

After an initial conversation with the Chief Executive Officer (CEO) and Chief Marketing Officer (CMO) of Fuel Foods, I have discovered some potential problems and areas of research that could improve the services and market reach of Fuel Foods (FF). The first of these areas is websites or customer review apps, where previous users are commonly leaving poor reviews about the FF service. Another area highlighted by the CEO is the lack of customer retention, with the average customer retention time being two weeks of service out of the last 100 consumers. Discussion with the CMO showed that there is conflict between the demographic being targeted by advertising, and the target demographic for the product, due to poor promotion and branding. Lastly, the CEO stated that they are looking at taking their delivery services from internal to external due to recent growth. These three points will be the main areas of research that we focus on.

Area 1

The Problem

Consumers have been taking to online review tools such as Yelp! and the FF Facebook page to post negative reviews about the service they have received. These negative reviews are hurting the potential for new customers, which is bad for company growth.

Secondary Research Discussion

The influence of others, even strangers, on our purchasing decisions has been well documented. It has been said that up to [88% of people trust online reviews as much as they trust their best friends' recommendations](#), and that one negative review can cost up to 30 new customers. Bias has also been found to be extremely prevalent among all review forums. According to [Harvard Business Review](#), research shows that many of today's popular online review platforms have a distribution of opinion that is highly polarized, with many extremes on either end, and few moderate opinions. When asked to provide reviews of products after purchase, studies suggest that if you actually respond, it is because you either really loved or hated that product. Unfortunately, despite a large discrepancy between the amount of positive and negative reviews, in favor of positive, [we tend to weigh the negative reviews higher than positive](#).

Given the external research conducted, it is safe to say that Fuel Foods needs to counterbalance their negative reviews with an overwhelming amount of positive reviews. In order to do this, FF needs to encourage their satisfied customers to give positive feedback on these online review forums. It would likely need to be incentive based, so that these customers have a tangible reason to give that feedback. If choosing to go this route, FF will need to consider what sort of incentives will be cost effective and still achieve the results of increasing positive reviews. Another counter-measure could be sending out surveys to returning purchasers, asking their satisfaction and why they decided to buy again. This could be used as opposition to all of the negative reviews.

Research Questions

How can Fuel Foods encourage their satisfied consumers to post positive reviews online?
What incentives will drive more consumers to post positive reviews?

What survey will elicit the most positive results from Fuel Foods consumers?

Area 2

The Problem

One huge problem that Fuel Foods has had among all of the poor branding is lack of customer retention. Data given by the CEO has shown that customers on average stay for only two weeks of service from FF, which is extremely low.

Secondary Research Discussion

With other companies such as Blue Apron, having gone public, [data from other food delivering services](#) show that customer retention rates have always been a problem in this market. From the first month, rates only trend downwards in the percent of consumers that return to the service. While first month retention rates can be good, [at around 77%](#), there is a major fall-off to only 29% for one year. A huge part of this can be the price per portion, which is estimated at around \$9-13. While this is comparable price wise to eating out, there is a large discrepancy for buying groceries instead. Based on larger companies such as Blue Apron, it seems that a large reason for this fall off is because of the promotions that are run by these kinds of food delivery services. Many of these types of businesses tend to offer promotions or discounts to new users, in an attempt to gain new customers. This is successful, in a sense, as almost [all revenue growth comes from new users](#). However, once these promotions run out, it appears that very few consumers choose to stick around and pay full price.

Overall, it seems that customer retention is a problem for any type of company in this category of food service. While they can remain profitable (barely) it takes serious expansion, and use of existing resources. Due to the cost of meals, the convenience benefits of these services become overlooked. People are only willing to stick around for as long as they don't have to pay full price it appears. In order to overcome this fall-off of customer retention, it is likely that either service prices will have to go down, or companies will have to continue to give away discounts and run promotions that lower the cost for returning consumers.

Research Questions

What is the median price consumers are willing to pay for a pre-made food delivery service?

What demographics continue to use these services after promotional pricing is over?

How many times on average do Fuel Food users eat out per week?

Area 3

The Problem

The final problem recognized from initial findings was that there is conflict between the target demographic and what demographics are actually being marketed to. The CMO believes that advertising has been focused on the wrong demographic groups, and there needs to be a realignment of the brand image to better execute a marketing strategy.

Secondary Research Discussion

For meal kit services, the primary users are [millennials and gen-xers \(ages 18-44\)](#), with around 27% of those combined populations having tried a meal service before. On top of this, it was primarily urban dwelling people who used these services. Men were found to be slightly more likely than women to use this kind of service, and as could be expected, higher income brackets were the biggest users, with those earning over \$100,000 being the top subscribers. The top three brackets to be targeting for this type of food service, according to [Medium](#), are: college students or young adults, parents, and working professionals. All three of these demographics make sense, as they commonly have a lack of time or desire to go grocery shopping frequently, but still have the desire to eat good, quality meals. [Some companies](#) find the need to target families with small children, saying that they want to provide nutritious, but easy to prepare dinners, for their families.

In general, the findings show that the young adult and working professional demographics are the two key players in the meal kit industry. Families with young children are more of a player when involving the idea of nutrition or health into the kits, however, as Fuel Foods is aiming to promote. Because of the price of quality and convenience, it seems unlikely that college students would become a large population of recurring customers, as they just don't have the disposable income necessary to allow for such luxuries. However, working professionals, and young families often have the income and lack of time that pair together and create the need for meal kit services. Since FF wants to market their brand as health conscious, these two demographics seem like the best opportunity for market growth and customer retention.

Research Questions

How important is the 'healthiness' of the meal to working professionals?

What percent of young families live in a urban area compared to a rural/suburban area?

Are college students willing to pay a price premium for 'healthier' foods?