HelloFresh – a recipe for sustainable market leadership?

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Abstract

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The concepts of Strategic Change and Dynamic Capabilities are widely discussed in the strategic management literature, explaining how firms can sustain a competitive advantage. While strategic change implies the company's alignment with its external environment, dynamic capabilities are the firm's potential to systematically solve problems.
The focal purpose of this thesis is to illustrate how strategic change and the deployment of dynamic capabilities can help a company to adapt to, cope with, and grow in constantly changing environments. Moreover, this thesis intends to identify the motives for mergers and acquisitions as a form of strategic growth.
For pedagogical purposes, a teaching case was developed, which demonstrates how HelloFresh, a meal kit supplying company founded in 2011, became the global market leader in its industry only after a few years of existence. HelloFresh reacted to consumer trends, implemented new technology and data management systems and invested in growth strategies that enabled them to successfully outgrow their competitors in all of their markets.
By initiating strategic transformations and deploying a strong set of dynamic capabilities, especially in detecting opportunities and making market-oriented decisions, HelloFresh was able to adapt to shifts in society, technology and competition. Nevertheless, none of the meal kit companies has been able to reach profitability so far. As the online food market is growing slower than expected, the question remains whether these online food businesses have been introduced too early to the market.

Keywords: strategic change, dynamic capabilities, motives for M&A, start-up, growth strategy, internationalization

Resumo

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Os conceitos de Mudança Estratégica e *Dynamic Capabilities* encontram-se amplamente debatidos na literatura de gestão estratégica para explicar como as empresas podem assegurar uma vantagem competitiva. Enquanto Mudança Estratégica representa o alinhamento da empresa com o contexto externo, *Dynamic Capabilities* referem-se à capacidade da empresa de resolver problemas sistematicamente.

O objetivo desta dissertação é ilustrar como mudanças estratégicas e desenvolvimento de *Dynamic Capabilities* podem auxiliar uma empresa a adaptar-se, lidar com, e crescer em ambientes de mudança constante. Além disso, pretende identificar os motivos que levam a fusões e aquisições entre empresas enquanto método de crescimento estratégico.

Para fins pedagógicos foi desenvolvido um caso de estudo que ilustra como a HelloFresh, empresa que fornece kits de refeições, fundada em 2011, se tornou líder global de mercado nesta indústria poucos anos após a fundação. A HelloFresh reagiu a uma tendência de mercado, implementou novas tecnologias e sistemas de gestão de dados e investiu em estratégias de crescimento que permitiram-na desenvolver-se a um ritmo mais rápido que os seus concorrentes nos mercados que opera.

Através da implementação de transformações estratégicas e do lançamento de um forte conjunto de *Dynamic Capabilities,* particularmente na deteção de oportunidades e tomada de decisões direcionadas para o mercado, a HelloFresh foi capaz de adaptar-se a mudanças sociais, tecnológicas e competitivas. Mas, nenhuma empresa deste setor obteve lucro. Como o sector do comércio está a crescer mais lentamente do que esperado, mantém-se a questão se os negócios de venda de comida através da internet surgiram demasiado cedo.

Palavras-chave: mudança estratégica, *dynamic capabilities*, motivos para fusões e aquisições, start-up, estratégia de crescimento, internacionalização

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List of Abbreviations

B2B	Business to Business
CEO	Chief executive officer
CRM	Customer relationship management
DC	Dynamic capabilities
EBITDA	Earning before income, tax, depreciation and amortization
IPO	Initial Public Offering
MBA	Master of Business Administration
M&A	Mergers and Acquisitions
R&D	Research and Development
TAM	Total addressable/available market
US	United States
USD	United States Dollar
VC	Venture Capital

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1. Introduction

Businesses are increasingly confronted with exogenous technological, social, demographic, economic or political changes. Failure to foresee or sense such changes could have a negative impact on a firm's performance and may even lead to its failure (Audia, Locke & Smith, 2000). Thus, it appears vital for firms to build up dynamic capabilities to successfully handle strategic change. The view on dynamic capabilities of firms has received a lot of attention amongst researchers, predominantly because it focuses on a fundamental question: how firms can sustain competitive advantage within changing environments. Barreto (2010) developed this view and suggested that „a dynamic capability is the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base" (p.271).

As of 2019, innovative convenience food received great consumer interest. In order to successfully compete in the food delivery market, companies had to respond to technological progress as well as to consumers, who increasingly focused on healthy-eating, inspiring flavors and personalization. Thus, the food industry had been continuously challenged by new trends and demands and its ability to adapt was crucial.

This thesis studies the effects of changing environments on the food supplying online retail industry. It investigates how health and food trends offer new opportunities for companies and, in specific, analyzes the strategic changes undertaken by HelloFresh, the world's leading supplier of meal kits, to adapt to the dynamic market changes. It reviews the importance of strategic change as well as dynamic capabilities and gives recommendations how they may serve as an aid to management striving to cope with new trends and to gain competitive advantage in shifting environments. Furthermore, it elaborates on HelloFresh's growth strategy, namely their motives for mergers and acquisitions.

The thesis is structured into six chapters. The first part introduces the reader to the general topic and provides a structural overview. The second chapter is a review of the literature, presenting the reader with background information on the concepts of strategic change, mergers and acquisitions, and dynamic capabilities. Chapter three, the main part of the thesis, contains a teaching case about HelloFresh's ability to cope with changing environments. In the following chapter the reader finds the respective teaching notes. Chapter five discusses the research findings with respect to the initial literature review. Finally, a brief summary of the outcomes is found in the conclusion in the last chapter.

2. Literature Review

This chapter consists of two sections. They aim to lay the theoretical foundation for the analysis of the following HelloFresh case-study, demonstrating a firm's growth in a dynamic market. Firstly, the concept of strategic change is defined and followed by an explanation of the motives for mergers and acquisitions. Secondly, the academic frameworks of dynamic capabilities are critically discussed.

2.1 Strategic Change

2.1.1 Definition of Strategic Change

Strategic change is a widely discussed topic in the area of strategy and management and involves a firm's alignment with its external environment (Rajagopalan & Spreitzer, 1996). The environment is understood to be an objective source of threats and opportunities (Chaffee, 1985) and in order to survive, firms must predict and sense environmental changes and commence strategic transformations (Audia, Locke, & Smith, 2000).

Hofer and Schendel (1978) explain that the firm's alignment process involves the modification of its strategy "as defined by its scope, resource deployments, competitive advantages, and synergy" (Rajagopalan & Spreitzer, 1996, p.49). Thus, changes may occur in the firm's business, corporate, or collective strategies (Fombrun, 1993). The author clarifies that business-level changes are supposed to enhance the competitiveness of the company's specific business units, corporate-level changes focus on the diversity of businesses under the corporate roof company, and collective-level changes explore the relative values of creating relationships with competitors, suppliers, and other companies. Accordingly, strategic change is defined as "a redefinition of the organization's mission and purpose or a substantial shift in overall priorities and goals" (Gioia, Thomas, Clark, & Chittipeddi, 1994, p.364).

Research shows that strategic change does not necessarily result from an environmental shock or extraordinary event. More often a strategic reorientation aims to guarantee a company's long-term viability within a dynamic environment (Gioia & Chittipeddi, 1991). Zhang and Rajagopalan (2010) discovered that strategic change follows an inverted U-shaped effect on performance. While low levels of change are more adaptive and thus, positive for firm performance, high levels of change are disruptive, leading to inappropriate or weak implementation. Therefore, a more adaptive level of strategic change seems essential for a firm to maintain competitive advantage.

2.1.2 Motives for Mergers and Acquisitions

In times of ongoing innovation and increasing globalization of markets, firms can improve their market power, move into different markets or develop new capabilities through strategic alliances and mergers and acquisitions (M&A) (Hagedoorn & Duysters, 2002). Even though more than half of all M&A activities fail (Calipha, Tarba, & Brock, 2010), firms see them as a promising way to not only ensure international competitiveness, but also to profit from economies of scale and scope (Hussinger, 2005). Furthermore, researchers find that strategic change, e.g. as a result from acquisitions, is often associated with increased performance (Ndofor, Vanevenhoven, & Barker, 2013).

M&A is the integration of two individual firms into one. This arrangement can refer "to the merging of two more or less equal companies, as well as to acquisitions where one company obtains majority ownership over another company" (Hagedoorn & Duysters, 2002, p.168). Zhang and Greve (2019) studied acquisitions made by firms in China and describe that target companies are chosen with respect to their potential of providing long-term financial earnings or development opportunities to the acquiring enterprise. On top, M&A are a regular managerial strategy used by companies to grow externally and move into new markets, spread risks, soothe competitors, or secure essential resources including technology, locations, and individuals (Calipha et al., 2010).

Hagedoorn and Duysters (2002) found out that generally "companies in high-tech industries have, compared to companies in other sectors, a disproportionate preference for strategic alliances" (p.183). In contrast, firms with a low technology concentration (such as in food and beverage or oil and gas sectors) prefer M&A over alliances to integrate outer sources of innovation. However, concerning the aim of keeping up a constant level of innovation, managers have recognized that the basis of firm success is not only a great investment in R&D, new product development and the delivery of quality products and services. They "must also generate and implement the complementary organizational and managerial innovations needed to achieve and sustain competitiveness" (Teece, 2007, p.1321). Having studied the incentives for firms to innovate and conduct R&D in an active M&A market, Phillips & Zhdanov (2012) argue that large companies may not be as motivated to engage in R&D as small firms since they have the possibility to acquire those small firms and thus receive access to innovation. Furthermore, the researchers find that R&D activities, particularly of smaller companies, rise with demand, increased competition, and in an active M&A market.

Porter (1985) claimed that the primary motive for M&A is to attain synergy, which refers to the superior value generated from companies working together instead of on their own and thus, reaching a competitive advantage (as cited in Calipha et al., 2010). Townsend (1968) specifies that the synergies following a vertical integration include the use of mutual production and research buildings to save costs, increase economies of scale and prevent replicated work.

Additionally, M&A activities are often used as a business or competitive strategy - "entering a new product/market segment or changing the basis of competition" - to increase market power and share (Calipha et al., 2010, p.9). Hereby, competition which was previously based on price, is changing into a competition based on technical creations, causing the significance of technological advantages and skills to increase over the years (Hussinger, 2005). Makri, Hitt and Lane (2010) suggested that (especially high technology) firms in search of acquisitions should seek out, recognize and obtain businesses that have scientific and technological knowhow, which is corresponding to their own, as this may cause superior and more novel inventions. Hence, M&As mostly create value "when the technological knowledge is similar enough to facilitate learning, but different enough to provide both new opportunities and the incentives to explore them" (p. 603).

