**Manzana Verde: Uberizing the Food Service**

Larissa Arias, COO and partner of Manzana Verde, was analyzing its expansion projections from Piura to Lima in Peru to Mexico and to the world. Manzana Verde was entering the Mexican market and Larissa told herself, “I want to be a unicorn”. Larissa based her business on UBERIZING the food service chain, orienting towards the comfort of the consumer and the nutritional quality of her food. Her business consisted of prepared meal plans daily and freely delivered to the consumer’s home or office ready to be cooked in a microwave oven and consumed.

The main physical operations included acquisition of supplies and food preparation were outsourced to dozens of restaurants called kitchens and to delivery companies organized as mini hubs. Larissa had recently received a contribution from a venture capital firm for $1.5 million U.S. dollars. This was a huge boost in Larissa’s quest to turn her venture into a unicorn. In January 2021 Manzana Verde entered the Mexico City market expecting to reach 18,000 clients a day, but in December they only had 5,000.

In the year 2021 new Unicorns appeared in the capital markets like Nykaa, which sold cosmetic cosmetics from India, as well as other companies around the world and in all fields including crypto currencies, mandarin-learning app, and credit card support related to technology and “soft” business. Larissa’s business even under a platform, had a hard, physical component and a coordination complexity along the value chain.

She wondered where to direct her efforts and resources for the future.

**Background**

A Peruvian company, Kola Real, had achieved an important uptake of the soft drink market in Peru. Given their succes , they started their operations in Mexico with the Big Cola brand. They grew very fast, but the legal and real competition of the large firms “blue” and red” was tough and forced them to reduce operations in Mexico and diversify their production. Success in Mexico led them to venture into highly populated and low-income countries in Asia, America, and Africa, and also in Europe, sponsoring the well-known Barcelona Football Club.

Larissa, current COO and shareholder of Manzana Verde, was an accountant specializing in auditing. She had worked in one of the “big four” auditing companies and wanted to emulate her sister who held a high position in a large consulting firm in Washington. She was going down that path but then she moved to the commercial area of Zrii, an online company that sold a nutritional drink and a product for weight control, based on Amalaki, an Indian food, Larissa finally decided to work in her own company “to have more free time.”

After deciding to go her own way with a partner, she joined Carlos, current CEO of the company, who had met in Barcelona a company that delivered home-cooked-like vacuum packed food with a lower price than the restaurants where people used to have lunch in business neighborhoods.

They decided to begin in Piura, Perú, a city of 300,000 inhabitants, by offering a healthy diet produced in their company, and vacuum packed delivered to the consumer’s home or office. Soon after, they decided that vacuum packaging was a negative attribute, so they began to use

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1 Unicorns are start-up businesses financed by private equity with valuations over $1 billion U.S. dollars.
sugarcane bagasse recyclable packaging. The initial investment was $ 17,500. In 2017, sales reached $ 11,500 and profits were $ 1,560.

Carlos designed an algorithm to determine a plan close to the individual optimal for singular consumers, by means of an app that related the data of the person: weight, height, body mass, etc. with the content of the food. After 8 months of operation they managed to place 80 deliveries a day.

**Growth**

Given the local success in Piura based on their own cuisine and their delivery system, they participated in a contest of entrepreneurs organized by the Entrepreneurial HUB of University of Piura, together with the Regional Government and the Telefónica Business Foundation. This foundation, as an angel investor enabled Manzana Verde with an initial investment. The company continued to grow and obtained the support of the UTEC Ventures Accelerator for US $ 15,000 that helped the company grow in the city of Lima, Peru, with 10 million inhabitants. For this purpose, given their limited financial capacity, they focused on developing an online platform, outsourcing the hard operations, thus avoiding large investments and capital requirements.

Once again, given their relative success and the need to move quickly to capture new markets, they received support from a group of investors led by MatterScale Ventures who contributed US $ 1.5 million, without the right to participate in the company's board of directors and firm's decisions. As the name suggests, this venture capital firm supports companies with a social sense and whose owners believe in scalability.

