and geographic presence. A partnership between Home Chef and a physical grocery store will allow Home Chef to tap into those three key elements, which it currently struggles with and grow as a company. A grocery store will help Home Chef garner more consumer attention, capture all categories of demographics, strengthen retention rates, decrease transportation costs, and increase sales and revenues. In addition to the key benefits that a marriage between two companies generates, Home Chef will broaden its market power and spread the excellent company name. The synergies are limitless.

Top Tier understands the difficulties that arise from transitioning into unknown markets; however, the payoff of partnering with a physical grocery store is necessary for the growth and expansion of Home Chef.
Our Recommendation: Home Chef To-Go

Home Chef needs to partner with a physical grocery store to implement the brand-new solution, that our team crafted, called Home Chef To-Go. Home Chef To-Go is a smaller-packaged meal kit that is designed to bring the same affordable, nutritional, and delicious value that current meal kits from Home Chef do into grocery stores. Home Chef To-Go will fulfill Home Chef’s current and future goals of increasing positive cash flows, improving consumer convenience, and strengthening Home Chef’s rapport.

Home Chef To-Go kits are crafted and delivered in similar fashions as normal Home Chef meal kits, but instead, are placed on refrigerator shelves inside a grocery store. The box dimensions of Home Chef To-Go kits are slightly altered to fit inside grocery store refrigerators and $0.50 is tacked onto the previously existing price of $9.95. The price addition is set to off set the margins that a grocery store would expect from each Home Chef To-Go kit sale. Home Chef To-Go kits will not have the preference profile that is offered online, but Home Chef will continuously collect data analytics to find which Home Chef To-Go kit options are generally most preferable by consumers.

Physical Dimensions of Home Chef To-Go Kits

Figures 7-9: The images above depict the newly crafted Home Chef To-Go kits. The kits are designed to fit inside the shelves of Publix grocery store refrigerators. The newly designed boxes are smaller in size to stay on track with the social responsibilities that both Home Chef and Publix uphold of reducing carbon footprints.
Our team has taken the necessary measures to ensure that Home Chef receives a wholistic understanding of what Home Chef To-Go meal kits would look like and the ease of purchasing one. Figures 7-9 on the previous page depict what an actual Home Chef To-Go meal kit would appear as from the outside of the box with the caloric values, meal label, and specified number of consumers that the meal kit is designed to feed. The design on the outside of the box illustrates what the consumer can expect to be eating when they purchase, cook, and eat the meal.

Offered Home Chef To-Go Kit Options

One of subscribers’ favorite things about Home Chef is the company’s ability to generate different meal options every week based on profile preferences. However, this might pose an issue for Home Chef To-Go. Our team believes that by providing the same number of meal kits with explicit, detailed directions Home Chef To-Go will generate the same numbers if not more than online sales. We believe that the ability for consumers to visualize the product before purchasing will combat the lessened variety provided in grocery stores (for the purposes of the trial development). As seen in Figure 10, one meal-kit option from a listed menu will provide consumers with the incentives to try healthy and delicious meals all of which are at affordable prices.

In-Store Pick-up Offers Immediate Gratification

Additionally, our team at Top Tier took the time to portray the simple steps a consumer would take when purchasing Home Chef To-Go from start to finish. This step-by-step illustration of Figures 11-16 depicts the ease that consumers will have when walking into Publix stores and being able to purchase a highly-rated meal kit only offered by Publix.

Figure 10: Menu: The image above depicts what an average Home Chef To-Go menu would appear as for a consumer.
**STEP #1**

Consumers will walk into a physical grocery store and see the end unit display, or normal display, that will entice attention and generate heightened sales.

**STEP #2**

Consumers will choose the items they desire to purchase and check out.

**STEP #3**

Consumers will return home after purchasing Home Chef To-Go, and they will place the box(s) inside a refrigerated device. Keeping Home Chef To-Go products refrigerated is vital for an elongated shelf life.
After preparing and cooking the selected Home Chef To-Go kit, the consumer should be left with a finished product that resembles the image on the instructions, as seen in our figure to the right.

The grace period to consume Home Chef To-Go meal-kits is one week. The legend on the calendar illustrates the timing that consumers should be mindful of.