2.2 Dynamic Capabilities

2.2.1 Fundamentals of Dynamic Capabilities

The central question in the area of strategic management is how firms can accomplish and maintain competitive advantage (Teece, Pisano, & Shuen, 1997). Organizations which proved to be successful with past strategies, show the tendency continue exploiting their previous strategies. However, external changes may enforce the necessity to adjust and use new strategies in order to avoid self-destruction (Audia, Locke, & Smith, 2000). Research shows that throughout time the ability of firms to sustain competitive advantage has diminished (Wiggins & Ruefli, 2005), implying that within fast changing environments businesses find it more difficult to achieve competitive advantage in the long-term (Barreto, 2010).

Teece's et al. influential publication in 1997 on dynamic capabilities (DC) has attracted many researchers within the management literature (Barreto, 2010). The authors complemented the resource-based view by Barney, which links the firm's internal organization to its performance (Barney, 1991) and hence underlines the strategic importance of resources and capabilities (Barreto, 2010). Researchers have suggested that "when firms have resources that are valuable, rare, inimitable, and nonsubstitutable" (Eisenhardt & Martin, 2000, p.1105), they may lead to sustainable competitive advantage by applying value-generating strategies that will not be easily replicated by competitors (Barney, 1991).

However, the as static considered resource-based view has not sufficiently illuminated how and why particular firms achieve competitive advantage during times of fast and unpredictable change (Eisenhardt & Martin, 2000). In a later publication, Teece (2007) argues that sustainable advantage "requires more than the ownership of difficult-to-replicate (…) assets. It also requires unique and difficult-to replicate DC" (p.1319). Thus, in fast changing environments, the DC as "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece et al., 1997, p. *516*) turn out to be the foundation of sustainable competitive advantage (Eisenhardt & Martin, 2000). Likewise, Zollo and Winter (2002) agree that there is a direct connection between firm´s DC and their performance. Nonetheless, Eisenhardt and Martin (2000) emphasize that DC "themselves [are not] sources of long-term competitive advantage" (p.1117): They are needed, but not sufficient (p.1106). This matches the research of Zott (2003) who stated that DC may influence, but not be directly linked to, firm performance.

Examining their nature, DC have been termed as abilities (e.g. Teece, 1997, 2000; Zahra, Sapienza, & Davidsson, 2006), capacities (Helfat et al., 2007), processes or routines (Eisenhardt & Martin, 2000). Addressing the question of how DC are developed, Eisenhardt and Martin (2000) proposed as main mechanisms the repeated practice, previous mistakes, and the resulting experience. Zahra et al. (2006) added further mechanisms, such as imitation, for the creation and progress of DC. They claim that established companies learn from experiences, while new ventures rather practice trial and error, and improvisation.

Teece extends in 2007 that DC can be disaggregated into three capacities, namely sensing and shaping opportunities and threats, seizing opportunities, and maintaining competitiveness "through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets" (p. 1319). He claims that DC are mainly relevant to multinational firms, acting globally.

2.2.2 Definition of Dynamic Capabilities

Including Teece's et al. (2007) previously mentioned dimensions of sensing and seizing opportunities, Barreto (2010) tried to complete the concept of DC discussed by many researchers. He suggests that a DC is "the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base" (Barreto, 2010, p.271).

Firstly, *the propensity to sense opportunities and threats* incorporates "scanning and monitoring internal and external […] developments and assessing customer needs" (Teece, 2007, p.1322). Furthermore, it involves learning, interpreting and being creative as managers must evaluate technological advancements and assess how and when competitors, suppliers and consumers will react (Teece, 2007).

Secondly, *the propensity to make timely decisions* reflects the by Teece et al. (1997) appointed significant ability "to quickly accomplish reconfiguration and transformation ahead of competitors" (p.521).

The propensity to make market-oriented decisions is associated with the degree to which a company observes conditions which could provide greater value to their customers (Priem, 2007). Hereby, not only the timing of the decisions, but also their content is crucial (Adner & Helfat, 2003).

Finally, *the propensity to change the firm's resource base* focuses on the creation, extension and reconfiguration of the resource base (e.g., Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece et al., 1997).

Barreto (2010) points out that all of the four dimensions are individual but yet connected components of the theoretical concept. For example, only when a firm has the ability to sense opportunities and threats, the decision-making dimension is relevant (Teece, 2007). The potential levels of DC can range from high to low, meaning that instead of not having a dynamic capability at all, companies may have different levels (Barreto, 2010).

3. Teaching Case

"*2018 marked the end of the food industry as we know it*."[1]

– Blueberry Business Group

In March of 2019, Dominik Richter, CEO and co-founder of HelloFresh, and his team sat together to discuss the next steps for their company. At that time, HelloFresh was the biggest meal kit supplier in the world, delivering about 55 million meals quarterly to over two million households. The German company had grown at a tremendous pace, having launched in 11 countries over the past seven years since its founding.[2] Still, even with the growing leadership position, HelloFresh had not reached the point of being profitable, yet. 2018 had been the most successful year so far and comparably, sales were anticipated to grow at a slower pace in the following year. Having managed to get that far, the management team was wondering about the future strategic direction to assure profitability. Would they ever be able to overcome the food market challenges to finally get out of the red numbers?

3.1 Food & E-commerce Trends in 2019

"*I believe we'll see many companies following this trend of using technology to update traditional service models, as we see the merging of convenience, local and trying to meet consumer demand for something natural and locally produced*."[3]

– Food Institute[4]

In 2019, the global food market faced various encounters with changing consumer demands towards more sustainability, convenience, health, wellness, and technology engagement.

Sustainability: *Rethinking plastic & food waste*

With tons and tons of plastic swimming in the oceans, people started realizing how much they were actually harming the planet. A global movement had begun to reduce plastic waste, for instance by replacing plastic bags by paper bags and plastic straws by metal, paper, bamboo, glass or even eatable straws.[5] Zero-waste supermarkets were introduced, which had eliminated all forms of unnecessary plastic waste.[6] Following the vegetarian and vegan wave, consumers became more and more concerned about what food they eat, where it came from and how they could control its sourcing,[7] whilst developing an increased desire to reduce food waste.[8] At that time, one third of globally produced food was thrown away yearly.[9]

***Convenience**: Short cuts for more time and less hassle*

On the one hand, consumers were constantly on-the-go and preferred to avoid long lines in the supermarket, on the other hand they still valued being able to cook dinner at home.[10] They desired easy-to-cook and inexpensive meals, which would not make them sacrifice taste or health aims.[11] Further, many people saw themselves as ‘foodies’ although they had deficits in capabilities, kitchen gear, or time. Thus, a new generation of innovative, convenience food and drink lovers had developed whose expectations on food quality, flavors and formats were high. Manufactures quickly reacted, offering more unprocessed, nourishing, and customizable products, which were practical to integrate into busy schedules. An opportunity had been created to invent more premium and fresh convenience goods for a food-fanatical generation.[12]

***Health and wellness**: It’s about self-care*

Meanwhile, consumers started to perceive the modern life as quite chaotic and stressful, leading to another trend, which included more balance in work, life and diet.[13] The growing health awareness and an aging population had led to the need of functional food, to overcome concerns like high blood pressure or diabetes.[14] Suddenly consumers demanded products with extra vitamins and probiotics (vitamin enriched waters and yogurt drinks followed)[15] or that could, for instance, reduce inflammation (products with ginger or green tea followed).[16] Further trends included organic, “free from” (lactose, gluten etc.) foods,[17] and diets such as “Paleo”.[18]

***Technological engagement:** benefits of the online world*

By then, e-commerce had resulted in a change from weekly, traditional shopping trips to instant, necessity-based replenishment.[19] Consumers had become used to online shopping and its benefits: time saving checkouts, special offers, higher variety, increased efficiency, 24/7 access and thus, simply higher convenience and more comfort.[20] Online and mobile engagement increased, as consumers shopped groceries online, had prepared meals or meal kits delivered to their homes or directly texted orders to restaurants.[21] Shopping across channels became a common habit and entailed a new era of personalization. In 2017, less than one percent of what Germans spent on food was spent online.[22] So far, the online food trade in this country had developed weakly. Looking at the US, however, it was predicted that 70% of US consumers would buy groceries online by 2024.[23] In general, food and drink trend experts believed that, in the following years, technical advancements like smart mobiles, home appliances, and more developed retail solutions would further help consumers improve their time management.[24]

3.2 HelloFresh's history

"*A convenient way to avoid convenience food.*"[25]

– Financial Times

The Beginning

Dominik Richter - CEO and Co-founder of HelloFresh - had a great passion for cooking. However, time for food shopping and cooking got rare while working in a bank and eventually he found himself wondering why there had not been a delivery service for fresh ingredients yet.[26] He started thinking about a food business model that could avoid the weaknesses of a classic online supermarket. Together with his friend Thomas Griesel, many brainstorming and midnight cooking sessions followed. Richter stated that their "decisive founding impulse was [their] great interest in the food market and the potential to order food online. In [their] opinion, the purchase of food [was] the last major area of trade and it still [had] not arrived online at all".[27] They believed that not just specialists and fanatics, but everyone should have access to the greatest ingredients and the expertise to cook them.[28] The food market was just picking up speed and many new companies were founded.[29] So, instead of pizza boxes they started filling shopping bags and brought them by hand to their first ten test clients: their families and friends and step by step, their dream started to turn into reality.[30]

In November of 2011, Dominik Richter, Thomas Griesel and Jessica Nilsson founded HelloFresh with the support of the start-up incubator and investor Rocket Internet.[31] At first, people were rather skeptical. Other investors were not convinced by the idea; the approach was too innovative. After a few weeks, however, it had been enough for a first round of financing. Then it all started at lightning speed: recipe and supplier selection, composition of cooking boxes, and setting up a reliable delivery service. By the end of January 2012, the first ingredients were delivered. The founders themselves had bought them in the supermarket.[32]

HelloFresh's early years

In the first six months, the founders had concentrated solely on the German market,[33] before expanding to the Netherlands and the UK.[34] The food had been sourced from regional suppliers and the recipes had been created according to precise specifications. "Healthy food should not be complicated," Richter said at the time. "We specify 30 minutes preparation time; a dish should not cost more than a pizza and should not have more than 750 calories".[35] The food in the box with three meals for two people was priced at 39.99 euros.

