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ENTREPRENEURSHIP ASSIGNMENT 2 – LCMB7004

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Explanation

Factors Contributed to Failure

1. Not Sustainable Model

Farmdrop was a loss-making company. This was caused by a number of things, including their business model's high cost and complicated logistics. They have to make significant investments in a supply network to guarantee that the goods were delivered on time and in good condition. Farmdrop was unable to pass these costs on to clients without raising the price of their products because it was an expensive operation.

2. High Cost and High Price

Farmdrop had to concentrate on high-quality, farm-to-folk produce to uphold their high standards of excellence. This required them to make significant investments in their distribution network and supply chain. Which led to high cost.

Due to that their price is higher than other competitors. Because of premium pricing the company's addressable market was constrained as a result, which made it challenging for them to turn a profit.

3. Face competition from other Players

The industry for online grocery delivery has seen a spike in new companies in recent years. There are both long-standing competitors like Ocado and Deliveroo and more recent entries like HelloFresh in this category. Due to these businesses' advantages in economies of scale and brand awareness, Farmdrop found it challenging to compete.

Also well-established grocery retailers and their online delivery services like Tesco, Morrison's, Asda

4. Customer Acquisition and Retention

Farmdrop prioritised acquiring customers and extensively invested in marketing and advertising. They did not, however, emphasise customer retention. They experienced a high percentage of client attrition as a result.

This was partly brought on by Farmdrop's expensive goods. It was also a result of Farmdrop's business model not being as practical as some of its rivals. For instance, Farmdrop required advance orders from clients, which was not always convenient.

5. Poor Planning

Farmdrop frequently modified their business model. They first offered subscription services before transitioning to a conventional online ordering strategy.

Farmdrop's product selection was also overly broad. In 2018, they offered over 450 items, which made it challenging for them to concentrate on their core offering and successfully manage their supply chain.

6. Mismanagement and Financial Constraints

The failure of Farmdrop highlights the value of simplified inventory management and effective delivery methods (MacLeod *et al.*, 2022).

They made the decision to expand the company without considering its sustainability. As a result, the business ended up getting into a lot of debt.

Additionally, it appeared that the management team was more concerned with valuation than it was with creating a long-lasting company. This was demonstrated by the fact that they raised a sizeable sum of money at high values despite the fact that the business was not profitable.

Farmdrop's business model ultimately collapsed as a result of a number of issues, including as excessive costs, high prices, competition, bad planning, and poor management. These elements made it challenging for the company to turn a profit and expand its operations.

Farmdrop need substantial money to support its growth (Cherubini, Elena, 2020).

Investment v/s profit/Loss after Tax

Years	2016	2017	2018	2019	2020
Funding	£3 Million	£7 Million	£10 Million	£6.5 Million	£6 Million
Profit After Tax	£-1.96Million	£-3.91Million	£-7.48 Million	£-10.79 Million	£-8.58 Million

Lessons Learned

1. Sustainable and scalable Business Model

Avoid hasty expansion at the expense of quality, sustainable growth must be in line with operational capabilities.

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

2. Control cost: Negotiate better deal with supplier, Streamline Operations, Eliminate Unnecessary Expenses

Competitive pricing methods that provide value without sacrificing quality are critical for gaining a larger consumer base (Jullien and Sand-Zantman, 2021).

3. Compete effectively

Provide unique value proposition, Differentiate your product with competitor

Makes businesses reevaluate their pricing strategy and encourages them to provide competitive prices without sacrificing quality.

4. Be flexible and adoptable but with focused and data driven approach.

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

5. Learn from own mistakes

Entrepreneurs may apply these concepts to inspire innovation, build resilience and lay the groundwork for long-term success in the fast-paced world of online retail and sustainability-focused businesses.

The collapse of Farmdrop is poised to reshape the dynamics of the sector in several ways. It underscores the imperative for sustainability-focused businesses to strike a balance between their mission and commercial viability (Bocken, Weissbrod and Antikainen, 2021). It is essential for sustainable enterprises to striking a balance between their mission and commercial viability.

Furthermore, the episode makes organisations reconsider their pricing practices. The key takeaway is that success depends on offering reasonable costs that draw clients without sacrificing quality. This aspect is expected to receive renewed attention in the aftermath of Farmdrop's collapse. This component would very certainly receive renewed attention in the aftermath of Farmdrop's collapse (Milford *et al.*, 2023). Additionally, Farmdrop's experience emphasises the importance of managed scalability. In light of the company's failure, the emphasis is shifted towards slow, strategic expansion that is consistent with operational readiness. This lesson emphasises that while expansion is vital, it must be approached with caution in order to avoid operational flaws.

Conclusion and Recommendations

Farmdrop's demise is an intriguing case study that illuminates the issues confronting the online food delivery market. Numerous factors, including severe competition, unregulated rapid development, complex pricing systems and management naivety, have combined to emphasise the crucial significance of strategic understanding, scalability and continuous operational coherence. Farmdrop's demise offers a variety of lessons that could serve as guiding principles for emerging companies in the online food delivery market.

Reflection

The process of working together on this project has been interesting and has demonstrated the strength of group thinking and a variety of viewpoints. In order to extract important lessons and consequences for companies and startups in the online retail and sustainability-focused sectors, our team painstakingly analysed the nuances hidden within the case study of Farmdrop's failure (Suchek *et al.*, 2021). Each team member was essential in building a thorough narrative that captured the core of the case study. All along the process, it was clear that our team worked well together. To guarantee that the material stayed inside the allotted word count while maintaining its depth and coherence, we brainstormed together, organised our ideas and polished them (Park *et al.*, 2023). We unified our opinions to give a well-rounded perspective by embracing the strengths and areas of expertise of each member.

The need for open communication and respect for one another was emphasised while working on this project. We had deep conversations, listened intently to one another's ideas and offered helpful criticism of one another's work. This setting promoted learning, enabling us to hone our comprehension of the case study's complexities and draw useful lessons for prospective business owners. Regarding my work, I actively took part in creating the original concept and concentrated on outlining the most important takeaways from Farmdrop's failure. I added research to the story, drawing on the materials given, to give it more authenticity. We achieved a smooth flow that captured the core of the case study by jointly improving each segment. Overall, this project not only enhanced my understanding of the topic but also emphasised the value of strong cooperation. Our combined efforts produced a well-written paper that effectively communicated the case study's essential elements and drew out insightful recommendations.

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