When ready, consumers will take the Home Chef To-Go box (or unboxed ingredients) out of the refrigerated device and open the box up. Inside, the consumer will find the necessary instructions and ingredients.
Home Chef To-Go Needs Grocery Stores

As the world becomes more digitalized and technologically centered, analysts assume consumers will turn to online grocery shopping or meal-kit delivery services as a solution. This proves to not be accurate, and according to PwC, 70 percent of consumers still spend most of their time and money at traditional grocery stores because they prefer immediate access to products, physically interacting with products, and the convenience of a one stop shopping experience. With the integration of Home Chef stocking grocers’ shelves with Home Chef To-Go, Home Chef will capitalize on opportunities in brick and mortar stores and online.

Consumers Display Strong Loyalty Toward Traditional Grocery Stores

The world today is surrounded around efficiency. The faster wants and needs can be met the happier customers are and the more profitable your business will be. Meal kits from Home Chef, currently, have a shipping component involved in them. With the implementation of Home Chef To-Go into physical grocery stores, consumers will always have access to meal kits, and they will be able to pick them up without having to wait or pay for shipping.

Consumers prefer to touch, feel, and try out the products before they are purchased. Purchasing groceries online comes with the uncertainty they will look and taste the same as they are described. According to a survey, “62 percent of shoppers want to kick the tires before purchasing the groceries” (RetailDIVE). Home Chef To-Go will allow the customers to inspect the physical meal kits, witness the high-quality ingredients packaged inside, and, in turn, incentivize the customer to put it in their shopping cart by the appealing packaging.

The process of contacting the company, obtaining a return label, repackaging the product, and shipping it back to the company is a long and tedious process as well. In addition, it is difficult for the companies to deal with returned items. Consumers turn to grocery stores because the process of returning the unwanted items is easily available. In the event of an issue with Home Chef To-Go or any Home-Chef product, it is much more convenient to bring it to a grocery store then go through the shipping process. Consumers will be thrilled with the accessibility and ability to return their products at their fingertips.
Home Chef Acquires Pre-Existing Retention Rates

Home Chef struggles with retaining its current customers. Home Chef spends an immense amount on luring customers in, but customers continue to stick around for shorter amounts of time and spend less. According to Figure 18, 77 percent of customers remain after one month, 48 percent after six months, and only 29 percent after a year. This is a problem for Home Chef which must be addressed. Grocery stores rely on loyal customers who consistently shop and support them. They have created remarkable brand loyalty because of their longevity, dependability, and frequency of stores throughout the United States. Through a strategic partnership with a grocery store, Home Chef will acquire loyal customers which results in an increase in sales. Consumers will start to see Home Chef as a loyal partner to a grocery store. Thus, they will gain interest in Home Chef To-Go by constantly seeing the boxes on shelves. Customers will turn to ordering the meal kits online because they love the fresh, high quality, and tasty ingredients.

Grocery stores provide benefits that online grocery services frankly cannot. They have employees positioned around the store to help customers find products and give advice about products, which improve the consumer experience and create a better rapport for the store. Home Chef To-Go will benefit from the pre-existing loyal customer’s grocery stores have from providing unparalleled customer service.

In addition to consumer convenience, physical grocery stores are universal platforms for consumers to purchase all the items they need to at once. Consumers look for a one stop shop for groceries and other household essentials. The convenience for consumers to go to a physical grocery store and buy toiletries, produce, hair care, health products, etc. will further be enhanced if Home Chef To-Go enters its way into grocery stores. Thus, consumers will not have to go online to Home Chef’s website and purchase meal kits separately from other necessary items that consumers purchase from supermarkets.
Home-Chef To-Go provides Home Chef with a whole new customer base. Anyone has the capability to walk past a Home Chef To-Go display in a grocery store and put a meal kit it in a shopping cart. By appealing to current consumer trends, the meal kits will have the capability of appealing to the loyal customers at the grocery stores and appealing to those entirely unfamiliar with meal kits. Purchasing Home Chef To-Go prompts customers to research Home Chef, and potentially gain a new customer. Overall, this will increase revenues for Home, and they will gain a new customer base.