In August 2012, Blue Apron was founded in the US, offering similar products and services as HelloFresh.[36] They would turn out to be one of HelloFresh's biggest competitors.[37] It was their existence that had made the founders think about moving into bigger markets, such as the US, as well.[38]
By the end of 2012, the existing investors Rocket Internet, Holtzbrinck Ventures and Investment AB Kinnevik were joined by Vorwerk Direct Selling Ventures.[39] They were the investment entity of the Vorwerk Group, which had been producing superior household products such as the Thermomix, a fully automated kitchen machine which was a highlight in many households.[40] Further investments had followed over the years (exhibit 4.1).[41]
In June of 2014, HelloFresh had risen 50 million USD in another financing round. The round was led by New York-based VC Insight Venture Partners, and the former investor Phenomen Venture. This had given HelloFresh a total financing of approximately 70 million USD. By that time, the startup had already expanded to three new countries: Austria, Australia and the US. Offices had been established in Berlin, London, Amsterdam, New York and Sydney.[42]

Even though Rocket Internet, HelloFresh's biggest investor, had planned for the start-up to go public in autumn of 2015, their own investor had blocked HelloFresh's IPO via lawyers[43] and thus, it was postponed. At that point, Rocket Internet held approximately 56% of HelloFresh.[44]

By the end of 2016 HelloFresh had received a total funding amount of 357 million euros. Compared to the same period of the previous year, HelloFresh had increased sales by almost 160% with a turnover of around 291 million euros. Nevertheless, they continued to report a significantly negative adjusted EBITDA ("EBITDA before share-based compensation expenses, holding fees, and other non-operating one-time effects"[45]) of minus 45.7 million euros in the half-year figures (exhibit 4.2). Rocket Internet's CFO stated that this was primarily due to the recent expansion within the USA, Canada, and the new market Switzerland. Without these growth investments the venture would, in his opinion, have had a considerably lower loss, but would probably still not be profitable.[46] In 2017, HelloFresh was number one in The Financial Times ranking of the fastest growing companies in Europe.[47]

Right before the second attempt to go public, HelloFresh was pressured by the failed IPO of their American competitor Blue Apron. Their shares had lost almost half of their value since their stock market debut in June 2017, due to rising costs and declining customer numbers.

Nevertheless, on November 2nd of 2017, HelloFresh successfully started on the Frankfurt stock exchange. Their shares appeared for the first time at 10.60 euros, representing an increase of 3.4% over the issue price of 10.25 euros. In the further course of trading, they had risen to 10.89

euros. The firm collected 318 million euros through its IPO, intended to be used for further growth.[48] Unlike other founders, who left the operational business after the IPO, Richter and Griesel did not want to give up their executive positions. “We always ask ourselves the question: Do we still deliver added value and is it fun? We answer both questions with yes, so we won’t stop,” Griesel said.[49]

In the beginning of 2018, Richter stated that “in the short term, the fact that [their] competitor in the US was not doing so well [had] definitely damaged [their] public perception”. In operational terms, however, the company had been able to benefit from the difficulties of Blue Apron, especially in the US. “We used the time to catapult ourselves to the top of the local market [and later on] will certainly assess the phase as very, very good”.[50]

Business philosophy

The HelloFresh philosophy had not changed throughout the phase of growth. The team’s mission remained “to give every household the opportunity to enjoy fresh, delicious and healthy meals without the associated hassle of having to find a recipe and shop for all the necessary ingredients.”[51] With their vision of “changing the way people eat – forever” [52] they had solved a strong demand for customers in the food market with limited time, narrow creativity and the wish to care about oneself as well as family and friends.[53]

As often as possible, Richter spoke personally with his customers to identify customer benefits and to establish a connection. “That’s the key to success,” he said. “I’m also an advocate of high implementation speed, meticulous tracking of business metrics and a trial-and-error culture”.[54] Furthermore, sustainability was an important pillar of HelloFresh’s business model.

3.3 The Business of HelloFresh

“*HelloFresh is on a mission to make us less ‘hangry’ after work.*”[55]

– Forbes

The meal kit concept

HelloFresh revolutionized a service, enabling consumers to choose their favorite meal kit with fresh ingredients in suitable quantities online, and have it delivered to their home on a weekly basis - nationwide and in most countries free of shipping costs (exhibit 4.3). Through indications of diet, lifestyle and protein preferences (e.g. “pork free”, “no fish”, “fit”)

HelloFresh could give tailored meal recommendations[56] and with the help of simple recipe cards, customers were able to create balanced dishes in about 30 minutes.[57]

HelloFresh offered four different kinds of meal kits: the classic box (recipes included meat, fish and vegetables), the veggie box (vegetarian recipes with plant proteins and vegetables), and the family box (children and parent friendly recipes).[58] The recipes for all boxes were also available in the Thermomix-version. Consumers of the first two boxes were able to choose between a size of two to four people, and a number of three to five meals per week. A box for two people with three meals, for instance, was priced at 39.99 euros (6.67 euros portion price). The general rule 'The more people or meals, the cheaper the portion price' applied to all boxes. Three meals per week for four people, for instance, reduced the portion price to five euros.[59]

HelloFresh stated various consumer benefits on their website. Every week there was a large selection of recipes developed by their chefs. Easy handling was assured regarding recipe selection, delivery management, and cooking instructions. A break or cancelation of the subscription service was possible at any time, even via the app. Furthermore, HelloFresh guaranteed only fresh and quality ingredients in an environmentally friendly packaging.[60] Besides the core service, HelloFresh also offered an online cookbook and a blog.

Supply Chain

In October of 2018, HelloFresh received the Industrial Excellence Award for the building of its complex value and supply chain.[61] They had two major advantages compared to retail supply chains. First of all, the company tightly worked together with over 600 suppliers, most of them local suppliers, which guaranteed that they could buy the meal kit ingredients just in time and in the right quantities. HelloFresh worked on a zero-inventory basis with all fresh goods and only ordered confirmed-to-be-sold items from suppliers. Thus, they eradicated the typical cost of food waste from their supply chain. Secondly, as the meal kits were packaged in their refrigerated fulfilment centers and from there delivered to the households, they also did not have a need for intermediaries (such as distributors or wholesalers) (exhibit 4.4).[62]

Through choosing local suppliers that told their background stories, HelloFresh managed to add a more personal context to the consumer experience. As Patrick Drake, corporate responsibility ambassador, had put it: "It's just a sense of knowing that your food came from an expert-somebody who has put their passion and their life into making those ingredients happen- [and that is what makes customers] not just mindlessly chewing on a piece of chicken or vegetable, but they know there is a story behind it."[63]

Data management & technology

Another profound advantage had been HelloFresh's intelligent use of data and technology. Generally, they worked with a "German mindset" and measured everything, from the waste quota in the supply chain up to how long it took to produce one meal kit box.[64]

A tailored set of software tools enabled them to convert weekly menus into timesaving ingredient purchasing decisions and to return price and availability information into the menu planning. With the help of technology, they were able to automatically create weekly schedules for production and delivery to ensure that consumers could receive the meal kits in their desired delivery window.[65] Additionally, customer data, feedback and recipe ratings helped to further improve recipe development, menu settings, and personalization features.[66]
"It's important to make sense out of the data you get", Richter stated. By asking their customers how they liked the meals, what they liked about it, what the cooking time was, the accuracy and the complexity of the recipes, and more, they, for example, found out that consumers tended to prefer the recipes designed by HelloFresh's chefs over recipes that were created by more famous chefs, which had been used as testimonials.[67] Thus, their technology platform also helped them to further shape their own brand. The marketing team used the data to identify customer touch points and to find consumers with a high customer lifetime value.[68]

For the years of 2018 until 2020 HelloFresh planned to implement a modular semi-automation in all of their fulfilment centers for higher unit economics as well as more choice and personalization for customers.[69]

Marketing

In their early phase, HelloFresh had concentrated on rising their brand awareness and educating people about the new category 'meal kits'. They had started with analogous measures, such as vouchers and flyers that came along in Amazon packages or other e-commerce orders. The initial shortage of money had always led to extremely data-driven and analytical marketing.[70]

Over time, HelloFresh had expanded to a number of further available marketing channels: influencer marketing, advertising stocks in the pedestrian zone, display ads and TV spots. HelloFresh tested everything from the paper thickness of the advertising flyers to the marketing partner and thus determined its most effective channels and activities. The data, however, had not only helped the company to see what the benefit of which action had been, but also fostered their ability to address their customers with the right messages.[71]

The reality of operating in ten different markets had added some complexity into the company. Local teams worked on menu ideas and communication strategies directed to the local market. The vice president of marketing explained, “It’s really important that we are close to food trends, culinary preferences and ingredient choices, because it’s not one size fits all when it comes to food”. So, despite the global brand efforts, also the communication had always been locally adapted to send a spot-on brand positioning.[72]

Using their real-time business analytics and comparing customer acquisition costs for different advertisements, they could dynamically change their marketing budget to optimize the return on investment (ROI) (exhibit 4.5). Especially social media influencers helped to increase ROI. Additionally, over the years, the number of customer reactivations increased, and HelloFresh had implemented a CRM tool that permitted more personalized targeting for these customers.[73]

In the beginning, HelloFresh used popular European TV chefs Jamie Oliver[74] and Sarah Wiener[75] as testimonials in the marketing channels. Since 2018, however, they focused on a new strategy and this time, used real customers in their broad-based TV campaign (exhibit 4.6). These customers had talked about HelloFresh on social media or on openly, unfiltered review sites and then became the new faces of the TV commercials.[76] A simple and authentic campaign under the slogan “Bye everyday life. HelloFresh” had been launched.

