JANE’S HEALTHY GOURMET: A CASE ON SUSTAINING ENTREPRENEURIAL GROWTH (PART A) A CONTINUATION CASE IN TWO PARTS

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ACADEMIC ABSTRACT

Jane Johnson had a family history of cancer and heart disease which made her very aware of the benefits of a healthy lifestyle. She discovered that there was no service offering prepared healthy meals for the home throughout Southern California, so she decided to fill the niche. She chose Orange County as the location to serve Southern California. She opened headquarters in Irvine January 1996.

Jane's plan was to expand throughout California, promoting good health and great-tasting food. She also offers convenience by eliminating need for shopping and cooking, filling the need fueled by a trend of home meal replacement.

EXECUTIVE SUMMARY

Firm description: details of the company, the main protagonists and the major conflict or obstacles to be overcome
Company name: Jane's Healthy Gourmet* (name changed from actual firm)
Location: Irvine, California
Field: Healthy Gourmet Food Delivered to Residences/Workplaces
Established: 1996
Estimated Revenues: $3 Million
Main Protagonists: Jane Smith, founder; daughter, Jessica Smith, President; husband John Smith, partner
Major conflict/obstacles: how to sustain growth with changing market demographics

Goals and objectives of the case:
Students will learn the following from this case analysis:
-How successful female entrepreneurs overcome difficulties in securing funding business startup
-Gender advantages for females entering particular industries and gender advantages in better understanding customer preferences
-How successful firms adapt to changes in demographics
-Dynamic forces in the health food industry
-External growth strategies for a small business
Case, Case Questions, and Teaching Notes will be pre-tested twice and revised based upon feedback of instructors/students.

**So What?** This will be an interesting case for entrepreneurship students. The protagonist, industry, and geographic market will lead to an interesting and informative case/discussion. Although there are several entrepreneurship cases, there is a need for more cases that focus upon female entrepreneurs. The case is short enough so as to permit flexibility in use to suit instructor preferences--- group or individual, in-class or take-home, written responses or oral presentation, and the possibility of on-line posting/discussion of responses.

**ADDITIONAL INFORMATION ABOUT CASE**

**Case Abstract:**

A native of Houston, Texas, Jane Smith moved to California in 1994. A family history of cancer and heart disease had made her very aware of the benefits of a healthy lifestyle. When she discovered that there was no one service offering prepared healthy meals for the home throughout Southern California, she decided to fill the niche by providing an effortless way for others to achieve a healthy diet. After much research she determined that Orange County was the most strategic location to accomplish her dream of serving all of Southern California. She opened her headquarters in Irvine in January of 1996, with proven, tested recipes approved by a dietitian, and custom computer programs that not only analyze the nutritional content of each meal, but also track the needs of her customers.

In January of 1998, Healthy Gourmet expanded to Los Angeles, and in May of 2000, Healthy Gourmet began service to San Diego. Jane's plan for Healthy Gourmet is to expand throughout the state of California, promoting good health to those whose goals include eating nutritious, great-tasting food. In the process, she's offering the convenience of eliminating the need for shopping, cooking, and clean up, thereby filling the need that's fueling today's trend toward home meal replacement. Currently, in 2005, Healthy Gourmet employs a full-time kitchen staff of 20+ to produce over 250,000 meals a year, with each order customized for its clients. Future plans include expanding the service through shipping to those areas unable to be serviced locally. Jane's dream to be able to provide meals to everyone who wants to enjoy the benefits provided by eating healthy is moving forward just as planned.

As people are living longer, the older population is growing exponentially throughout the world. In the United States, in 1999, 14 percent of the country's population was 65 years of age and older. Among these 36 million people, nearly 5 million were aged 85 and older. With lengthened years comes increased threat of chronic diseases and impairments, imposing limitations on what older people can do for themselves, especially if they live alone, which most do. The quality of life in the later years may be diminished for millions if illness, chronic conditions or injuries limit the ability for self-care.