**Horizontally Integrate into Operations**

Home Chef is presented with the opportunity to greatly decrease their transportation cost through horizontally integrating manufacturing and distribution processes into a grocery store’s operations. Through utilizing the grocery stores’ distribution centers, the shipping and handling cost will be eliminated for Home Chef. This will allow Home Chef to focus more on Home Chef To-Go kits and appealing to consumer trends.

By creating a strategic partnership with a grocery stores and horizontally integrating its distribution centers, Home Chef will increase its geographic presence throughout the nation. Home Chef To-Go will be able to reach a wide range of customers looking to purchase meal kits on shelves. The increase in geographic presence will lead to a greater awareness of Home Chef, thus increasing brand loyalty and revenues.

The efficiency of moving products from distribution centers to stores will be greatly increased by horizontally integrating operations. Home Chef To-Go meal kits will not have to be distributed long distances, which decrease overall cost. The products will stay fresh, and the demand will be more easily met at a faster pace. Satisfying consumer demand by not having to ship products will increase economic efficiency for Home Chef. Overall, customer service will be improved because customers will be able to distribute a broader range of meal kits easily without having to wait for orders.
Implementing Home Chef To-Go

Contact Publix Supermarkets to Establish a Partnership

Top Tier believes it to be strategically beneficial to begin the implementation process by contacting Erik Katenkamp, the Vice President of Omnichannel and Application Development at Southeast-based Publix Supermarkets. Katenkamp is the head of the department in charge of the multichannel sales approach to provide customers with an integrated shopping experience through online shopping and brick and mortar stores. During the summer of 2017, he was instrumental in the launching the Publix Delivery online shopping solution. This allows for customers of Publix to place their grocery orders online and have it delivered to their homes. Katenkamp has the expertise in E-Commerce to be influential in developing a merger between Home Chef that would integrate its online meal kits into Publix supermarkets.

Determine a Trial Development

We recommend that Home Chef establishes and performs a trial run at Publix’s top ten grocery store locations. Our trial run proposal advises Publix to assemble and manufacture Home Chef To-Go kits at existing Publix production centers. Publix currently has 11 manufacturing facilities throughout the Southeast region: Atlanta, Georgia (bakery plant); Deerfield Beach, Florida (dairy plant, fresh foods); Jacksonville, Florida (fresh foods); Lakeland, Florida (bakery plant, dairy plant, deli kitchen, fresh foods, printing services); and Dacula, Georgia (dairy plant, fresh foods). We believe it would be most cost-efficient and profitable to use Publix’s existing production centers because Publix is a much larger corporation with more resources. They purchase produce in bulk, which means they would be able to assemble Home Chef To-Gomeal kits at a fraction of the cost that Home Chef would be able to do it at.

To minimize costs, our team believes the most efficient manner for Publix to manufacture Home Chef To-Go kits is in facilities that are in proximity to these ten superstores.

1. Lakeland, Florida manufacturing facility will cover Publix superstores in Tampa, Miami, and Orlando.
2. Dacula, Georgia manufacturing facility will supply Publix superstores in Savannah, GA; Atlanta, GA; Charleston, SC; Nashville, TN; Charlotte, NC; Birmingham, AL; and Richmond, VA.
Horizontally Integrate into Publix’s Operations

Through the strategic partnership, which Top Tier has proposed, Publix and Home Chef will horizontally integrate their distribution and operation centers to help decrease cost and increase efficiency. Horizontal integration would involve Home Chef to utilize Publix’s previously existing and vast number of distribution centers to ship and handle meal kits to the ten stores involved in the trial run. Home Chef will significantly decrease transportation cost through this integration, and work closely with Publix to ensure the demand for meal kits is met with the correct number of kits on shelves. Publix will experience first-hand the booming meal-kit industry, how the kits are assembled, and an overall perspective from start to finish. Also, both companies will have the opportunity to enter a new market, thus increasing overall revenue and attracting a new and broader customer base. The horizontal integration proves to beneficial for both companies as they will compete in the industry at efficient economies of scale, increase their market power, reduce cost associated with shipping and handling the meal kits, and open doors for future synergies.