HelloFresh had not only used its customers on TV commercials, but also as brand ambassadors for referral marketing, as studies had shown that consumers usually trust their friends more than advertising. This type of recommendation marketing gave new customers (e.g. in Germany) a 20 euros voucher and motivated existing customers with a 12 euros credit.[77]

In general, HelloFresh had focused on three target markets. Firstly, the so-called DINK group (double income, no kids) with consumers of 25 years and older, which perhaps only recently started in their first job and had less time for shopping. Secondly, they targeted families for whom every saving of time and effort was worthwhile and lastly “Empty Nesters”- older couples whose children were out of the house and who could spend more time cooking again.[78]

3.4 Building a sustainable business

"*Successful business and sustainability are not mutually exclusive*".[79]

– HelloFresh[80]

Planet

In the first decade of the 21st century, approximately 1.3 billion tons of food were lost or wasted yearly on a global scale. That accounted for an amount of 880 billion euros.[81] HelloFresh's aim was to reduce food waste in the supply chain as well as in peoples' homes. They put into place a direct and just in time supply chain: they only requested the food from suppliers they needed (with a small cushion), and in turn only sent their clients what they needed for the recipe. In case there was extra food left, they worked together with local food charities.[82]

Environment

Furthermore, the company put great effort into establishing a sustainable supplier network that would allow them to locally source ingredients. There were two reasons behind it: first of all, through decreasing the distance foods travel, the carbohydrate emissions per food basket could be lowered. Secondly, their delivery service lessened carbon emissions as one truck could deliver meal kits to around 50 customers each week - each time with an optimized route for the most direct way possible. Thus, in comparison to 50 single shopping trips, a tour with their delivery service reduced the carbon footprint.[83]

Packaging

HelloFresh was aware that they not only needed to deliver ingredients in the best quality and freshness, but also ensure a light and recyclable packaging. Throughout the years they had developed an almost 100% recyclable packaging concept, which was constantly optimized:
(1) Their meal box was FSC®-certified and consisted of 100% renewable raw materials and a water-based imprint, allowing customers to easily dispose this packaging waste in the paper bin.[84] As a consequence of paper grade and box size optimization over 660 tons of cardboard could be saved in Germany, the Netherlands and the UK in 2017.[85] **(2)** Each ingredient bag and its label were 100% compostable, hence, they could be discarded in the organic waste bin. Another advantage: when cooking, consumers could use this ingredient bag for their organic waste. **(3)** They kept refrigerated products fresh with recycled PET wool or cool bags that complied with the legal requirements and the temperature management concept. Both could be

thrown into the yellow bin[a].[86] **(4)** Ice packs could either be reused, for instance at picnics, or be put in the yellow bin for recycling. The contents (a gel of water and polymers) were harmless for humans and the environment. **(5)** The plastic packaging could be recycled in the yellow bin as well. The company had made the promise to only use plastic when it was absolutely necessary, for example for sensitive herbs. **(6)** Lastly, HelloFresh packed meat in premium skin and vacuum packaging, which could be disposed in the yellow bin as well. They deliberately avoided the use of preserving gases.[87]

After exchanging the liners of their boxes, the biggest piece of packaging, the Berlin-based managing director declared that "[This is] another example of how we listen to our customers that want quality fresh food conveniently delivered to their doorstep, but with the most environmentally friendly packaging the meal-kit category can deliver on" (exhibit 4.7).[88]

3.5 Growth Strategy

"*We believe that HelloFresh will very quickly expand its position as a global market leader in the online delivery of food.*"[89]

– Berliner Morgenpost[90]

1) Total addressable market penetration

To penetrate their total addressable (or available) markets (TAM) was the first goal of HelloFresh's growth strategy. As of 2018, they had one million active customers in the US, but a TAM of 14 million people, representing a fourteenfold growth potential for the company. Taking into account the sum of all their other markets (named as 'international markets'), HelloFresh had 0.8 million active customers and a growth opportunity of twenty-five times (exhibit 4.8).[91] One way to further penetrate markets was by offering an expanded meal choice.

2) Total addressable market expansion

In order to grow even further, HelloFresh also intended to expand their TAM, both geographically as well as through product and price differentiation.[92]

In March of 2018, HelloFresh took over their US competitor Green Chef, which possessed one office and one production building, for a single-digit million euro amount.[93] The supplier of

[a] In Germany and many other countries, the yellow bin serves as waste disposal for plastic garbage and aluminium packaging.

organic, vegan, gluten-free and Paleo diet adapted meal kits[94] was expected to generate sales of 15 million USD per quarter[95] by addressing a more diverse group of customers. The meals were priced upscale at a cost between 11 and 13 USD.

At the same time, HelloFresh planned to reduce the prices of their own meal kits in the US. If consumers were unsubscribing due to high costs, this move might improve retention rates and decrease great customer acquisition costs. For even more price sensitive customers, they had launched their own “EveryPlate” brand with meal kits costing 15 USD for three weekly two-person meals. The brand offered simple meals, such as chicken and rice dishes or sausage linguine.[96] By addressing three different segments with their three brands (Green Chef, HelloFresh and EveryPlate) not only their growth potential increased even further (exhibit 4.9), but also synergy possibilities arose. For instance, HelloFresh wanted to use their farmer network and fulfilment centers for all brands, combine media buying, and reactivate one-time customers into one of the other brands.[97]

A few months later, in October of 2018, HelloFresh acquired the Canadian meal kit brand Chefs Plate, which had two fulfilment centers located in Vancouver and Toronto. “Based on the highly complementary customer bases and leading positions at different price points, Chefs Plate is the perfect fit for HelloFresh to form the unrivalled market leader”, said Griesel, COO and co-founder. “The integration of Chefs Plate is such a unique opportunity to expand our leadership position across North America. Canada is one of our fastest growing markets that shows high consumer demand for meal kits.” With the identified synergies (joint purchasing, production and marketing efforts) HelloFresh aimed to break even in this market throughout the year.[98] The acquisition price was “in the middle double-digit million” euro range.[99]

Geographically, HelloFresh had expanded to Western and French Canada, Western Australia and New Zealand throughout the year of 2018. With their new brands and markets, the TAM increased even further.[100]

With the expansion of their operations, HelloFresh assumed to profit from important economies of scale. These would be beneficial for HelloFresh’s **1)** procurement expenses (as larger quantities could be purchased, leading to greater negotiation power and lowered prices); **2)** investment in direct relationships with farmers (to be able to source more ingredients directly from the producer); **3)** leading position over competitors (through greater customer referrals); and **4)** overall costs (as fixed, general and administrative costs could be spread among more deliveries and meals).[101]

3) Better monetization of customers

To be able to extract more value from the customer base, HelloFresh had introduced upcharge and add-on concepts. Upcharge concepts included premium meal options, dinner-to-lunch boxes that contained a number of extra ingredients to transform the dinner leftovers into a lunch for the next day,[102] and HelloExtra- the double amount of meat or other tasty treats.[103] Add-on concepts included wine pairings, fruit or dessert deliveries.

4) Investment in new verticals

Aiming at disrupting the grocery, restaurant and take-away industry, HelloFresh chose to develop new products. "We are no longer a pure meal kit company", explained Richter, "but can exploit our strengths in areas such as supply chain, data analysis and marketing."[104] Thus, for long-term value creation they had also invested in adjacent verticals (exhibit 4.10).

In 2017, they had launched their B2B offering HelloFreshGo, vending machines with healthy snacks and lunches for start-ups and companies. The idea turned out to be great success in Germany and thus HelloFreshGo was transformed into an independent company.[105]

HelloFresh had also started partnering with retailers to sell their meal kits in supermarkets and declared in June 2018 that it considered to produce and sell ready-made meals online to address the aspiration of many consumers to completely avoid cooking (GoReadyMade).[106]

Furthermore, HelloFresh purchased the Australian firm BeCool Refrigerated Couriers, a productivity enhancing transportation business that was known for using innovative technology. With this vertical integration HelloFresh could secure their Australian delivery capabilities, reduce logistical costs and increase margins.[107]

3.6 The market for meal kits

"*Those who enter online trading too early, lose money. Those who are late, lose market share. The art is to be ready to jump on the train when it leaves. But not before.*"[108]

– Cologne Institute for Retail Research[109]

Meal kit market in Germany

In the beginning of 2019, the biggest players in the German meal kit market were Marley Spoon, Kochzauber and Kochhaus.

In total, Marley Spoon shipped their meal kits to six countries, including the US. In 2017, the start-up achieved sales of 53 million euros, significantly less than HelloFresh.[110]

Kochzauber was about to close at the end of 2015, when the discounter Lidl decided to take over all shares. Since the summer of 2017, Lidl was selling the meal kits in its online shop and stores, but a few months later the business stagnated again[111] and a complete stop of Kochzauber as of March 2019 was announced.[112]

The Berlin company Kochhaus launched their offline meal kits in 2008, being present in over 200 stores. Shortly after the launch, Kochhaus also added the meal kits to their online shop. In 2016, however, online trading accounted for only 15% of the total turnover of around 11.5 million euros.[113]

However, even with a fairly low direct competition, there arose a new threat from established players in the food market. Rewe had been the first supermarket chain to start a simple grocery delivery service. In the beginning of 2017 they launched the "Your Kitchen" service, which gave users the option of ordering the right food for a certain recipe. Their recipe database was linked with its own delivery service. Experts estimated that Rewe's online business generated sales in 2017 of around 100 million euros, not being profitable though.[114]

Amazon had also started a delivery service of fresh ingredients, Amazon Fresh, but only for customers living in Berlin or Potsdam. Slowly, other supermarket chains such as Edeka and Kaufland reacted with their own delivery services as well.[115]

Meal kit market in the United States

The US was HelloFresh's biggest market. In 2017, the firm had increased sales by 90% to 545 million euros[116] (in total it generated sales of 905 million euros).[117] At the time there were over 150 meal kit start-ups, including Blue Apron, Sunbasket, Home Chef, Plated and Chef'd.[118]

Already in 2016, AmazonGo, back then a market revolution, was launched. They had enhanced any expectations by offering new and fully-automated convenience stores, in which mobile apps and cameras virtually traced the consumer's purchase. No standing in line, no traditional checkout.[119] Later on, they had launched Amazon Fresh, delivering fresh food to the home.[120]

Retailers saw value in meal kits here as well: the startup Home Chef went to Kroger for around 170 million euros, Albertson bought Plated for the same price and Walmart had started working with Weight Watchers on its own brand. [121]

In 2017, Blue Apron and HelloFresh both were fighting for market leadership (exhibit 4.11). While Blue Apron controlled 48% of the US market in 2017, their share went down to 35% when HelloFresh acquired Green Chef in March of 2018. Together these two had a market share of 36%[122] and by then recorded more customers and higher revenues than their direct competitor. It was said that Blue Apron was struggling with customer retention and warehousing problems.[123]

In 2018, the meal kit industry in the US was worth about 2.3 billion euros.[124] It was estimated to be growing double-digits until 2023 and afterwards decline.[125]

In general

Despite different successes, all meal kit start-ups had one thing in common: they were not profitable. HelloFresh burned around 70 million euros in 2017, Marley Spoon lost almost 28 million euros and Kochzauber lost more than 5.4 million euros in 2016. US competitor Blue Apron was in minus of around 118 million euros at the end of 2017. Only in few individual markets, the start-ups were profitable, such as Marley Spoon in Australia.