With these funds they decided to expand operations in Mexico. This market could triple their sales to more than 18,000 diners, for which they were investing 500,000 US $ just in advertising to reach volume.

**Operations**

The operation is complex since it is a mix of B2B with B2C, which they called B2B2C. Manzana Verde must coordinate daily with producers, distributors and customers.

**Product**

What Manzana Verde sells can be described as personalized meal plans prepared and delivered daily at the consumer's home or office, geared toward losing weight, building muscle mass, or maintaining weight. The dishes are tasty and inexpensive, designed by nutritionists and chefs from the main restaurants, hired for this purpose. Unlike certain weight reduction programs, the products had few calories but lots of flavor. For example the most popular items in Lima were turkey demiglacé and chicken in passion fruit sauce.

In addition to the flavor and nutritional attributes and the added attribute of delivery, consumers sought convenience, comfort, and free time. The consumer chooses a plan from a menu of 200 dishes, of which 15 of them are selected for each week.

Meal plan is "personalized" by nutritionists and has the very approximate amount of proteins, fats and carbohydrates that the body needs to meet buyer's objective. In fact the customer was given the options of dishes closest to his or her personal optimum, but always keeping the approximate requirements of the individual plan, the service also included a digital coaching program.
They saw themselves as a virtual nutritionist with the difference compared to nutritionist doctors who only indicated which generic foods to eat and what amounts, i.e. 20gr of rice, 150 gr. of meat... Manzana Verde prepared the food necessary to achieve the customer’s objective in very appetizing dishes designed by restaurant chefs and additionally sent it to the consumer’s home or office. Menus in Mexico and Peru included local and international dishes, at the suggestion of the chefs. Exhibit 1 shows some sample from the web pages.

The price of the prepaid monthly program was approximately US $ 4.00 a day for just lunch, or about $ 7 for lunch and dinner, including delivery. The prices were similar to the price of the noon lunch menus in restaurants in the city's business centers. The cost price structure can be seen in Exhibit N 2. As costs of food inputs in Mexico were lower than in Perú the 70% paid to restaurants was attractive.

The company was operated remotely from Lima by the CEO and Mexico D.F. by the COO, outsourcing and digitizing the operations managed by 80 people in Piura, Peru as well as in Mexico, Argentina, Colombia, Bolivia and Uruguay under the modality of remote work. In 2021 they were entering Mexico DF, a metropolis of 22 million inhabitants, and Guadalajara and Monterrey with 5 million each.

**Meals Production**

The production of the meals was contracted with select restaurants. The best large and medium kitchens in the city, who were charged for the know-how and exclusive right to their geographical radius with remuneration to the restaurant was 70% of the price.

A single kitchen was hired by geographic area that was a mini-hub to ensure efficient logistics and freshness of food at destination. The weekly production of meals produced by the restaurants was scheduled based on the recipes that were provided to them. In some cases there was coordination with restaurant’s inputs suppliers obtaining better prices in some cases. Customers chose the meals for every weekday on the platform, selecting each day one of the dishes among a variety of products offered. Orders were consolidated and sent to each restaurant for preparation. People could change a single order up to 9 am.

The product was packaged in disposable and recyclable containers made with sugar cane bagasse and at the destination those could be heated by the consumer in one minute in microwave ovens.

**Logistics.**

The restaurants took charge of all the inbound logistics towards their kitchens. The distribution from the kitchens towards the consumers was contracted with delivery companies in the area. Restaurants are chosen by zones to be mini hubs optimizing the delivered cost and freshness of the product.

The function that Manzana Verde fulfilled in the value creation chain was to manage the sales channel, coordinate customer orders and manufacturing orders and delivery, as well as nutritional monitoring of customers, marketing, advertising and control. This was all based on its own business platform developed by one of the partners. Advertising was done through social networks. Exhibit 3 describes the logistics operations.
Current situation.