Implement Home Chef To-Go

At this point, our team believes Publix should be manufacturing and implementing Home Chef To-Go kits at their manufacturing facilities and distributing them to the ten designated trial development locations. Home Chef To-Go meal kits do not require any intensive training other than teaching workers how to pack the correct ingredients per individual box and in the correct order inside the box. No additional training will be needed in the future, thus Home Chef To-Go should smoothly be manufactured at Publix’s facilities, transported via Publix to the ten Publix locations in the trial development, stocked into refrigerators, and sold.

Use Data Analytics to Guide Future Decisions

Home Chef and Publix will need to closely manage the trial run to determine its profitability. This will be done by using data analytics to project the future sales figures, and to determine if Home Chef’s meal kits should be integrated into all of Publix grocery stores. Each of the ten stores participating in the trial run will report data on the sales of meal kits and if product display increased sales. Charts, tables, and figures will be created by a team of analysis to help upper level management understand the data. The upper level management will view the overall trends which the data depicts and decided if it is a worthwhile investment.
Home Chef To-Go Implementation Timeline

Top Tier Consulting estimates the timeline for implementation of Home Chef To-Go into Publix stores to be eight months. Home Chef and Publix will begin by discussing the complex issues and logistics of a strategic partnership; our team projects this to last approximately two months. When the partnership is established, Home Chef will begin by agreeing on a trial development and the ten locations we prescribed. We expect the agreement to be finished in a month (or less). Publix and Home Chef will collaborate closely, so Home Chef integrates logistical operations into Publix’s existing manufacturing facilities and distribution centers to minimize costs. Our team expects this process to start in August and be completed in November of 2018. Post integration, the meal kits will be distributed to the ten locations in Southeast region of the US. It is projected that the logistics of distribution will take around two months as well. As the meal kits begin to stock refrigerators, Publix and Home Chef will collect data to determine profitability and the number of meal kits demanded at each location.

![Figure 25: Implementation Timeline](image-url)
Publix Supermarkets’ Performance Certifies the Company

Publix best suits the needs and prerequisites as a trial-development company for Home Chef’s preliminary step of implementing meal kits into physical grocery stores. Publix Super Markets has made a name for itself since the food companies humble beginning in 1930. The food provider has gained tremendous success and strong rapport over the years, and now is valued at over $34 billion and currently operates 1,106 retail grocery stores. According to the 12,700-person survey conducted by Market Force, 77 percent of consumers remain loyal to Publix. Publix is tied for first place in customer loyalty as America’s most loved grocery store due to specialty department service, clean stores, and fast checkouts (Market Force).

In addition to the chart above, Publix Super Markets has achieved many accolades as being an industry leader in many different aspects. The seemingly normal grocery chain ranked No. 2 out of the top companies for corporate social responsibility due to Publix’s philanthropic activities in the community (HarrisPoll). Publix ranked No. 3 for best job security due to its large benefit program for employees (Indeed). Finally, Publix is ranked one of Fortune’s top 100 private companies in the world for the past twenty-three years (Publix). Publix is clearly Home Chef’s best option to integrate meal kits into grocery stores and fix the complicative measures restricting it from competing with companies such as Albertsons Co. The ratings make it evident – Publix is Home Chef’s best fitting option.

Figure 26: Publix Ranking Chart

<table>
<thead>
<tr>
<th>Store Cleanliness</th>
<th>Find Items Wanted</th>
<th>Item Availability</th>
<th>Checkout Speed</th>
<th>Specialty Dept. Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publix Super Markets</td>
<td>83%</td>
<td>Publix Super Markets</td>
<td>62%</td>
<td>Publix Super Markets</td>
</tr>
<tr>
<td>Wegmans</td>
<td>78%</td>
<td>Wegmans</td>
<td>56%</td>
<td>Wegmans</td>
</tr>
<tr>
<td>Trader Joe’s Market</td>
<td>75%</td>
<td>Trader Joe’s Market</td>
<td>54%</td>
<td>Hy-Vee Food Stores</td>
</tr>
</tbody>
</table>
Logistics of Crafting Home Chef To-Go

Eco-friendly Boxes and Packaging

In addition to the benefits of horizontal integration between Home Chef and Publix, both companies have almost identical mission statements when it comes to sustainability and staying eco-friendly. Home Chef currently sells meal-kit packages that are essentially 100 percent recyclable. Home Chef’s boxes are lined with biodegradable textile fibers, all of their plastic containers are 100 percent recyclable, and even their cooling packs, which can be rinsed and reused, contain eco-friendly, non-toxic fluids.