One reason for the high losses surely were the high marketing expenses. The start-ups spent extensive amounts on winning new customers and keeping existing ones. In 2017, HelloFresh, spent 240 million euros only on advertising - 153 million euros alone to open up in the US.[126]

Furthermore, according to external calculations, only 17% of the people who once ordered from HelloFresh were still customers six months later. Thus, HelloFresh constantly had to compete for new customers. HelloFresh spoke of 1.3 million active customers. However, a customer that ordered only one cooking box within three months had already been rated as active.[127] "The meal kit market is highly dynamic and prone to fluctuations, with the top meal kit providers falling in and out of favor since their introduction in the past few years," David Sprinkle, research director for Packaged Facts, had said in a statement.[128] As per Nielsen, only nine percent of US consumers had bought a meal kit, which represented a fairly low number in a market with sales over 590 billion euros in 2017.[129]

3.7 HelloFresh at the beginning of 2019

"*We […] assumed market leadership in every single market. We're really proud to have made such strong progress [in making] HelloFresh accessible to a rapidly increasing number of people and improve the way they eat.*"[130]

– CEO HelloFresh[131]

As of 2019, HelloFresh was present in 11 countries: Germany, the Netherlands, Belgium, Luxembourg, UK, Austria, Switzerland, Canada, the US, Australia, and New Zealand (exhibit 4.13). With their meal kits, they had established a completely new category, and were the number one player in all of their markets. In the past year, their customers had cooked 198 million meals and HelloFresh had delivered 27 million boxes to their two million active customers. Overall, they had 15 fulfilment centers all over the world, which operated at a 50% capacity utilization, so they could always be expanded. Of the 4000 employees, half worked in the fulfilment centers and the other half in corporate functions. By then, the company worked together with a network of 750 suppliers.

Although their share price dropped below five euros in December 2018, after they had announced in August that they did not expect to become profitable that same year,[132] 2018 still had been their most successful year so far. Disregarding the acquisitions, the audited figures for the financial year of 2018 showed that with a revenue of 1.28 billion euros the HelloFresh Group (US and international markets) had once again grown over 40% since the previous year. In the international markets, they had already presented a positive adjusted EBITDA with almost 15 million euros. Regarding the whole group, they had improved their adjusted EBITDA by 3.5 percentage points to negative 4.3%. Overall, they had already reached a positive adjusted EBITDA in the fourth quarter of 2018 (exhibit 4.12).[133] Looking at their TAM, they still saw a lot of potential for the future.

3.8 Outlook for the future

"*The larger a company becomes, the better it can manage the complexity of the meal kits. We have built up a worldwide logistics system and benefit from synergies and scaling effects within the organization*."[134]

– COO HelloFresh[135]

In 2019, trade with food worldwide had been estimated at 7.5 billion euros. However, of this amount, only two percent were handled online.[136] "In the grocery trade, a disillusion could be observed with regard to the online business. Many have shifted down a gear in terms of expanding their internet activities," observed an e-commerce expert from the Cologne Institute for Retail Research. Not even the expectation that the launch of Amazon Fresh would boost online food retailing tremendously had been fulfilled. The German trade journal "Lebensmittel-Zeitung" had described the trend with the words "Two steps forward and one back".[137]

Already in 2017, a partner at Technology Crossover Ventures, who had invested in Spotify, Netflix, and Airbnb, said that the meal kit market had not matured enough and that it was still too new.[138] Pessimism kept on spreading. Two years later, a strategy and operations consultant to grocery retailers and global food companies had predicted in a Forbes article that "By 2025, over half of all meal-kit firms operating today [2019] will go out of business."[139]

Despite HelloFresh's remarkable revenue and growth rate, a loss of almost 55 million euros remained. Standing in front of his team that day in March of 2019, Richter explained optimistically that for the full year of 2019, a 25-30% growth in revenue was expected. Furthermore, they anticipated to breakeven on the adjusted EBITDA level throughout the year, reaching a positive margin of one percent. Their biggest objective remained to reach profitability, both in the US and in the international segment. Overall, HelloFresh aimed to be "the leading meal solution provider globally by size, choice, price and quality". Together, Richter and his management team pondered about how they could become profitable in such a dynamic yet only very slowly accepted environment. Was it too soon for a company like HelloFresh?

4. Exhibits

4.1 HelloFresh's funding rounds[140]

DATE	INVESTORS	AMOUNT	ROUND
N/A	Rocket Internet SE	N/A	
Aug 2012	HV Holtzbrinck Ventures, Kinnevik	N/A	SEED
Dec 2012	HV Holtzbrinck Ventures, Kinnevik, Vorwerk	$ 10.0 m	SERIES B
Sep 2013	HV Holtzbrinck Ventures, Vorwerk, Phenomen Ventures	$ 7.5 m	SERIES C
Jun 2014	Insight Venture Partners, Phenomen Ventures	$ 50.0 m	SERIES D
Feb 2015	Insight Venture Partners	€ 126 m	SERIES E
Sep 2015	Insight Venture Partners, Scottish Investment Bank - Scottish Enterprise, Baillie Gifford	€ 84.7 m	SERIES F*
Dec 2016	Baillie Gifford, Garland James	€ 85.0 m	SERIES G*
Jun 2017	JP Morgan, BNP Paribas, Deutsche Bank, Rabobank	€ 60.0 m	DEBT
Nov 2017	N/A	€ 318 m	IPO*
Apr 2018	N/A	€ 150 m	SECONDARY*
Total Funding*		**€ 357 m**	

* debt rounds, IPO and acquisitions are excluded from Total Funding

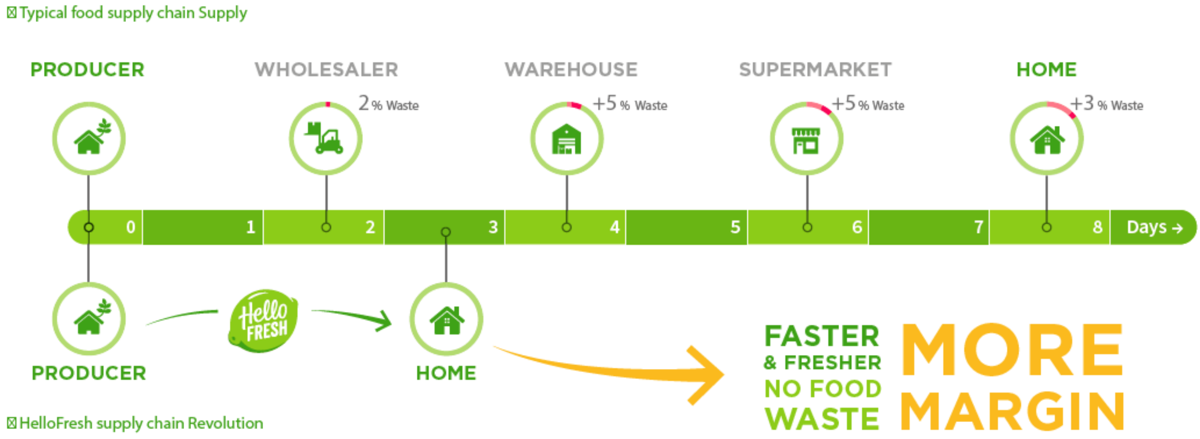
4.2 Half year financial figures 2016: Income Statement[141]

in mEUR	**2016 (unaudited)**	**2015 (unaudited)**
Revenue	291,5	112,5
Cost of goods sold	(127,0)	(52,8)
Gross profit	**164,5**	**59,7**
Fulfilment expenses	(117,6)	(37,6)
Marketing expenses	(80,5)	(37,7)
General and administrative expenses	(14,8)	(12,3)
Other operating income	0,2	-
Other operating expense	(2,7)	(0,6)
Operating loss	**(50,9)**	**(28,5)**
Financial income	0,5	-
Financial expense	(2,5)	-
Loss before income tax	**(52,9)**	**(28,5)**
Income tax (expense) benefit	-	-
Loss for the period	**(52,9)**	**(28,5)**

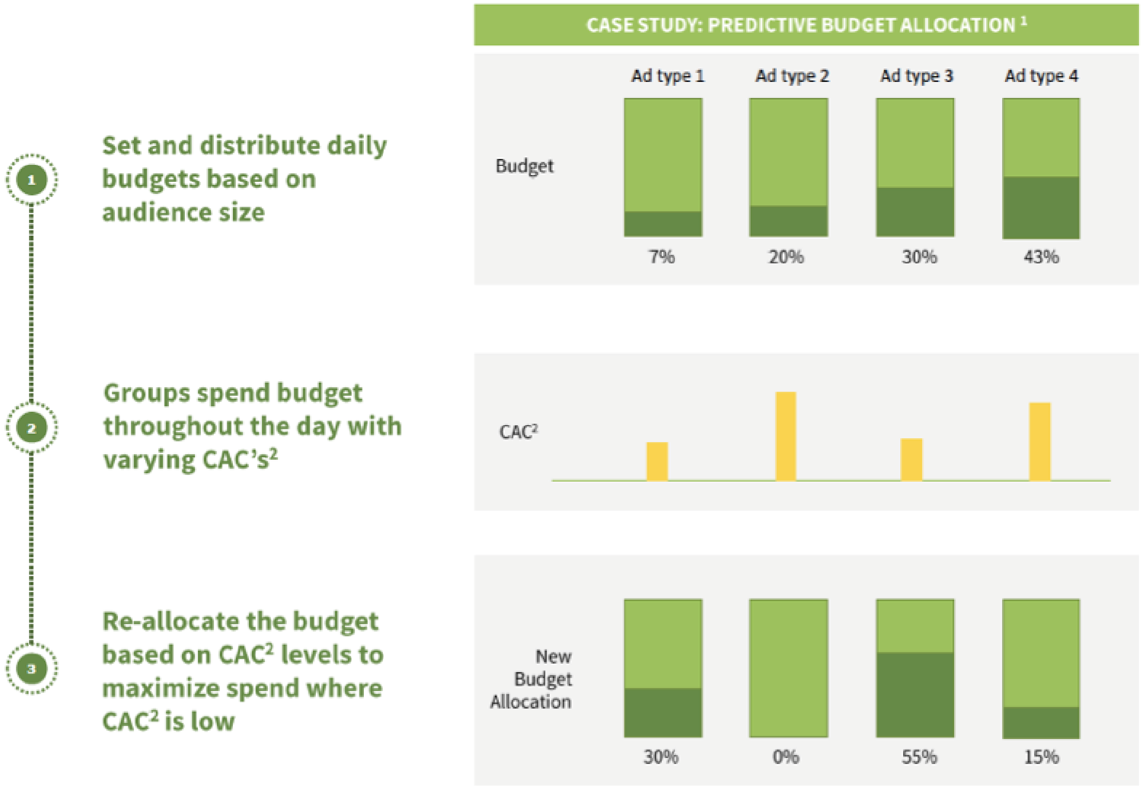
EBIT	**(50,9)**	**(28,5)**
Depreciation/amortization	1,8	0,2
EBITDA	**(49,1)**	**(28,4)**
Share based compensation	2,6	6,9
Special items	0,8	0,5
Adjusted EBITDA	**(45,7)**	**(21,0)**
Adjusted EBITDAM	**33,5**	**16,3**