The company had 3,000 clients in Peru and to date 2,000 in Mexico where it expected to reach 18,000 by 2024. For now they had launched an aggressive advertising campaign.

Future plans

The next concrete step on his path to "being a unicorn" was to enter the Colombian market.

The big players in this market were the Atkins diet tested by millions of users in the world and Keto program that to date had 300,000 users, both are similar: Both sought weight control of the customers. Both systems were based on the reduction of consumption of high-carb, moderate-protein and high fat consumption foods. Customers were provided daily meal plans and recipes to achieve this goal with food to be cooked by themselves.

Dozens of similar programs are seen on the Internet around the world. The difference with Manzana Verde is that they not only give suggestions and recipes but they arrive home on time every day, with a range of very tasty foods that meet the nutritional requirements of the plan.

Even if current financial results were rather low, Larissa believed in the scalability of her business and aspired to be a new unicorn, she wondered what to do in 2022. Exhibit 4 shows the population of the big cities in the world.

Questions

1) What is the complex value proposition of Manana Verde to Kitchen, deliverers and consumers and investors?
2) The project was conceived before de pandemic, how does New Normality might affect this project?
3) What elements would you include to assess the total cost of producing a lunch at home?
4) How scalable is this business?
5) Is this business strategically sustainable?
Exhibit 1

Sample of Meals in Perú

Pescado en costa de ajo
600 Kcal
Pollo en salsa champiñones
600 Kcal
Pancafe de tomate
200 Kcal
Crepas de espinaca
200 Kcal

Filete de pescado al limón
600 Kcal
Lo mein de pollo
600 Kcal
Pancafe de chocolate
200 Kcal
Sandwich de pollo
200 Kcal

Sample of Meals in Mexico

Saopicon de res
600 Kcal
Pasta poblana
600 Kcal
Hotcake de calabaza
200 Kcal
Burrito de pollo y queso
200 Kcal

Fajitas de res
600 Kcal
Tinga de pollo
600 Kcal
Pancafe de chocolate
200 Kcal
Sandwich de pollo
200 Kcal

Source: Manzanaverde.la
Exhibit 2. Costs, Price and Margin

<table>
<thead>
<tr>
<th>Unit cost</th>
<th>US$</th>
<th>Own production</th>
<th>Outsourcing Kitchen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Original Piura</td>
<td>Lima</td>
</tr>
<tr>
<td>Poultry</td>
<td>0.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rice</td>
<td>0.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lentils</td>
<td>0.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>seasonings</td>
<td>0.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>envase</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>0.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Marginal Cost</td>
<td>1.71</td>
<td>55%</td>
<td>70%</td>
</tr>
<tr>
<td>Margin</td>
<td>1.40</td>
<td>45%</td>
<td>30</td>
</tr>
<tr>
<td>Price</td>
<td>3.11</td>
<td>3.11</td>
<td>3.97</td>
</tr>
</tbody>
</table>

Source Requena & Guerrero and owner interview.
Exhibit 3. Operations Flow Description