It is apparent that Publix has a similar sustainability pledge to that of Home Chef’s. Last year, Publix recycled 250,600 tons of cardboard, 10,600 tons of mixed plastic, 3,900 tons of waxed cardboard, and 4,300 tons of mixed paper (Publix). Each year, Publix successfully managed to contribute increasingly more in the fight to preserve our planet’s resources. Top Tier’s solution of a horizontal integration between Home Chef and Publix simply makes economic and environmental sense. Both companies value sustainability equally as much; hence a trial run with Home Chef meal kits at the ten largest Publix superstores would uphold existing values among Publix customers and help both companies maintain their social responsibilities.

As people are becoming more aware of our earth’s depleting resources and increased pollution rates, consumers are beginning to change shopping behaviors by taking sustainability into account. According to the 2015 Nielsen Global Survey, 66 percent of global respondents said that they would be willing to pay more for goods that are produced by companies that are committed to making a positive environmental impact. Among the demographics of people that responded to the survey, millennials were the most willing to pay more, however 51 percent of baby boomer respondents are also willing to pay extra (an increase of 7 percent from the previous year). As our world continues to become polluted and climate change becomes more apparent, there is no doubt that this trend will continue. Hence, it would be a strategic decision for Publix and Home Chef to become horizontally integrated since both companies value environmental sustainability as much as consumers today.
Marketing Plan

Displays Draw in and Entice Customers

Over the years, the increase in technology, specifically data analytics, has proven that in store displays entice consumer attention and ultimately increase sales and revenues. Superstores earn a sizable percentage of cumulative sales through display. Consumers typically observe an end unit display or normal promotional display more intently than any normal product. To assess the impacts of in-store unit displays, Market Research provided a study on 360 items on 734 display exposures in five stores of a small grocery store (Market Research). The results showed that across the five stores, that unit sales of the average item featured on a special display at a regular shelf price increased 473 percent and dollar sales increased 426 percent (Market Research). Top Tier recommends that Home Chef and Publix implement copious amounts of in-store and window displays to effectively market Home Chef To-Go and improve sales for Home Chef and increase the dollar sales for Publix. The benefits are endless and could tremendously impact Publix and Home Chef’s cash flows.

Figure 28: Window Ad: The image above portrays how Top Tier recommends Home Chef To-Go kits are advertised inside Publix super

Publix and Home Chef Commercial Advertisement

Publix is known in the southeast for its touching holiday commercials. Each commercial follows a storyline around the holiday season that is heartwarming. If Home Chef and Publix create a commercial, specifically a holiday commercial, that makes the consumer feel those emotions, they may be more inclined to buy a meal kit for themselves. A possible format for the
commercial could be a single mother for three that works two jobs and was unable to prepare fully for Thanksgiving and was running behind and afraid she was going to disappoint her kids. The single mother then goes to Publix and comes across a Home Chef thanksgiving meal kit and then can prepare a Thanksgiving meal for her kids. With that commercial proposal being theoretical, the results of TV commercials are strong to back it. Nearly 37 percent of all consumers make the decision to purchase a product after viewing it on television (Chron).

Location Based Advertisements

Again, as technology improves, the progression of data analytics does too. Location based advertising (LBA) is a newer form of advertising that integrates mobile advertising with location based services. LBA works by using location data it collects form over 700 million users by buying data from over 100,000 mobile applications. They use these this information to provide precise location advertising on social media platforms such as Instagram, Facebook, Twitter, and even on mobile web applications. Therefore, they can specifically target people based on their location, ethnicity, age, and the places they usually visit. Top Tier recommends that Publix implements LBA into its marketing plan and strategy to better understand consumer trends/purchases to effectively market products with high or low demand.