4.3 Example of the Classic Box with recipe cards.[142] Ingredients like rice or spinach were packaged in recyclable material.[143]

4.4 Comparing a typical and HelloFresh's supply chain[144]



4.5 Shifting the marketing budget to optimize ROI



1 – implemented for Facebook Ads
2 – Customer Acquisition Cost (CAC) attributed to Facebook advertisement

4.6 Stories from real customers used for TV commercials[145]

4.7 Switching to the paper-based insulation 'Climacell'

1 – projection for US

4.8 Total addressable markets US and International

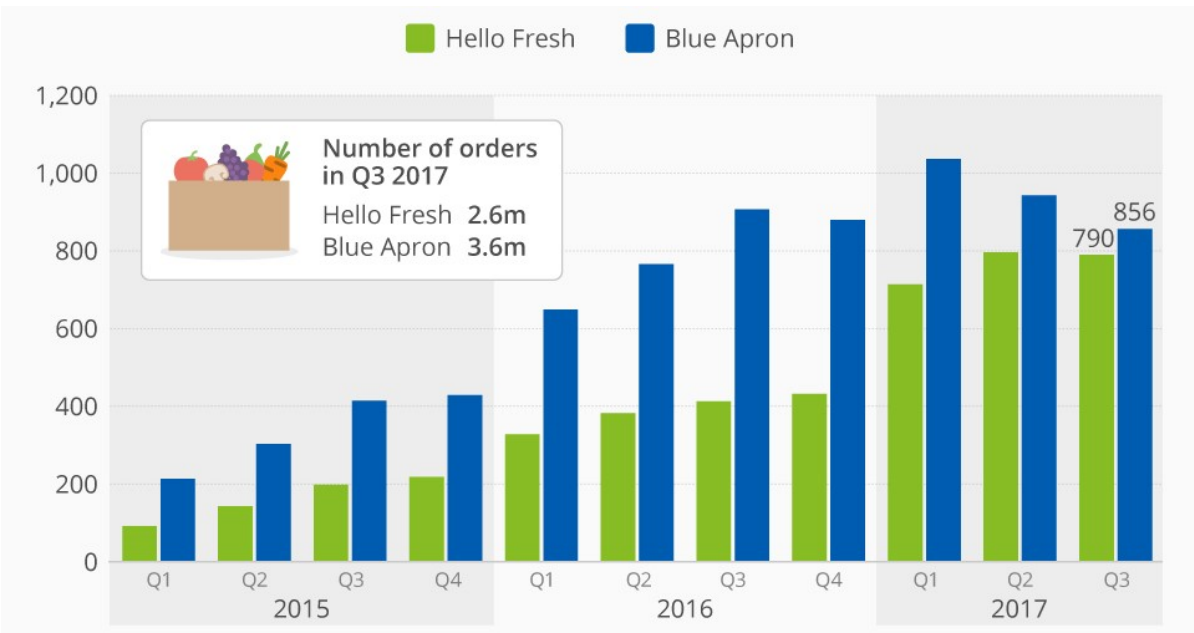
	HelloFresh US	HelloFresh International
# House Holds[1,2]	90m	70m
Top 40% income	~36m	~28m
HFG market share	~40%	~70%
TAM	14m	20m
Current active customers	1m	0.8m
Growth potential	>14x	>25x

1 – Excluding single person households
2 – According to Statista, Inc. based on 2017 data

4.9 Segmentation in the US market[146]

4.10 New vertical investments[147]

4.11 HelloFresh spices up the Meal Kit Delivery Market[148]
(active customers of meal kit delivery services in the US (thousand))



4.12 Financial Year 2018 KPIs and operations results[149]

Key Performance Indicators

Group

	Q4 2018	Q4 2017	Y-o-Y	FY 2018	FY 2017	Y-o-Y
Active customers (m)	2.04	1.45	40.9%			
Number of orders (m)	7.4	5.4	37.0%	27.1	18.9	43.1%
Meals delivered (m)	54.7	39.5	38.4%	198.4	137.4	44.4%

US

	Q4 2018	Q4 2017	Y-o-Y	FY 2018	FY 2017	Y-o-Y
Active customers (m)	1.09	0.89	22.6%			
Number of orders (m)	3.8	3.0	26.0%	14.9	10.6	40.7%
Meals delivered (m)	25.2	20.7	21.7%	99.2	72.2	37.2%

International

	Q4 2018	Q4 2017	Y-o-Y	FY 2018	FY 2017	Y-o-Y
Active customers (m)	0.95	0.56	70.2%			
Number of orders (m)	3.6	2.4	51.3%	12.1	8.3	46.3%
Meals delivered (m)	29.4	18.8	57.0%	99.2	65.2	52.3%

Results of Operations

Group

	Q4 2018	Q4 2017	Y-o-Y	FY 2018	FY 2017	Y-o-Y
Revenue (mEUR)	361.7	252.8	43.1%	1,279.2	904.9	41.4%
Revenue growth in constant currency			41.0%			46.8%
Contribution Margin (in mEUR)*	105.6	65.1	62.5%	349.9	207.8	68.6%
Contribution Margin (in % of Revenue)	29.2%	25.7%	3.5 pp	27.4%	23.0%	4.4 pp
AEBITDA (mEUR)	(2.9)	(6.1)	51.9%	(54.5)	(70.1)	22.1%
AEBITDA (in % of Revenue)	(0.8)%	(2.4)%	1.6 pp	(4.3)%	(7.7)%	3.5 pp

US

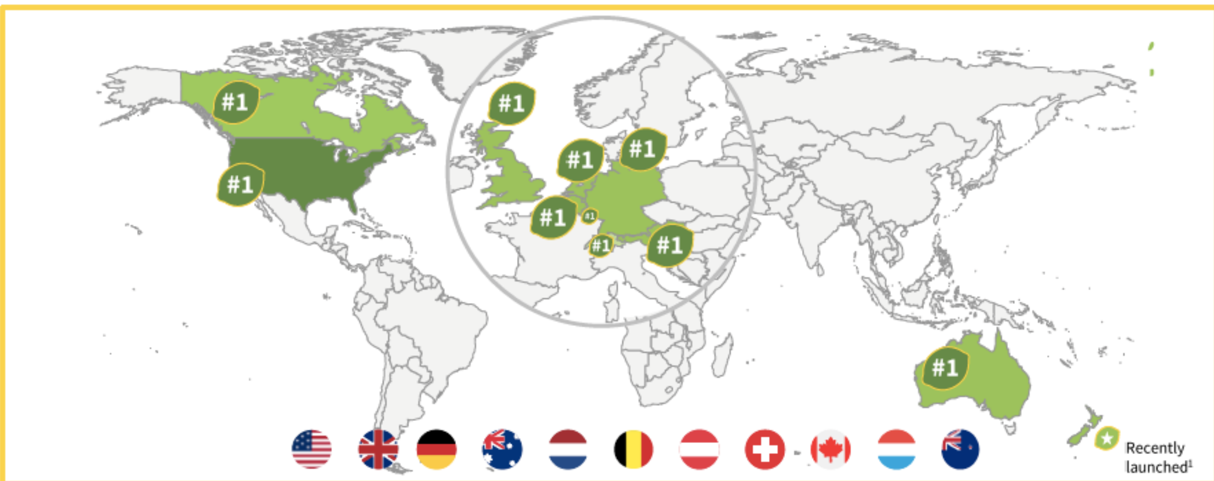
	Q4 2018	Q4 2017	Y-o-Y	FY 2018	FY 2017	Y-o-Y
Revenue (mEUR)	195.4	150.7	29.6%	733.8	545.2	34.6%
Revenue growth in constant currency			25.7%			41.3%
Contribution margin (in mEUR)*	61.2	40.5	51.0%	207.4	125.6	65.1%
Contribution Margin (in % of Revenue)	31.3%	26.9%	4.4 pp	28.3%	23.0%	5.3 pp
AEBITDA (mEUR)	(1.0)	(0.7)	(42.9)%	(33.2)	(40.5)	18.1%
AEBITDA (in % of Revenue)	(0.5)%	(0.5)%	(0.0) pp	(4.5)%	(7.4)%	2.9 pp

International

	Q4 2018	Q4 2017	Y-o-Y	FY 2018	FY 2017	Y-o-Y
Revenue (mEUR)	166.3	102.0	63.1%	545.4	359.6	51.7%
Revenue growth in constant currency			63.6%			55.3%
Contribution Margin (in mEUR)*	45.6	26.6	71.4%	145.6	87.1	67.2%
Contribution Margin (in % of Revenue)	27.4%	26.1%	1.3 pp	26.7%	24.2%	2.5 pp
AEBITDA (mEUR)	9.5	2.8	239.3%	14.9	(9.5)	256.8%
AEBITDA (in % of Revenue)	5.7%	2.7%	3.0 pp	2.7%	(2.6)%	5.3 pp

* Net share-based compensation expenses

4.13 HelloFresh's International markets[150]



1 – in 2018

5. Teaching Notes

5.1 Synopsis

This case analyses HelloFresh, a meal kit supplying company, which became the global market leader in its segment only after few years of existence. It explains how the HelloFresh founders picked up and interpreted food trends in such a way that they could successfully operate a business in an ever changing and challenging environment. Furthermore, it demonstrates how the firm used its dynamic capabilities to initiate strategic change, especially in the form of competitor acquisitions and vertical investments, helping the company to grow.

The first part of the case begins with a short introduction and afterwards dives into the food and e-commerce trends at the beginning of 2019, giving a sense of consumer behaviors and demands at that time.

The second section starts by describing the beginning and the early years of the start-up HelloFresh and includes information about the investments it received, the markets it entered, the IPO and its general business philosophy. This part is followed by a more detailed explanation about HelloFresh's meal kit concept and the most crucial pillars of their business.

The fourth part gives details about HelloFresh's growth strategy, which includes information about how they penetrated and expanded to further markets, better monetized customers and what investments into new verticals they pursued or planned to pursue in the future. Furthermore, this section presents the major players in the meal kit markets of Germany and the US and describes some general concerns of the industry.

The last part gives a snapshot of HelloFresh's situation in the beginning of 2019 and presents a future outlook, both for the company and the general online food market. The case is concluded with questions regarding HelloFresh's future and whether the company could reach profitability in 2019.