Production and delivery orders from the Platform
**Exhibit 4**

### World City Populations

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Country</th>
<th>2021 Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tokyo</td>
<td>Japan</td>
<td>37,339,804</td>
</tr>
<tr>
<td>2</td>
<td>Delhi</td>
<td>India</td>
<td>31,181,376</td>
</tr>
<tr>
<td>3</td>
<td>Shanghai</td>
<td>China</td>
<td>27,795,702</td>
</tr>
<tr>
<td>4</td>
<td>Sao Paulo</td>
<td>Brazil</td>
<td>22,237,472</td>
</tr>
<tr>
<td>5</td>
<td>Mexico City</td>
<td>Mexico</td>
<td>21,918,936</td>
</tr>
<tr>
<td>6</td>
<td>Dhaka</td>
<td>Bangladesh</td>
<td>21,741,090</td>
</tr>
<tr>
<td>7</td>
<td>Cairo</td>
<td>Egypt</td>
<td>21,322,750</td>
</tr>
<tr>
<td>8</td>
<td>Beijing</td>
<td>China</td>
<td>20,896,820</td>
</tr>
<tr>
<td>9</td>
<td>Mumbai</td>
<td>India</td>
<td>20,667,656</td>
</tr>
<tr>
<td>10</td>
<td>Osaka</td>
<td>Japan</td>
<td>19,110,616</td>
</tr>
<tr>
<td>14</td>
<td>Buenos Aires</td>
<td>Argentina</td>
<td>15,257,673</td>
</tr>
<tr>
<td>21</td>
<td>Rio De Janeiro</td>
<td>Brazil</td>
<td>13,544,462</td>
</tr>
<tr>
<td>27</td>
<td>Bogota</td>
<td>Colombia</td>
<td>11,167,392</td>
</tr>
<tr>
<td>30</td>
<td>Lima</td>
<td>Peru</td>
<td>10,882,757</td>
</tr>
<tr>
<td>75</td>
<td>Guadalajara</td>
<td>Mexico</td>
<td>5,259,296</td>
</tr>
<tr>
<td>81</td>
<td>Monterrey</td>
<td>Mexico</td>
<td>4,955,506</td>
</tr>
</tbody>
</table>

[https://worldpopulationreview.com/world-cities](https://worldpopulationreview.com/world-cities)
Teaching Note

OUTLINE

With the support of angel investors and accelerators a small firm of Piura Peru was able to capture market share in Lima Perú, and with the support of a venture capital firm they are entering in Mexico market.

Their business concept is delivering flavorful low-calories meals to consumer’s homes or offices under a personalized plan for weight control. The hard asset operations like food production and delivery are outsourced organized in mini-hubs in Perú and Mexico controlled by a proprietary platform in Lima Perú. The founder aimed to become a unicorn which is a startup venture with ventured capital money that has $1 billion U.S. in market capitalization.

Relevance

Technological disruptions have great impact on firms and systems. In a post-Pandemic environment, this case helps to understand the value chain and the emerging coordinating mechanisms, different from the described by Goldberg, that generate great shifts in the market structure.

Digital transformation is a must at all stages of the value chain, redefining the value propositions and value and cost drivers along the chain. Superior experience is an emerging concept in marketing. Scalability based on technology is more feasible now, besides platforms allows a firm to be flexible with the consumer and at the same time rigid in the production.

Target Audience

The case can be analyzed in different groups like senior undergraduate, MAB and MBA and Executive programs.

Teaching Objectives

New boundaries and limits to vertical integration: Uberizing Food Service.

Personalized products and standardized production.

Value proposition and appropriation for chain participants. Experience.

Stages of new venture financing.

Scalability and Sustainability, entry.

Homes as manufacturers of finished food.

Literature References

Goldberg describes the participants in an agribusiness system from seed to consumers and highlights the importance of coordinating mechanism like markets, futures, contracts, etc. and support activities like government, universities etc. His analysis is at the System Level.

Goldberg. Agribusiness Coordination A System Approach to the Wheat, Soybean and Florida Orange Economics. HBS 1968. He

Michael Porter describes the value chain and the primary and support activities at the firm level.
Becker analyzes the Household Production Function and the value outsourcing many home manufacturing activities like sewing clothes or cleaning homes.


Classroom Activity Statement

1) Characters and objectives

A complex value proposition (Q1)

Value for “Kitchens” (Restaurants)

- The system allows restaurants to achieve economies of scope, a source of economies of scale, producing hundreds of additional meals, increasing the utilization of their fixed assets before 11 am each day, a spare time for them.
- This strategy generates additional revenues with no additional investment.
- They might include the improved menus from international chefs in their normal menus.
- Given they purchase greater amounts of inputs, they could obtain certain negotiation power.

The value for kitchens is such that the restaurants pay a fee to participate.

Value for delivery firms

The system allows delivery firms to generate extra revenues when their normal business is rather low. The contract price is based on volume.

The tariff is lower than single deliveries under UBER, but the value comes from the volume, and optimal distances inside the mini hub.