Promotional Endorsements

Top Tier Consulting recommends that Publix and Home Chef take advantage of the various platforms of social media advertisements to effectively reach all demographics in the industry. Our team suggests that Home Chef implements three promotional endorsements to effectively advertise: YouTube/Instagram stars, social media accounts, and digital coupons.
Home Chef To-Go Faces Three Main Risks

Negotiation Issues /Affordability

Publix and Home Chef will conduct an in-depth negotiation meeting to determine the margin Publix will receive on each meal kit sold. By horizontally integrating Home Chef into Publix, cost will be allocated much differently than before. Publix will endure most of the shipping and handling cost, which Home Chef previously incurred. Thus, Publix will desire a large percentage of the per unit sales. As negotiations develop, affordability of the meal kits will be a major risk. Both companies will have to ensure the price of the products remains at a reasonable level or else consumers will turn to a new meal-kit option. Home Chef To-Go could thrive in the food industry, but without the correct price they will slump down to the level where other meal-kit companies compete.

Publix’s Geographic Restrictions

Publix is only located in the Southeast region of the United States, which possesses as a major threat to profitability for Home Chef. Although they will reach a large percentage of Americans, the majority will not be aware of Home Chef To-Go. If Home Chef was to partner with a different grocery chain, Walmart for instance, they would market to the whole United States. Walmart does not have an extremely loyal customer base unlike Publix, which leverages them over other grocery store chains. Publix has saturated the grocery store market in the Southeast, and currently works to expand outside of this region. Florida is the second largest consumer of meal kits, and the clear majority of Publix stores are in Florida. Although Publix is only located in the Southeast region, the frequency of stores and loyalty of customers proves it is the best option for Home Chef, and a great indicator if meal kits will be beneficial in other states and locations.

Dumping Home Chef

Publix is an extremely well-known, loved grocery store by many across the Southeast region of the United States, while Home Chef is a smaller less-known meal-kit delivery service. Publix could potentially dispose of Home Chef after acquiring the knowledge about meal-kit delivery services, and the resources it will need. Through the horizontal integration, Publix will have a firsthand view of the full process involved in creating, distributing, and displaying meal kits. Thus, Publix will be able to mimic Home Chef’s strategy and create their own meal kits. Home Chef will need to prove they are the key to Publix success in the meal-kit industry and settle legal precedents through contractual agreements. Home Chef must leverage its preexisting knowledge of the industry, willingness to expand, and ability to be dynamic.
Home Chef To-Go Will Maximize Profits

Home Chef To-Go Increases Overall Revenue

After thorough analysis, our team has generated some figures that will reassure Home Chef and Publix of the future successes both parties can expect to receive if both implement Home Chef To-Go in the fashion Top Tier recommends. Revenues will increasingly rise due to three major variables: the increase in meal-kit sales in grocery stores – $80.6 million in sales in 2016 representing a 6.7 percent increase from the previous year, Publix ranking as the No. 1 grocery chain in the U.S. for customer loyalty, and Florida being the second largest meal-kit consuming state (region) in the U.S. (EY).

The two basic calculations above simply portray the influence and market power that both Publix Supermarkets and Home Chef have. Publix Supermarkets have 103.4x more access to the market (market power) than Home Chef currently does. This multiple is astronomical and promises a strong increase in market power for Home Chef and overall revenues. Home Chef To-Go kits increased in price by $0.50 increasing the total individual meal kit price to $10.45. The increase in price is set to counter the margins that Publix will be expecting to collect per individual meal kit sale.

Figure 34, to the right, displays ideal margins for both Home Chef and Publix to receive per individual sale of meal kits. Publix will expect a share of the sale of the meal kit, and our team split the margins by 70% | 30% because Home Chef is merely giving the responsibility of manufacturing and transportation to Publix and using Publix as the instrument to implement Home Chef To-Go into a physical grocery store. Figure 35, below, illustrates what Home Chef could make if it implemented Home Chef To-Go into Publix Supermarkets. Three major variables helped our team dictate the 1.5x growth rate in annual meal kit sales: (1) the 30 percent growth rate of the meal kit industry over the next five years, (2) the 103.4x increase in market...
access that Home Chef will now be able to channel into, and (3) the estimated 6 percent growth rate of Publix Supermarkets in the following year. Overall Home Chef meal kits will soar with the company’s expected 2017 increase in sales and the implementation of Home Chef To-Go. According to Reuters, Home Chef is expected to accumulate $300 million in revenues by the end of 2017; however, with the implementation of Home Chef To-Go in Publix Supermarkets, the Home Chef is guaranteed to meet that $300 million expectation by early 2018 and earn an excess of +$29,175,500.

