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Blue Apron: Turning Around the Struggling Meal Kit Market Leader

In 2016, Blue Apron was the leading meal kit delivery business in the United States. But a steady diet of customers with poor lifetime value had left executives hungry for better performance.

By most traditional financial metrics, the initial registration form Blue Apron filed in advance of its initial public offering (IPO) showed a successful business in a rapidly growing industry.¹ Meal kit sales had grown to \$5 billion in 2017 and were expected to grow at a 20% annual rate in the years to come. Blue Apron held a commanding 53% market share. What's more, the category was well positioned to extract a larger portion of the overall grocery market, and Blue Apron stood to benefit.

But other signs pointed to long-term troubles for Blue Apron. Focusing on sales growth, the company began acquiring more customers at a higher cost. Worse, the newer customers generated less revenue on average than those acquired earlier in the company's history.

Blue Apron went public (NYSE: APRN) on June 29, 2017. The IPO received significant media attention but a mixed market reaction. The price was \$10 per share, well below the company's target IPO range of \$15 to \$17. Over the next five months of trading, Blue Apron's stock price dropped 70%. On Nov. 30, 2017, with the stock price trading at \$2.99, CEO Matt Salzberg resigned.

Brad Dickerson, Blue Apron's former CFO, stepped in as the new CEO. He faced a formidable turnaround task. Just how valuable were Blue Apron's current customers? And how should the company manage its customer relationships to improve profitability and, in turn, Blue Apron's valuation?

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