5.2 Teaching objectives

The case describes the growth of a young firm and analyzes the external challenges it faced throughout the years of growth as well as the strategies it implemented to adapt to the shifting business landscape. How and when to become profitable remains an enduring concern of the firm. Given the general overview of a firm, the case could be introduced to undergraduate students in the final year of their business or management studies. The teaching case might be of particular interest to students from classes of general or international management, strategy or lean entrepreneurship. Advanced and deeper analysis could be delivered by graduate or MBA students who would be challenged to deliberate strategically about future steps of the business, especially in regard to the question how profitability could be reached.

The case is designed for students to understand that strategic change can be initiated by a firm to promote its growth. It was framed to further raise awareness for the significance of deploying dynamic capabilities. Thus, it can serve as a real-life example of a company using its ability to sense opportunities and threats, making market-oriented and timely decisions, and changing its resource base.

After discussing the case, students should be able to:

- Examine the ability of a start-up to sense industry trends, adapt to changing market conditions and react to competitor actions while staying true to its business philosophy;
- Understand the impact of dynamic capabilities on strategic change, the overall performance of a firm and on the ability to cope with a changing market;
- Identify the motives for acquisitions as a form of strategic growth.

5.3 Intended contribution

The case intends to illustrate how strategic change and the use of dynamic capabilities magnificently helped a company to adapt to, cope with, and grow in a changing environment.

It demonstrates how HelloFresh, once a small start-up, was able to become the global market leader in the meal kit segment by building an online food business that not only constantly adapted to trends and consumer preferences of that time, but also deployed new technology and data management systems. HelloFresh also invested in growth strategies that enabled the firm to successfully outgrow its competitors in all of its markets. The case intends to paint a comprehensive picture of the history of events happening in and outside HelloFresh, and their effect on the firm’s growth as well as the overall industry.

5.4 Pedagogical overview

To be able to deeply analyze and discuss the case study, it is essential for both, instructor and students, to thoroughly prepare the fundamental concepts of Strategic Change and Dynamic Capabilities beforehand. It is assumed that students have a basic knowledge in the fields of business and strategic management. The concept of Dynamic Capabilities is essential for the interpretation of the case and thus, it is recommended that lecturers and students make themselves familiar with Barreto's article "dynamic capabilities: A Review of Past Research and an Agenda for the Future" (2010, *Journal of Management*). Moreover, to fully grasp the motives for Mergers & Acquisitions, it is suggested to have a certain level of familiarity with the article "Mergers and acquisitions: A review of phases, motives, and success factors" by Calipha, Tarba and Brock (2010, *Advances in Mergers and Acquisitions*). To save time, lecturers may advise students to focus on the "Introduction" and "Merger and Acquisition Motives" parts, which include the most important theoretical foundation.

Even though a general knowledge of the food and online retail industry's development might be of advantage, it is not necessary in order to comprehend and work on the case. To prepare the class, lecturers could use the HelloFresh website, hellofresh.com, as a convenient way of obtaining information about the company in general, as well as their financial situation. As an introduction to the class, the lecturer could show a HelloFresh commercial, giving students the chance to immediately grasp their business idea.

5.5 Assignment questions and analysis

For an optimal in-class discussion, students should prepare a few case related exercises in advance. The sample questions below serve as a guideline for the lecturer.

Question 1: After carefully reading the case, elaborate on what the main drivers and constraints of the meal kit industry were.

Drivers

Having read the case, students should realize that the drivers of the meal kit industry were the arising food and technology trends among consumers. These trends included an increased awareness for **sustainability**, as in consumers demanding to reduce plastic and food waste as well as to know where their ingredients come from - the more local, the better. Moreover, people started appreciating creative, tasty and inexpensive **convenience** products. Even with little time and stressful schedules, many preferred to cook at home instead of relying on alternatives, such as fast food. Another trend embraced the increased interest in **health and wellness**, which resulted in a demand for healthy products and specialized diets, for instance, Paleo or vegan cuisine. On top, consumers enjoyed the benefits of **ordering food online**, specifically the fact that they were saving time and avoiding long supermarket lines.

Constraints

Students should understand from the case that against any expectations the **online food industry** was **growing** fairly **slowly**. In fact, only two percent of food was traded online world wide during that time. Students could take the example of Amazon, which, even as a global market player, had not convinced people with their online food services as much as expected. Reading the case, it should have become apparent that **people needed much more time to adapt** not only **to** the concept of **meal kits**, but also to the idea of **ordering food online**.

Furthermore, students should point out that many meal kit startups were struggling with their **business models**. Even though people did try out meal kits, costs for marketing, customer retention, and warehousing were too high. As a consequence, these companies were struggling with profitability, similar to online food retailers. Another challenge students may grasp is the fact that **competition** did not only come from meal kit providers themselves, but also from retailers, introducing their own online food delivery services.

Question 2: Using the information in the case, please analyze to which degree HelloFresh owns and deploys dynamic capabilities. Classify each of Barreto's four dimensions by using 'low', 'medium', or 'high'.

DC1 – Propensity to sense opportunities and threats: high

- Founders saw potential in the online food business;
- Recognized change of public awareness around the significance of consuming fresh, wholesome food and thus, sensed opportunity for more premium and fresh convenience products;
- Realized the importance of customization;
- Sensed opportunity to address the trend of eliminating food waste by implementing a just-in-time supply chain and only packaging the ingredients needed for a meal;
- HelloFresh sensed opportunity of further markets on other continents, e.g. when they became aware of Blue Apron' existence they entered the US market;
- When their competitor Blue Apron was doing bad they used the chance to take over the lead in the US market, by acquiring Green Chef and thus eliminating a threat;
- Recognized the opportunity to expand leadership positions across North America by acquiring Chefs Plate in Canada;

- Sensed opportunity that increased scale would give them greater negotiation power, spread costs across more meals, improve their direct relationship with farmers and increase the percentage of ingredients directly sourced from the producer;
- Did not anticipate the threat of a too slowly growing online food market.

DC2 – Propensity to make timely decisions: medium to high[b]

- They were one of the first movers in the meal kit industry;
- Quickly realized that they needed to move into various markets, scaling their business, to have a higher chance of becoming market leader in their segment;
- Considering the slow development of the online food business, the question is whether the market was prepared for the concept of meal kits. HelloFresh's approach might have been to innovative and their existence too soon for the market.

DC3 – Propensity to make market-oriented decisions: high

- HelloFresh introduced a convenient way to order food online, also via app;
- Carefully observed the food market and realized that consumer preferences changed;
- They reduced food waste and plastic, establishing an environmentally friendly and almost 100% recyclable cooling and packaging concept;
- They understood health and technical trends and thus, offered different kinds of meal kits (e.g. vegetarian, vegan, Paleo diet, family), also in the Thermomix version;
- HelloFresh chose more and more local suppliers to make it transparent for customers where ingredients come from;
- They made meal kits customizable (through consumer indications of diet, lifestyle and protein preferences) and tailored meal recommendations;
- Used data and feedback from clients to improve recipes and menus;
- Locally adapted menu ideas and communication strategies in each country;
- Realized that they needed price differentiation in US: lowered prices of HelloFresh meal kits and launched own US brand 'EveryPlate' for even more price sensitive customers;
- Grasped that they also needed further products: offered upcharge concepts (e.g. premium meals or dinner-to-lunch boxes) and add-on concepts (e.g. wine pairings);
- Understood potential of verticals: HelloFreshGo, GoReadyMade and retail meal kits.

[b] HelloFresh seems to move into new markets just in the right times. However, it remains an unanswered question in the case whether their overall business idea fit into those times. Keeping in mind that this fact is external and rather dependent on the overall industry instead of solely this firm, it was concluded that the timely-decision-propensity is medium to high.

DC4 – Propensity to change the resource base: medium to high

- Focused on market expansion (after seven years of operation present in 11 countries);
- Took over US competitor Green Chef with one office and one production building;
- Acquired the Canadian meal kit brand Chefs Plate with two fulfilment centers;
- Launched own US brand (Every Plate);
- Incorporated the complimentary expertise of Green Chef and Chefs Plate into their own Every Plate and HelloFresh brand;
- Acquired Australian BeCool Refrigerated Couriers to secure delivery capabilities;
- Invested in verticals: vending machines, supermarket meal kits, ready-made meals;
- Reconfigured resources by implementing semi-automation in fulfilment centers.

Question 3: Which functional strategies did HelloFresh use to be able to cope with the market challenges over time?

Unquestionably, HelloFresh **constantly revised and improved** the pillars of their **business model**: supply chain, sustainability, marketing, data and technology. Students should recognize that the firm, from early onwards, responded to people's demands and **implemented trends in their concept**.

Regarding their **supply chain**, first of all, HelloFresh worked together with a great network of **local suppliers** - on the one hand to benefit from improved logistics and, on the other hand, to give customers a sense of context what kind of food they eat and where it comes from. Secondly, they worked on a **zero-inventory** basis and thus, had **no costs of food waste or intermediaries**, like other meal kit companies or classical retailers.

They made high efforts in improving their **packaging concept** to a very **environmental** one and this way addressed the **sustainability** trend.

Furthermore, HelloFresh put great importance into **data, technology and marketing**. For instance, they **made everything measurable** and **tracked customer data** in order to improve on various touch points, be it for more efficiency in the fulfilment centers, regarding recipe selection or marketing strategies. Through their **software tools**, they could, for instance, find the optimal return on investment of an advertisement and thus adjust their marketing spending. Other examples of effective marketing or technology use could include the change from testimonials to real customers in advertisements or more personalized targeting possibilities for reactivated customers.

Question 4: Investigate HelloFresh's motives for the acquisitions of the US based start-up Green Chef and the Canadian start-up Chefs Plate.

For this question, students are expected to elaborate on the motives for M&A, using the know-how acquired in their studies and/or summarized in the aforementioned M&A article.

Generally, the motives are of strategic nature. Students might argue that HelloFresh saw the acquisitions as a promising way to guarantee their **international competitiveness**, and to profit from **economies of scale** and **scope**. As Calipha et al. (2010) describe in their introduction, M&A "are a common managerial strategy, whether used by firms to enter new markets, subdue a rival, or acquire valued resources such as technology, locations, or people" (p.3). It becomes obvious in the case that HelloFresh puts great effort into their **growth strategy** by focusing on **market expansion**. Although they had already been present in the US and Canada, by acquiring the two meal kit start-ups, HelloFresh not only **changed the base of competition**, but also **acquired new resources**, such as Green Chef's office and production building and Chefs Plate's two fulfilment centers in Vancouver and Toronto.