<table>
<thead>
<tr>
<th>Cost per Meal-Kit</th>
<th>Meal-Kits Sold Annually</th>
<th>Pre-Margin Revenues</th>
<th>Margin (%)</th>
<th>Post-Margins Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10.45</td>
<td>30,000,000 (Current)</td>
<td>$313,500,000</td>
<td>70</td>
<td>$219,450,000</td>
</tr>
<tr>
<td>$10.45</td>
<td>45,000,000 (Projected)</td>
<td>$470,250,000</td>
<td>70</td>
<td>$329,175,500</td>
</tr>
</tbody>
</table>

*Figure 35: Margin Profits*

**Home Chef To-Go Trial Run Proves to be Cost Efficient**

Now, effectively trying to calculate how Home Chef will minimize costs is difficult for the company is not public and does not file a 10K. However, our team believed it to be vital to determine the variables that will reduce costs for Home Chef. Our team believes that through the strategic partnership and horizontal integration of Publix’s production and distribution centers into Home Chef’s value chain, Home Chef will reduce the costs associated with manufacturing the meal kits and distributing them.

Home Chef offers free shipping on orders exceeding $45, and Market Research dictates that loyal meal-kit subscribers prescribe meal kits online in bulk (Market Research). So, Home Chef incurs a FOB destination expense every time a loyal customer purchases meal kits in bulk. Now, Home Chef will be omitting the costs associated with labor and transportation. However, two new costs are associated as the result of this: (1) Publix will expect higher margins on each meal kit and (2) wasted meal kits. There are no associated training costs since meal kits are programmed with specific ingredients and packaging meal kits is an unskilled profession. Thus, factory workers, as well as machines, can place proper ingredients into boxes without training. Publix will be expecting a higher margin (yield) per individual meal kit that is purchased because they are now assuming a great deal of responsibility when it comes to production and transportation. Also, meal kits will now be on shelves, and unfortunately, not every item on shelves will be eaten. Thus, sunk costs will arise and will not be earned throughout the shelf-lives of meal kits. However, the newly generated revenues and the multiple value will outweigh the costs of implementing Home Chef To-Go into Publix stores.
Home Chef To-Go Positions Itself to Thrive in the Food Industry

Home Chef To-Go will thrive in the emerging niche in the food industry. Selecting Florida for the geographic trial-development location will give a true sense as to whether meal kits in stores are a vital transition for Home Chef’s progression. Home Chef can expect to receive up to a 5 percent increase in sales over the next year alone. Taking the estimated 6 percent growth rate of the current meal kits in grocery stores mixed with the current market share that Publix has within the grocery industry, our team estimates a +5 percent growth rate for Home Chef overall within the first year alone.
Summary / Conclusion

Home Chef currently competes in a fast-growing and competitive market. They are growing to become a major factor in the meal-kit delivery industry, but without a strategic partnership they will slump down to the level other meal-kit companies compete at. The partnership between Home Chef and Publix seeks to differentiate Home Chef in the market. It will solidify themselves as one of the few meal-kit companies who provide in-store meal kits and retain high retention rates. Home Chef To-Go will provide the best prices to customers, while supplying fresh and high-quality food packaged in recyclable materials. By appealing to multiple different consumer trends, Home Chef To-Go will attract the already existing loyal customers at Publix who will continue to return because it aligns with their moral principles and consumer needs.
### APPENDIX A: SWOT Analysis Prior to Implementation

#### Strengths
- Home Chef is the 2nd largest meal-kit delivery service.
- Serves nearly 2.5 million meal-kits per month across the nation.
- Delivers to 98% of the United States.
- Home Chef offers a large variety of meal options.
- It is cheaper to order meal kits from Home Chef than purchase the ingredients at the store.
- are pre-portioned for customers who aim to lose weight.
- Provides high quality ingredients

#### Weaknesses
- Certain dietary preferences aren’t provided in most of Home Chef meal kits.
- Home Chef’s smallest meal size is two servings.
- Grocery stores are cheaper if you are cooking for four or more people.
- Home Chef does not offer much in the way of cooking education.

#### Opportunities
- Consumers gravitate towards traditional grocery stores.
- Millennials prioritize healthy meal options.
- Consumers request dessert options and more variety.
- Home Chef received investment opportunities.

