
CASE STUDY TOO GOOD TO GO

Aspects of a successful and sustainable
business venture

Benjamin Meixner
Faraz Muhammad
Pavel Lazarev
Matthäus Engelbrecht

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1 TooGoodToGo Where?

Over 30% of food is lost or wasted each year.[3] This number is even more striking, given the large number of hungry people in the world. Wasted food is not only inefficient, it's a social justice issue. Founded in 2016 in Copenhagen, Too Good To Go Holding APS (TGTG) helps everyday people fight food waste in their local communities by connecting them to restaurants and grocery stores with surplus meals and ingredients through an app (marketplace). Once registered, users can choose from their favorite local spots to pick up meals like sushi, or ingredients like apples and avocados for a third of the normal price. This presents a win-win-win solution in which consumers get great food, store owners no longer throw away delicious surplus and most importantly directly address the impact it has on the environment and climate. TGTG monetizes this process by charging a small fee to the food business for every meal saved as well as charging food outlets an annual administrative fee for being registered on their platform.

The mission of this company is to inspire and empower everyone to fight food waste together. To this end, the team initiates projects and builds partnerships with businesses, households, schools and governments to create real change in legislation against, educate about and practice reduction in food waste.[5]

With the company now on track to profitability, it is launching the next phase of its development headlined "Impact at Scale". This stage will enable the business to save food from going to waste at a much bigger scale than at present. This is observed through the acquisition of the French SaaS (Software as a service) company CodaBene with their main product 'FoodMemo'. FoodMemo is a 2-in-1 solution to detect short-dated food products and optimize their end-of-life. With FoodMemo as part of TGTG's offering, they can service medium and larger size retailers across our markets with an even stronger package. For 2023, TGTG is expected to see a continued solid double digit revenue growth – supported by both the marketplace, FoodMemo and additional product development.

2 Market Orientation

The largest base pillar of a service like TGTG is strong marketing. Since the service is practically capped with the prices that they can earn with a single meal saved, they can only meaningfully increase revenue by saving more meals. TooGoodToGo has increased its annual saved meal count by 50% and reached 20 million additional users within 2022 [5]. But how did they manage such a marketing feat?

TGTG is in a challenging situation, since they cannot invest huge amounts of capital into marketing. Therefore, they have to work with low-budget marketing channels such as stickers and branded paper bags. These are low-cost and still promote the brand at key points in the decision making of customers. Another way in which they excel is in media coverage. The company and its services have received more than 25.000 media occurrences [5]. A major part of their marketing channel management is mouth-to-mouth marketing. Since perfectly good food at a fraction the price is a topic which is interesting to virtually everyone, and this mode of marketing works exceptionally well for TGTG. According to semi-structured interviews, social, functional, and emotional values are the success factors for the TGTG app to accomplish its social missions of reducing food waste and CO2

emissions and allowing everyone to access quality food at an affordable price [1].

One more interesting aspect is the diversification of products in different countries. Since they operate in 17 countries [5] and each country is different, they need a more diverse product portfolio. Not only the **Magic Bags** where most meals are saved directly from restaurants are a success. Also the recent **Magic Parcels** target a different part of the food supply chain, in which they aim to reduce the waste in the production or preparation of food. To complete the product range they have 2 services targeted at resellers. **FoodMemo** is handling out-of-date times of various products and helps businesses with forming better decisions about their stock of foods while the **often good for longer** stickers signal to customers that this product can be consumed oftentimes beyond the run-off date. [5]

The ongoing growth of TGTG is likely to continue since there is still a great potential in this market. Food waste is not just a pressing issue of society as a whole but also a lucrative business endeavor for all participants. First off, there are still a lot more countries to expand to. France alone accounts for almost 60% of sales while all other 16 countries share 40% of meals saved. Also, more stores and restaurants are continuously signing up and therefore there is still great potential even within well-established countries.