Value for Consumers

Rather than the typical advice of a nutritionist about what and how much to eat, and a diary plan of what to cook in a meal, this system delivers to a consumer the correct food for a weight target, ready to eat and, tasty at consumer’s place, with just-in-time delivery, every day.

The cost of cooking a plate at home might include meat, grains, vegetables and seasonings and requires capital goods: kitchen and cookware. More importantly it requires consumer’s time and know how to ensure a flavorful food. There is also an additional cost of washing the dishes and cookware afterwards. (Q3)

2) Resources

a.—Financial Angels are successful businessmen who want to help entrepreneurs. Accelerators are institutions that help incipient business to grow faster than they would with their own resources, and Venture Capital are firms that take risky investment in business that have potential to scale if successful. The few investments that success pay the losses of the failing ventures.

b.—Local Chefs and nutritionists design the best plates for the local costumers giving taste to the diets that normally are negatively perceived.

c.—Delivery firms. Put the food at home or office for a fee.
d. “Kitchens” (This is the name given to participant restaurants in this business) manufacturing the meals for a price and pay to participate.

3) SWOT Analysis

Strengths
Superior product
Superior experience
Platform
Connections and operations

Weaknesses
Capital
Unknown big markets
Easy to copy concept?

Opportunities
Sao Paolo, Buenos Aires, Bogotá
USA and Europe capitals.

Threats
Low entry barriers

4) Discussion limits and benefits of outsourcing

Outsourcing is valuable if a supplier can produce the required good at a level of quality at a lower total unit marginal cost than the firm. The reason why the supplier can do that is normally because of economies of scale, learning curve, or preemption of assets. In either case economies of scope for the supplier are the main reason.

The firm boundary is rather low because the market is divided in mini hubs within the cities.

The risk of holdup problem is always at stake because a supplier might see your profits and want to do it by themselves. This risk is low in this case. Suppliers might ask a higher proportion of the revenues.

5) Discussion About Going to Mexico

How risky is going from Lima to Mexico DF? The cultures are similar, but the meal plates are quite different. That is not a big problem because the local chefs design the local plates together with nutritionists.

Remote work and platforms make it very easy to enter in distant markets. In this case having the local restaurant support is critical.

6) Becoming a Unicorn

The firm is not close to becoming a Unicorn yet. They need to obtain 600 times what they have already obtained from the capital market to get the $1 billion U.S. dollars market capitalization. Should they focus on Big American and European cities or in huge cities in Asia?
7) Impact of new normality

The concept was born in 2017 and the entrance to Mexico market was in 2021 after the beginning of the pandemic. What are impacts of the new normal in Manzana Verde Strategy?

_______ Restaurants. Work from home will reduce lunch time business for restaurants and people will eat at home. Manzana Verde is a good substitute.

_______ Delivery Firms. Delivery demand will increase

Consumers. The demand for flavorful weight control food is constant while the increased concern about health due to the pandemic, might generate additional demand for this kind of food.

Working at home requires extra time to help in domestic activities; hence outsourcing the cooking might have value.

People working in their offices might prefer to leave the local and to go outside to have lunch in a restaurant, unless they have lunch in parks.

Back to normality might increase the demand for lunches delivered to offices in some cases and also the demand for home delivery because there are many manufacturing activities at home that require time effort and know how. In balance the back to normality effect might be neutral. We should expect more health awareness in consumers that may increase the demand for healthy foods. (Q2)
8) Experience analysis

<table>
<thead>
<tr>
<th>Comparison of alternative lunch time EXPERIENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>RED</td>
</tr>
<tr>
<td>BLUE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lunch Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook diet meals at home</td>
</tr>
</tbody>
</table>

**Before**

- List of ingredients, receipts
- Ingredients purchasing
- Investment in facilities
- Know How
- Domestic Manufacture

