



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Entrepreneurship A2

Group Presentation

Professor: Dr. Gladius Kulothungan
Students: Bhavinkumar Patel (2223420)
Manav Gandhi
Vanshika (2224637)
Dinesh
Priyanka Mithil Raval (2225567)

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1. Introduction

Established in 2012, Farmdrop emerged as a pioneering force in the UK's online grocery sector, revolutionizing the farm-to-table movement.

Notably, the company's commitment to minimizing food miles and supporting local farmers resonated with a growing segment of environmentally-conscious consumers.

By 2020, Farmdrop had already garnered a substantial customer base, attesting to its appeal within the evolving landscape of conscious consumerism.

2. Background of Farmdrop

Farmdrop, which was founded in 2012, has emerged as a forerunner in the online grocery business, revolutionising the farm-to-table movement in the United Kingdom.

Farmdrop has over 10,000 customers by 2020, indicating its popularity with a rising sector of ecologically aware consumers (Theguardian.com, 2021).

Farmdrop developed a place for itself by advocating ethical and transparent procurement practises, with an emphasis on sustainability and fresh, locally produced goods.

The company had raised about 41 million dollars in capital over 10 years of its business, and several factors have contributed to its collapse (Telegraph.co.uk, 2022).

3. Market Opportunity & Expansion

This rise in demand highlighted the simplicity and security of online buying, pushing people to seek out additional purchase options (Ben Hassen and El Bilali, 2022).

This change showed the potential of the online grocery sector and placed Farmdrop in a position to capitalise on a growing client base.

4. Funding and Investments

The company was successful in raising a sizeable sum of money over the course of a decade, amounting to over \$41 million (Telegraph.co.uk, 2022).

This funding came from a variety of investment rounds, including large infusions in 2018 that included \$10 million for the expansion of operations into the northern region of England (Theguardian.com, 2021).

Further inquiry revealed that Farmdrop, although receiving a sizable amount of funding, ran into issues that restricted its ability to generate revenue.

5. Factors Leading to Failure

It is possible to blame Farmdrop's failure on both internal and external issues. A significant barrier was presented by the industry's severe competition for online grocery delivery services.

Farmdrop found it more difficult to develop a sustainable market share because to the heightened competition from both established retailers and new entrants (Рахно and Шрамко, 2019).

Furthermore, the changing nature of customer preferences, fluctuations in business trends and changing regulatory requirements added to the complications.

6. Supply Chain Challenges

The Bullwhip Effect describes how small fluctuations in customer demand can lead to amplified fluctuations in orders, creating inefficiencies and inventory imbalances along the supply chain (Liu and Sun, 2021).

The Forrester Effect, a component of the Bullwhip Effect, explains how information distortion increases as it moves upstream in the supply chain.

These supply chain challenges underscore the significance of robust demand forecasting, accurate inventory management and transparent collaboration in sustaining an efficient supply chain, as evidenced by Farmdrop's experiences.

7. Competitive Landscape

The grocery delivery sector in the United Kingdom is characterised by fierce rivalry, which corresponds to Porter's Five Forces concept (Wanyonyi, 2021).

Farmdrop competed in an increasingly competitive market, battling both established shops and new competitors.

Differentiating against established merchants, on the other hand, may have been difficult due to their extensive product selection and brand familiarity.

8. Scalability Challenges

Maintaining consistent product quality became difficult as the firm grew. It became difficult to ensure that the locally obtained goods fulfilled high-quality requirements on a large scale.

Customer satisfaction dropped when the organisation went through growth difficulties (Brandtner et al., 2021).

9. Pricing Strategy

Farmdrop used a premium pricing approach to represent their dedication to sustainability and excellence.

However, the high cost proved a barrier to widespread acceptance, especially when contrasted with the cheaper rates given by major grocery chains (Melovic et al. 2020).

10. Inexperience of Management

According to the Upper Echelons Theory, Farmdrop's failure can be traced in part to the relative inexperience of its management team.

Underestimating competition pressures, neglecting operational issues associated with rapid expansion and miscalculating the impact of the premium pricing strategy on market positioning are examples of these errors (Eisenmann, 2021).

11. Impact of COVID-19

Farmdrop's activities were impacted in two ways by the COVID-19 outbreak. On the one side, the lockdowns resulted in an increase in demand for online grocery delivery, which aided the company's growth.

This increasing demand, however, put pressure on Farmdrop's operating capabilities, potentially causing interruptions in supply chains, inventory management and timely delivery.

The epidemic underscored the significance of agility and adaptation in dealing with unexpected fluctuations in demand (Khan, Piprani and Yu, 2023).

12. Post-Mortem Analysis

- A post-mortem study is a thorough investigation carried out following a business failure to painstakingly look at the elements, decisions and incidents that led to the company's conclusion.
- Conducting a post-mortem analysis is crucial in the context of Farmdrop (McCarthy et al. 2021).
- Through this introspective process, a culture of failure-learning, creativity and improved decision-making is fostered.

13. Unpaid Invoices and Customer Impact

Farmdrop's demise had a tremendous impact on small businesses, farmers and consumers throughout its ecosystem (Forbes.com, 2021).

The ramifications of unpaid bills and unfulfilled orders highlight how interrelated the ecosystem of stakeholders is inside a corporation.

The Farmdrop case is a heartbreaking reminder of the wider effects that a company's failure may have on its suppliers and clients, highlighting the significance of ethical corporate conduct.

14. Lessons Learned

The company created the platform to connect farmers and global supplier with the buying public and the failure of the company have severely impacted small producers and farmers (Forbes.com, 2021).

First, in order to avoid hasty expansion at the expense of quality, sustainable growth must be in line with operational capabilities.

Secondly, to overcome obstacles and make wise judgements, good management with sector knowledge is essential (MacLeod et al., 2022).

Entrepreneurs can stimulate creativity, generate resilience and create a foundation for long-term success in the changing world of online retail and sustainability-focused businesses by taking these principles to heart.

15. Future Implications

First off, the failure highlights the necessity for sustainability-focused businesses to establish a balance between their goal and commercial viability (Bocken, Weissbrod and Antikainen, 2021).

Second, it makes businesses reevaluate their pricing strategy and encourages them to provide competitive prices without sacrificing quality.

16. Conclusion & Recommendations

Conclusion

The company's demise was the result of a confluence of elements including fierce competition, quick development, pricing strategy and management inexperience.

Recommendations

- ❖ Strategic Planning: Place an emphasis on slow, steady expansion that enhances customer reach while maintaining service quality.
- ❖ Operational Efficiency: To satisfy demand spikes, use reliable inventory management and effective delivery methods.

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