3 Personell

TGTG is a promising startup and is steadily growing. This can be proven by their employee numbers which rose by 19.5% in the last year. They are not just growing, but also paying their employees better than before. This can be seen by their operating loss, which decreased by 48% and of that 89% go to employees. In addition to that, TGTG offers a warrant program to retain certain key employees. In 2022, 174,330 warrants were granted under the program. That's more than triple the number of warrants granted in 2021 (50,330). Those warrants are exercisable within 1-10 years as of grant date. The right to vest them is subject to continued employment. As of 31 December 2022, 305,680 warrants were outstanding but not all vested to be exercised. [5]

They also place a big emphasis on Equality in the Workplace. According to their Impact Report they consist of 53.3% women, have an LGBTQIA+ quota of 13.3%, disability quota of 6.2%, and employ 13% of ethnic minorities. Their Gender-specific salary falloff is at 6.04%. Even though this is far below the European average of 13%, TGTG still comments that they want to bring this number down to zero. [5]

To further improve their diversity within employees, they created their plans for Diversity, Equity and Inclusion (DE&I). In these plans, they set the following Goals until 2025:

- TGTG wants at least two people from an underrepresented group on their Board.
- They want to increase the percentage of women in management positions from 38% to 50% and the percentage of ethnically diverse groups from 0% to 10%
- They intend to increase the ratio of ethnic groups in the workplace from 9% to at least 15%
- TGTG wants an increase in people without a University diploma from 3.2% to 15% [5]

TGTG also introduced so-called "Employee Resource Groups". These are supposed to support integration and representation of the following marginalized groups: Women, LGBTQIA+, People of Color and People with a disability. [5]

They also have a program to motivate their employees to work at local food banks. Within this program, they 'gift' their employees four paid working days. 757 employees took advantage of this program and accumulated 3000 hours in 2022, and 5700 in total. [5]

On online rating platforms flexible working hours and good teams get praised: however, there is also some criticism [8]. TGTG has a 4 star rating on Kununu for the DACH-area and Glassdoor for the US (both 3.8 out of 5). Some reviews mention stress, high turnover, low pay, limited growth prospects, and management issues. [9] [10] [11]

4 Social Responsibility

The practice of inclusion and diversity in their workforce can also be seen as a fulfillment of their corporate social responsibility (CSR) with regards to business ethics. The importance put into fairness, compassion, transparency and environmental concern is reflected in their Code of Ethics and their zero tolerance policies towards harassment.[5] This will not only motivate their workforce but strengthen the company's vision and image. It may result in attracting investment and retaining existing customers as well as bringing new ones.

With relevance to stakeholder management, everyone in the supply chain is winning. The suppliers, or in this case businesses selling surplus food, have an increase in revenue which would otherwise be a wasteful expense (which is almost 79 million meals just in 2022 alone). Customers across 17 markets are buying the same food at a cheaper price than they would have gotten by buying through standard means.

B Corp certified companies are verified by the non-profit network B Lab to meet high standards of social and environmental performance, transparency and accountability. [4] In 2019 TGTG became a B Corp to verify the high standards of social and environmental impact in how the business is run, and to show its commitment to delivering business in a way where profit and purpose are interlinked. Being a B Corp means they have changed their Articles of Association to ensure they have a significant positive impact on society and the environment as a whole. Furthermore, TGTG was named "Best in the World" in the governance category twice in a row. [5]

TGTG being one of the leading examples of fighting food waste is not only looking at continuously improving and developing itself sustainably, but also contributing in the movement against food waste on a global scale. At 2022's COP27, the UN's annual climate conference, TGTG's policy team took part in a panel discussion on 'Why the climate crisis demands food waste regulation'. A full program of 'food systems' events was run at COP27, finally acknowledging the importance of food in the climate crisis.

TGTG has joined the '123 Pledge' [12]. A call to arms challenging governments, companies, and institutions to commit to concrete steps towards reducing the climate impact of food waste. TGTG has committed to, among other things, encouraging and supporting governments in ten countries to shape and improve food waste policy measures. Being a member of the EU Platform on Food Loss and Waste, TGTG has assisted in drafting regulations and proposals in Spain, Denmark, France and Austria as of 2022.

5 Liquidity and Financial Resources

The financial statement, published in the Annual Report (2022), reflects the growth and development of TGTG and can thus be considered promising for the company and its customers.