**At consumption time**

<table>
<thead>
<tr>
<th>Variable taste and quality</th>
<th>Inadequate Diet</th>
<th>Optimal dietetical meals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh Ready to eat</td>
<td>Rigid</td>
<td>Variety, choice</td>
</tr>
<tr>
<td>Fresh Ready to eat</td>
<td>Fresh ready to eat</td>
<td>Designed by local Chefs</td>
</tr>
<tr>
<td>With company, family</td>
<td>With friends</td>
<td>1 minute Microwave heating</td>
</tr>
<tr>
<td>Lower MONETARY cost</td>
<td>Market price</td>
<td>Alone Office, park</td>
</tr>
<tr>
<td>Commuting for ingredients</td>
<td>commuting to restaurant</td>
<td>Similar to Market price</td>
</tr>
<tr>
<td>Manufacturing Time</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**After**

| Clear the dishes from the table | Washing dishes and silverware | Washing cookware and kitchen Store | Discard leftovers | Discard disposable dishes |

The red elements of the comparison can be seen as “non-monetary” additional costs of cooking at home or having lunch at restaurants. The value of those red elements is variable as value perceptions are personal. (Q3)

9) Case Research

The sources of information are internet publications, personal interviews and WhatsApp communications with the founders and material of a conference by one owner.

10) Follow-Up

The initial results were not that good because the pandemic hurt sales, the firm currently has 5,000 customers instead of the projected 18,000.
Class Plan

a) Description Issues: 20 min
b) Value proposition to kitchens, delivery and consumer: 25 minutes
c) Operations and Logistics: 15 minutes
d) Growth Strategy: 15 minutes
### Goldberg Model: System Level

<table>
<thead>
<tr>
<th>Participants</th>
<th>Input suppliers</th>
<th>Producers</th>
<th>Processors</th>
<th>Wholesalers</th>
<th>Retailers</th>
<th>Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Function and contribution</td>
<td>Genetics, feed fertilizers equipment technology</td>
<td>Planting cultivation and harvesting</td>
<td>Maintain extend shelf life or transform to adapt</td>
<td>Storage and distribution</td>
<td>Storage and exhibition</td>
<td>Storage processing consumption</td>
</tr>
<tr>
<td>Supporting Mechanisms</td>
<td>Universities</td>
<td>Banks Logistics</td>
<td>Terminal Markets</td>
<td>Certifiers</td>
<td>NGOS</td>
<td>Government</td>
</tr>
<tr>
<td>Coordination Mechanisms</td>
<td>Free-Markets</td>
<td>Cooperatives</td>
<td>Contracts Futures</td>
<td>Joint Ventures</td>
<td>Vertical Integration</td>
<td>Central Planning</td>
</tr>
</tbody>
</table>

### Porter Value Chain at Firm Level

![Porter Value Chain Diagram](image)

### Manzana Verde Model: Platform Level

![Manzana Verde Model Diagram](image)
The design of this business based on platforms gives the project a great level of scalability without investment because they outsource all the operators related to tangible goods. They avoid to invest in fixed assets and working capital. Q4.

**Final Comments**

The paragraphs finishing in Q1 to Q5 address the issues raised in the questions of the case.

Golberg’s system approach suggests that single participants must beware they operate in a complex system. Coordinating mechanisms and institutions of support help to increase the efficiency of the participants and the whole system.

Porter analyses the different activities within the firm, required to achieve some competitiveness, some times that competitiveness comes from the complexity of the internal activities that cannot be feasibly copied by competitors at the incumbent firm’s cost.

The coordination of activities under one platform might yield in some cases superior results. Uberizing the system has been useful in taxi, hotels and some other activities. IFAMA published also a case of firm Los Grobo, a firm coordinates 500,000 hectares of mainly third part land.

Unlike UBER that directly coordinates producers and consumers of a service, Manzana Verde coordinates 3 stages, production, delivery and consumption of tangible very perishable goods. In some markets they also help restaurants in the food ingredients stage, with some negotiation power.

The sustainability of this particular business depends on consumer’s loyalty and recurrent revenues, data that has to be analyzed, together with the growth of recurrent clients.