As Porter (1985) put it, the greatest motive for M&A is to achieve synergy, meaning 'working together', and thus, generating greater value. It seems to be evident that HelloFresh acquired the start-ups to benefit from **combined synergies**. One benefit was, for instance, that HelloFresh could **reduce costs** by 1) combining purchases to gain greater leverage over suppliers, 2) joining production, marketing, and media buying, and 3) using common facilities to increase the capacity utilization of the fulfilment centers and thus, avoiding duplicated efforts while, once again, gaining economies of scale.

In summary, students should find out that through the acquisitions, HelloFresh was able to dilute competitors and instead work together with these firms to address new market segments, gain economies of scale and combine synergies.

Question 5 (optional): Having in mind the company's situation in 2019, what suggestions do you have for HelloFresh's strategic future direction? Justify your answer.

This optional reflection question could be posed by the instructor to postgraduate and MBA students. They should discuss the benefits and threats of HelloFresh's business model and growth strategy. They can base their opinions on facts from the case, further research, own experiences, or know-how from other case studies and theories.

Some students may have a rather pessimistic view on the sustainability of HelloFresh's business model as the slow acceptance and growth of the online food market is threatening all meal kit and online retail companies. Thus, they might recommend **investing in further offline verticals**. For example, HelloFresh's vending machines with healthy snacks were so successful that they made an own business out of that. If HelloFresh can **increase brand awareness** and, most importantly, **trust** with such **offline verticals**, consumers might be more convinced to also try and use their offers online. Another recommendation could include **lowering prices** and yet further **improving the products and services** to avoid losing customers. If clients are unsatisfied once, it is very hard to retain them.

Other students may have a more optimistic long-term view. They may feel that HelloFresh has many benefits, such as their focus on **sustainability** as well as their intelligent **use of technology and data**, which allow for **future opportunities**. Additionally, they might argue that as long as HelloFresh is expanding to other markets and investing money into their growth, it is too difficult, and should not be a prime concern, to become profitable. An example they could have researched is Amazon: instead of focusing on making profits, they invested over years only into growth, constantly losing money. In 2018 they were making profits in one quarter being equal to the accumulated profits of their first 14 years.[151] Thus, HelloFresh should keep on **scaling** their **business to reach higher economies of scale**.

5.6 Board Plan

The case is intended to be taught in a 90-minute lecture.

Activity	Time (min)
Theoretical review of Dynamic Capabilities and M&A	20
Introduction to HelloFresh	5
Question 1 – External environment	10
Question 2 – Dynamic Capabilities	20
Question 3 – Functional strategy	10
Question 4 – Motives for M&A	15
Conclusion & review	10

6. Discussion

The focal purpose of this thesis is to illustrate how strategic change and the deployment of DC can help a company to adapt to, cope with, and grow in a shifting environment. The exemplifying teaching case demonstrates how the young firm HelloFresh became the global market leader in the meal kit industry, specifically, by focusing on the strategic transformation actions, the motives for acquisitions of other start-ups as well as the widely discussed DC view.

Strategic change implies a firm's alignment with its external environment (Rajagopalan & Spreitzer, 1996). Hereby, the firm modifies its fundamental nature, which can be determined by its business, corporate or collective strategies (Fombrun, 1993), mission or vision (Gioia et al., 1994). Not only environmental shocks or extraordinary events may lead to strategic transformations, instead, they may also be realized to guarantee a firm's viability in the long-term (Gioia & Chittipeddi, 1991) and that is what HelloFresh gradually did - even as a fairly young company. The firm initiated strategic change by responding to shifts in social, technological, and competitive conditions in the environment, ensuring alignment with the new environmental settings. During times of their foundation there appeared shifts amongst social conditions in form of changing consumer trends and demands, to which HelloFresh reacted by constantly adapting their core product – the meal kits. Furthermore, they took advantage of technological advancements and customer data to make their procedures as efficient as possible. For instance, they improved their personalized recipe selection, enhanced purchasing and menu planning, and increased the automation in fulfilment centers. Looking at the shifts in their competitive environment, initially, HelloFresh solely expanded organically into new markets. However, over time they also modified their growth (and thus, corporate) strategy through the acquisitions of the meal kit start-ups Green Chef in the US and Chefs Plate in Canada and hence, changed the competitive scenario in both countries.

Hussinger (2005) declared that firms engage in M&A actions to guarantee their international competitiveness and to benefit from economies of scale and scope. Zhang and Greve (2019) add that the potential of long-term financial earnings or development opportunities are another motive for M&A – which also appeared to be the case for HelloFresh. The case reveals that with the acquisitions of the start-ups, HelloFresh not only invested in further global growth and expanded their leadership position across Northern America, they also expected that the created economies of scale would significantly help them in breaking even with the businesses. Furthermore, researchers say that acquiring companies are also interested in attaining synergies and securing resources, such as technology, locations and individuals, in order to sustain a competitive advantage (Porter, 1985; Calipha et al., 2010). This approach can be proven by HelloFresh as well, who saw substantial opportunities with occurring synergies being able to generate value through joint purchasing, production, and marketing. Both acquired start-ups had office and production buildings whose mutual usage saved costs and avoided replicated efforts. Hence, the case demonstrates that the motives for M&A stated in the literature are predominantly in line with HelloFresh's motives for acquiring the start-ups.

Researchers explain that failure to foresee or sense changes in the environment may have a significant negative impact on a company's performance (Audia, Locke & Smith, 2000). The business landscape can be seen as a source of opportunities and threats, whereby the ability of a firm to predict and address these, is crucial for its position in the market (Chaffee, 1985). Thus, DC as a "firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece et al., 1997, p. 516) play an essential role and have hence received great importance in the management literature. As a young firm, HelloFresh developed DC especially through a trial-and-error culture, but also through repeated practice, imitation, and improvisation (Eisenhardt & Martin, 2000; Zahra et al., 2006). Barreto (2010) conceptualized DC as a combined, multidimensional construct and suggested that they are "the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base" (p.271).

HelloFresh continuously scanned their internal and external environment. They assessed competitor and supplier actions as well as consumer trends, demands and benefits and addressed those by regularly adapting the most important pillars of their business model: supply chain, sustainability, marketing, data and technology. Thus, HelloFresh's propensities to sense opportunities and threats and further to make market-oriented decisions both are high. HelloFresh acquired two meal kit start-ups and reconfigured its resources by implementing a modular semi-automation in their fulfilment centers. Hence, the firm proves that, despite their young age, their propensity to change their resource base is medium to high. However, the propensity to make timely decisions can be evaluated controversially. On the one hand, HelloFresh demonstrates the by Teece et al. (1997) appointed significant ability "to quickly accomplish reconfiguration and transformation ahead of competitors" (p.521). On the other hand, the case leaves the reader with the open question whether the online meal kit concept might have been introduced too early, as the market seemed not to be ready at that point in time.

Critically reflecting the findings of this dissertation, the author would like to point out three thoughts. Firstly, amongst others, it was Teece (2007) who declared that DC are particularly important to multinational companies in global markets. The case of HelloFresh, a start-up becoming the global market leader in its industry only after few years of existence, surely proves that the firm possesses a strong set of DC and that these were very profoundly important for their growth. Therefore, it can be concluded that DC are in fact essential for the success of corporate, but also young and small multinational companies.

A second thought includes the importance of scaling meal kit businesses in order to reach profitability. In the first instance, criticizers might argue that HelloFresh's growth and success could not have been achieved without the strong financial investments, especially from the widely criticized start-up incubator Rocket Internet. It becomes clear that it is essential for firms -especially young ones- to have financial back-up if they want to grow and constantly improve.

Thirdly, despite HelloFresh's strong environmental efforts, their meal kits still produce high amounts of garbage as all items are packaged individually. Food hygiene standards might hinder the issue to be solved satisfyingly. However, to further underline their sustainable motives, HelloFresh could e.g. invest in electric cars for the transport and delivery of their food.

As of 2019, especially societal and technological shifts challenge the business world. Therefore, the case of HelloFresh aims to demonstrate the value for managers to constantly and thoroughly observe their business environment and to actively transform changes in society, technology or competition into opportunities for the firm to attain competitive advantage. It also shows that a carefully planned growth strategy is essential to assure international competitiveness.

A limitation of the thesis is that regardless of the given strategic transformations and deployments of DC, after all, it cannot be concluded if these really were the reasons for HelloFresh's success- assuming that success is linked to profitability. The result of some changes will only be visible in the long-term, mainly as HelloFresh is a very young company. Although the commitment to their long-term strategy looks very promising, it is still too early to fully know the outcome of their strategy. Another limitation includes that the literature does not sufficiently cover 'young companies' in general. Thus, future research could be conducted regarding the link between young firms, DC and resulting success. Moreover, future research could strive to make the qualitative DC framework more quantitative for enhanced evaluation purposes. Additionally, so far, literature sees the food sector as a low technology sector. It would be interesting to conduct new research on the increasing importance of technology and data in the, until now, so-called low technology sectors to attain competitive advantage.

7. Conclusion

Strategic transformations as well as strong dynamic capabilities can be essential for a company's competitive advantage, performance or even survival, both in times of crisis or shocks, but also within steadily changing environments. Hence, the concepts of Strategic Change and Dynamic Capabilities have been widely discussed in the strategic management literature and serve as theoretical foundation for this dissertation.

While strategic change indicates the company's alignment with its external environment by revising its fundamental nature, dynamic capabilities are the firm's potential to systematically solve problems, determined by different propensities. Using the real-life example of HelloFresh, a meal kit supplier who became the global market leader in its segment within seven years of existence, the dissertation showcases the theoretical groundworks of Strategic Change, motives for Mergers & Acquisitions and the Dynamic Capabilities view. It explains a) in which ways the firm initiated strategic change, b) why HelloFresh was motivated to change their resource base, for instance by acquiring other start-ups, and c) illustrates the importance of deploying dynamic capabilities to attain competitive advantage in the context of fast changing environments.

The main take-aways of this thesis include the utterly importance of constantly scanning a firm's internal and external environment and moreover, using shifts in society, technology or other fields as an opportunity for the company. Hereby it is significant that decisions are made with the right timing and directed at the right market. The thesis shows that a start-up can become an international market leader in only a few years by addressing consumers trends, constantly improving product, services and processes and expanding not only internationally but also vertically by introducing new products and services that help to stay competitive in such a dynamic environment.

Even despite their tremendous growth and collection of customer data, which represent further opportunities to expand their business, after all it can only be evaluated in the future whether HelloFresh's business model will allow for profitability.

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