Launched in 2016, it took TGTG six years to reach the first 100 million meals saved; the next 100 million meals were saved 5 times faster, in under 1.5 years [6]. The company's continued extension is reflected not only in the popularity of the app (7th most downloaded app worldwide in the Food & Drink category), acquirement of CodaBene (French company with a solution to detect short-dated products and optimize their end-of-life) or the number of business customers (130,000 monthly active stores), but also in the increased turnover (revenue) (+53.7%) in all geographic regions, where TGTG operates, in comparison to the year of 2021.

Accordingly, gross profit grew by more than 50% ($62.3 \rightarrow 95.2$ mln EUR), while the cost of sales (goods sold to the customers and the payment fees related to the transactions on the marketplace) decreased by 40.2%, which demonstrates improved efficiency.

Operating and net loss could be explained by the relatively high fixed costs, and their main component is the cost of employees, whose number increased by 19.6% in 2022. At the current phase of the company growth, these numbers are justifiable by the need to hire and retain skilled personnel, that will allow improving positioning and win new customers in the geographical areas to which TGTG expanded in 2021. Another positive sign is diminished external (mainly marketing) expenses, which were reduced by almost 20% in 2022.

Overall, there was 35% less operating loss (EBITDA, -28.6 vs -44.1 mln EUR), 27.7% less net loss (-37.6 vs -52.1 mln EUR) as well as improvement in ROCE metric in 2022, compared with 2021, which could signal the (near) end of COVID-19 negative effects (TGTG does not use delivery services) and the beginning of market penetration in the 'new' countries. Moreover, the company managed to make a positive EBITDA before special items and share-based payment in Q4 2022.

Cash flow statement shows a positive cash balance (liquidity) with a slightly negative operating cash balance (albeit much less so than in the year before) and reflects the ongoing investments. Inflow of cash exceeding 50 mln EUR from existing and new investors in 2022 mirrors their belief in the business idea and future of TGTG.

6 Cost and Risk Awareness

The management of TGTG recognizes the value of having a resilient business model, product/marketing, and personnel agility for overcoming existing and possible challenges. Agility of their business itself is reflected in the revised strategy to assess progress on a monthly (rather than annual) basis and a new operating model with four main regions 'in focus' and global support. The decision to stay within the same operating area and not no launch new markets in the year of 2022 comprises a rational strategy to avoid unnecessary risk and prevent excessive loss from overinvesting while exploiting the market potential in the current operating areas. Understandably, partner-related investments of the company aim to drive supply consistency and volume, which could help to keep both businesses and customers on the platform.

In their own words, TGTG strengthened the focus on Enterprise Risk Management in 2022, with active engagement of senior leaders in identification and (re-)validation of risks integrated in business operations and strategic planning. Regular review of the existing risks, their potential impact, and countermeasures is part of the routine in the company as part of the Risk Management and Internal Control Framework. Most crucial risk subjects which partially correspond to risks perceived by consumers [2] and ways to mitigate them were highlighted in the Annual Report [5]. Based on the above, one can conclude that TGTG appreciates the costs and risks in accordance with their relevance and importance, and this appreciation is incorporated in their realistic business strategy.

7 Conclusion

Overall, the business idea of TGTG is based around sustainability and actively promotes tackling food waste through the marketplace itself [200,000 CO₂ emissions prevented in 2022] and ongoing initiatives mentioned above, which is why we did not include a separate section on this aspect of the business and decided to evaluate other characteristics instead. Although there is room for improvement and still some way to go before the company makes a sizable profit, TGTG already stood the test of time for a start-up, not only having survived the pandemic and being in business for 8 years, but also expanding, enjoying good publicity and a growing number of customers. The success of TGTG and its potential to be a role model for aspiring sustainable businesses was recognised in 2022 when it was included in the list of 100 Most Influential Companies compiled annually by the Time Magazine [7]. We hope it is just the beginning of the story for TGTG to become an even ‘better, kinder, and more effective business’, in the words of its CEO, Mette Lykke.

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