#### Threats
- Amazon has their own meal kit delivery service.
- Meal kits have razor thin profits.
- Grocery stores are offering meal kits.
- Meal kits have extremely low retention rates.
# APPENDIX B: SWOT Analysis Following Implementation

## Strengths
- Garnering consumer attention
- Offering affordable, yet profitable prices
- Providing healthy, diverse, and delicious meal kit options
- Horizontally integrating, ultimately leading to more distribution centers and reduced production costs
- Attracting more customers due to instore meal-kits are more cost efficient than buying individual groceries
- Boosting sales and revenues while incurring minimal costs

## Weaknesses
- Publix is only located in the southeast region of US
- The trial run is only located in ten Publix locations
- Grocery stores prove to be cheaper if you are cooking for four or more people.
- Certain dietary preferences (ex. gluten free and diabetic) aren’t provided in most of Home Chef meal kits.

## Opportunities
- Capturing target demographic’s sales
- Heightening retention rates
- Capitalize on opportunities in brick and mortar stores and online
- 70% of shoppers globally still prefer to purchase groceries in stores
- Moving in to the public market

## Threats
- Publix could possibly dump Home Chef
- Meal-kits will have to remain affordable after negotiation takes place
- Grocery stores are beginning to offer meal kit options for consumers.
- Consumers are not drawn to meal-kits in stores rather than by delivery
Appendix C: Detailed Financials

Increased Market Access/Power by Implementing Home Chef To-Go into Publix's Market

<table>
<thead>
<tr>
<th>Home Chef Market Value</th>
<th>Multiple (103.4 Max)</th>
<th>New Market Share Value</th>
<th>Increase in Market Access from Partnership with Publix (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300 M</td>
<td>20x</td>
<td>$360 M</td>
<td>20</td>
</tr>
<tr>
<td>$300 M</td>
<td>40x</td>
<td>$420 M</td>
<td>40</td>
</tr>
<tr>
<td>$300 M</td>
<td>60x</td>
<td>$480 M</td>
<td>60</td>
</tr>
<tr>
<td>$300 M</td>
<td>80x</td>
<td>$540 M</td>
<td>80</td>
</tr>
<tr>
<td>$300 M</td>
<td>100x</td>
<td>$600 M</td>
<td>100</td>
</tr>
<tr>
<td>$300 M</td>
<td>103.4x</td>
<td>$610.2 M</td>
<td>103.4</td>
</tr>
</tbody>
</table>

Additional Revenues Given Sales Increase

<table>
<thead>
<tr>
<th>Situation</th>
<th>Initial Revenues (Excluding $0.50 Increase)</th>
<th>Initial Revenues (Including $0.50 Increase)</th>
<th>Sales Increase from Implementation (Estimates Based Off of Increased Multiple from Chart A)</th>
<th>Additional Revenue Excluding (1Y)</th>
<th>Additional Revenue Including (1Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Expectation</td>
<td>$300 M</td>
<td>$305 M</td>
<td>5%</td>
<td>$15 M</td>
<td>$15.25 M</td>
</tr>
<tr>
<td>Conservative</td>
<td>$300 M</td>
<td>$305 M</td>
<td>10%</td>
<td>$30 M</td>
<td>$35.5 M</td>
</tr>
<tr>
<td>Expectation</td>
<td>$300 M</td>
<td>$305 M</td>
<td>20%</td>
<td>$60 M</td>
<td>$70.1 M</td>
</tr>
<tr>
<td>Maximum Revenue</td>
<td>$300 M</td>
<td>$305 M</td>
<td>25%</td>
<td>$75 M</td>
<td>$76.25 M</td>
</tr>
</tbody>
</table>

Profit Calculations

<table>
<thead>
<tr>
<th>Profits</th>
<th>1Y</th>
<th>5Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$470,250,000</td>
<td>$650,000,000 (Estimate)</td>
</tr>
<tr>
<td>Costs</td>
<td>$141,075,000</td>
<td>$250,000,000 (Estimate)</td>
</tr>
<tr>
<td>Profits</td>
<td>$329,175,000</td>
<td>$400,000,000 (Estimate)</td>
</tr>
</tbody>
</table>
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