Meal kits

Sliced and diced

NEW YORK

Upstart food companies may need a new recipe for growth

FOR all the allure of televised fare like "MasterChef" and "Chef's Table", the reality is that many people are loth to rustle up anything more taxing than a bacon sandwich. Cue the recent emergence of more than 150 companies to make cooking easier. Two of the largest, Blue Apron in America and Germany's HelloFresh, deliver boxes of pre-portioned ingredients and easy-to-follow recipes to doorsteps worldwide for a fee of around $60 a week.

Blue Apron is also serving up a belly full of woe to investors. Less than a year after it went public in June with a $1.9bn valuation, its share price has fallen by 80%. Although the shares of HelloFresh, which debuted on Frankfurt's stock exchange in November, have risen by 24%, analysts are concerned that both services may fall prey to competition not from rival startups, but from big grocers.

Supermarkets have gobbled up the meal-kit idea and made it their own. Instead of enrolling customers in a weekly menu of meals, these companies offer in-store kits on a day-by-day basis. Albertsons, an American supermarket firm that bought a subscription-based meal-kit company called Plated in September, announced last week that Plated's products will be available in hundreds of its stores this year. Walmart will soon do the same with its own kits in 2,000 of its stores. Amazon and Weight Watchers, a weight-loss brand, have a slice of the $2bn market, too.

The subscription services can boast legions of youthful, time-starved fans, many of whom like the convenience of home delivery and the niche products, such as organic vegetables. But in-store meal kits sidestep subscription-based brands' biggest problems; retention and acquisition. HelloFresh doubled its customers to 890,000 last year, as well as the number of delivered meals to 20m, but 90% of its American clients defect after a year, says Second Measure, an analytics firm.

Cost deters many, as does the grind of sticking to a dinner schedule made days in advance. Blue Apron loses customers nearly as fast as HelloFresh; bungled orders due to glitches at its new fulfilment centre last year made matters worse. At its peak it boasted 1m subscribers. Its client list shrank by 15% in 2017.

When the firms sign up new customers, the cost to acquire them is exorbitant. Daniel McCarthy of Emory University finds that Blue Apron loses money on more than two-thirds of the customers it brings in. Like Blue Apron, HelloFresh is not profitable and spends a lot on marketing and promotional discounts to acquire subscribers. Mr McCarthy estimates that each new client costs the company $94; Blue Apron shells out $84.

Supermarkets already have the footfall to minimise such costs. And because of their existing supply chains, they do not incur the same cost for ingredients as the subscription-based services, nor do they have delivery charges. What they lack in novelty value, they can make up for with variety.

Blue Apron and HelloFresh are refusing to bow to the pressure. In March Blue Apron said it plans to sell its kits at selected American retailers this year. But such a large pivot, says Mark Mahaney of RBC Capital Markets, an investment bank, is disconcerting. If even the biggest brand cannot stick to the subscription model, the smaller ones may be in for the chop. ■

Shipping

Smoke on the water

The shipping industry attempts to cap carbon emissions

ACROSS the river from the International Maritime Organisation (IMO) headquarters in London protesters have pressure-hosed "IMO DON'T SINK PARIS" into the muck lining the walls of the Thames. The river bank is not the only thing that is dirty.

Shipping and airlines were the only greenhouse-gas-emitting industries not mentioned in the 2016 Paris climate agreement. This was, in part, because assigning emissions is hard. To whom should you designate emissions for shipping Chinese goods, made with South Korean components, across the Pacific to American consumers? But similar problems did not stop airlines quickly agreeing on an industry-wide limit. This week delegates to the IMO, a United Nations agency responsible for shipping safety and pollution, met in a belated attempt to catch up. A deal was due as *The Economist* went to press.

It may not be an impressive one. A preliminary agreement set out to achieve cuts of 50% on 2008 emission levels by 2050. Ambitious nations, like those in Europe, think the industry should be carbon-free by then. Shipping produces 3% of the world's greenhouse-gas emissions, similar to an economy the size of Germany's, and that is likely to grow.

Lack of cleaner shipping technology is not a constraint. New design standards are already lowering harmful emissions. Zero-carbon fuels are becoming available. Slowing ships down by 10% could reduce fuel usage by almost a third.

Diplomats argue that the slow progress is because their actions affect not just the shipping industry, but exporters too. If regulators move too aggressively they may reduce the competitiveness of seaborne trade. For instance, Brazil, a big exporter of iron ore to China, fears overzealous caps could drive shipping costs higher, helping its competitor, Australia, whose ores travel a quarter as far as Brazil's. The idea of slowing vessels down draws ire from countries that export perishable goods, like cherries and grapes, as Chile does.

Others argue that powerful lobbyists have hijacked the process. A report by InfluenceMap, a research firm, found that at a recent IMO meeting 31% of nations were represented, in part, by direct business interests. Thomas O'Neill, one of the firm's researchers, is irked by the power of business at the IMO. "In Paris we did not have coal companies telling us what was possible."

Countries with large shipping registers can have starkly different interests. The Marshall Islands, a low-lying nation keen to allay climate change that is also home to the world's second-largest shipping registry, leads the call for drastic cuts. Its president co-authored a vociferous op-ed in the *New York Times* last week calling for swift action. But Panama, which has the biggest shipping registry, is an opponent. Japanese firms sail many ships under its flag. InfluenceMap says it may be the biggest obstacle to ambitious emissions curbs. Slow sailing indeed.