



MGT 490 - Dr. Chowdhury - Case #29

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# What is Fresh Direct?

## 2001 Launch

Proclaimed they were the “new way to shop for food” and offered “higher quality for lower prices”

## 300 zip codes

Offers online grocery shopping and delivery service to more than 300 zip codes in the New York Tri-State area

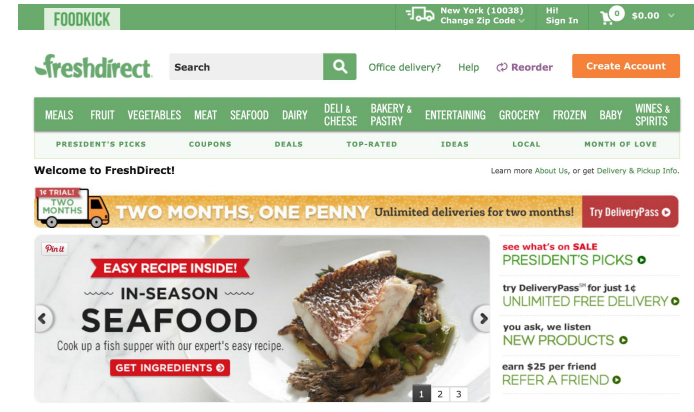
## Facility

State-of-the-art production center and staffed with expert personnel. This center also includes 12 different temperature zones

## Meal Prep

Hire experienced chefs to prepare “heat-and-serve” dishes. They also offer a set meal option or ingredients for consumers to create their own dish

Freshdirect has a “Made-to-order” philosophy in an industry that is projected to reach \$9.4 billion by 2017



*“Our food is fresh, our customers are spoiled... Order on the web today and get next-day delivery of the best food at the best prices, exactly the way you want it, with 100% satisfaction guaranteed”*

- Fresh Direct

## What is the business strategy?

### SAP Manufacturing software system:

controls each detail of the production system

Quality control with high standards

The main focus is placed on the product,

rather than the provided service

### Low-cost marketing approach:

only utilized billboards, PR, and word-of-mouth

## How do they make money?

Saved money by taking out the middleman, and on rent because there is no physical location

Realized that strong relationships with suppliers and micromanaging controls would help save money on their startup costs would build long-term success

Offers customers an alternative to the standardized products sold in supermarkets

Automated order fulfilment and reduced real estate cost, are likely to have 10% operating profit (compared to 3-4% for traditional supermarkets)

## What is Freshdirect's revenue?

Revenue comes from 75% perishables and 25% packaged goods

Different than traditional grocery stores where:

50% packaged goods and 50% fresh foods

By 2013, Freshdirect had 250,000 customers with \$400 million in sales

# SWOT & Competitor Analysis

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>Extended business to include groceries and household products</li> <li>Large inventory of products</li> <li>More effective method for purchasing groceries at supermarkets</li> <li>Custom made meat products</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Constant changes in senior management (5 different CEO's in 8 years)</li> <li>Slow growth rate for delivery</li> <li>Only serves a small sector</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Obtaining certifications to prove the freshness of their products</li> <li>Allowing a larger window for delivery/more deliveries going out throughout the day</li> <li>Expanding to more states</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>Increase in competition</li> <li>Increase in brands offering product delivery (i.e. Amazon)</li> <li>Substitutes that offer same priced prepared meals for delivery (i.e. Seamless)</li> </ul>

## Competitors

*Freshdirect competes with other online grocery delivery brands, established gourmet brick and mortars, and specialty gourmet stores in Manhattan*

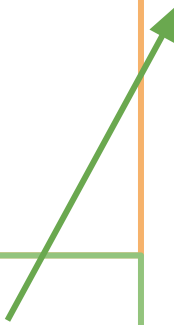
*YourGrocer.com* - biggest competitor in New York area, focused on bulk-ordering delivery, and offered large savings

*PeaPod* - centralized distribution model, delivers to multiple metropolitan areas nationwide, ensures on-time delivery

*NetGrocer* - delivers to 48 states in 3 to 7 days, large selection of brand name products

*Amazon* - delivery of non-perishable goods, no need for speedy delivery

*FreshDirect also has additional competitors that were not mentioned in the case study.*



# Small Issues the Brand is Facing

<i>Problems</i>	<i>Freshdirect's Solutions</i>	<i>Recommendations to Improve Solutions</i>	<i>Why Will it Work?</i>
Discrimination Accusations	South Bronx distribution center	Transition to energy efficient trucks	The trucks will not contribute to pollution
Environmental Concerns	100% post-consumer recycled paper	Implement recycle program	Will reduce waste after deliveries have been made
Increase in competition	Introduced FOODKICK	Closely monitor Amazonfresh's increasing efforts	Offer competitive rates + delivery time to keep customers
Union formation efforts by employees	Provide legal immigration papers	Offer improved benefits packages	Please employees and build a better brand image

## *Main Issue the Brand is facing*

**Problem: Consumers question how fresh Freshdirect's products are**

### Freshdirect's Efforts

Introduced the  
'Daily Produce Ratings System'



A ranking system used to share the quality of fruits, and vegetables available for next-day delivery

Now the ratings system is also used for seafood

### Recommendations

**Implement a similar rating system for meats**  
*to keep a cohesive website*

**Follow up satisfaction survey**  
*to make sure the quality of food delivered was up to company standards*

**Offer discounts**  
*for those who report unsatisfactory deliveries*

**Offer a live chat on the website**  
*for a more engaging shopping experience*

**Encourage reviews under purchased products**  
*to get detailed feedback for further customer insight by incentivising them with discounts*

**"Meet Our Farmers" Tab**  
Broadcast local farmers doing business with FreshDirect to show consumers where their food comes from

## Final Thoughts

### Negative Press / Backlash

- Protests outside construction of South Bronx facility because of high traffic and pollution concerns
- Double-parking in NYC makes city-goers frustrated with congestion
- **Multiple lawsuits by employees such as:**
  - Paying 1.2 million to stop Class Action allegations that FreshDirect withheld 23 million in overtime wages and gratuity
  - Loss of employment or faced disciplinary actions after refusing to work during a state of emergency

### Product Freshness

- Have consistent freshness to increase customer loyalty
- Help gain the attention of potential customers
- Increase market share
- Customer engagement in review and comments to gain insights of consumers' needs



***Thank you***