With demographics of Jane’s Healthy Gourmet (JHG) target market changing, Johnson responded to the market opportunity. In 2003, JHG acquired Lifespring Nutrition, a frozen food company which focuses on delivering meals with senior-focused nutrition guidelines. LifeSpring's focus is to serve the nutrition needs of any consumer interested in health and...
wellness, regardless of age. LifeSpring has developed nutritionally superior, great tasting frozen meals and snacks. The company currently delivers directly to the door in the San Francisco Bay Area, Greater Los Angeles, including Orange County and the Inland Empire.

_Jane's Healthy Gourmet: A Case on Sustaining Entrepreneurial Growth (Part A)_

Part A of A Continuation Case in Two Parts

**Background of the Individual:**

When native Houstonian Jane Smith and husband John moved to California in 1994, she found no healthy meals-to-go business that fit her budget without sacrificing taste. She decided to provide it with Jane’s Healthy Gourmet. A brief search led to a central Irvine location, convenient to serve all of Southern California. Jane then began the arduous task of developing the menu and building a restaurant-caliber kitchen staff. Founded in June 1995, the company began delivering in January 1996.

A real people person, Jane enjoys the one-on-one involvement with her customers and takes pleasure in making their lives healthier. A long family history of cancer and heart disease has made Jane very aware of the benefits of a healthy lifestyle.

Jane has been an active volunteer for the American Cancer Society for over 15 years at the local, state, and national level. Professionally, she spent five years as the Assistant Director of Development and Alumni Activities, as well as the director of Publications, for The Kinkaid School in Houston. Jane is Past President of the Orange County Chapter of the National Association of Women Business Owners, and has received their coveted Business Owner of the year award. She is also Past President of the board of the Assessment Treatment Services Center, which provides counseling for families with troubled children in Orange County, as well as a member of the California Restaurant Association, and a variety of other local volunteer groups.

Jane’s goal for Jane’s Healthy Gourmet (JHG) is to promote good health to those in Southern California who want to enjoy a healthy lifestyle that includes eating nutritious, great-tasting food. Believing that most people want to eat healthier, her vision is to offer them the convenience of fresh meals for the home, leaving them with more time to enjoy themselves and their families, secure in the knowledge that they are on the right track to fitness. Whether using JHG for weight loss or as a way to maintain a healthy diet, customers agree that they feel great while on the program and that, above all, the food is delicious.

**Background of the Industry at the time of founding:**

Industry Forecasts at the time of founding: Traditionally, food has either been bought at the grocery store and consumed at home, or served at restaurants and eaten on the premises. Today, however, restaurants are increasingly providing food that is eaten at home or on the go, and the grocery store is selling more ready-prepared food that is eaten at home, or on the move. The key issue is not so much where the food is consumed, but where and how it is prepared.

It was predicted by consultants from the McKinsey Quarterly, that by the year 2005, many Americans will have never cooked a meal from basic ingredients. Most of the $100 billion
annual food sales expected in the decade following 1995 were expected to come from food service, including ready-prepared meals. From 1995 to 2005 was speculated to be bright for food service operators. Growth of food service spending was driven from new demands and rising consumer expectations. The view of the consumer in 1995 was beginning to change in relevance to convenience, family-friendliness, variety, and health. With the lives of Americans becoming increasingly hectic, convenience foods are now more in demand, but consumers were less willing to accept the traditional convenience foods which were usually processed and of low-quality. Instead, they are demanding quality and the food service industry of the future will have to cater to this need by providing freshly prepared food delivered to the customer directly. In addition, consumers are also beginning to become more health conscious and have come to focus more on nutrition management.

Competitors: U.S. Zone Gourmet, Atkins at Home, Food for Life, Seed Live Cuisine, Jenny Direct for the delivery of Jenny Craig. These are all branded pre-packaged food that was shipped by Federal Express. These services delivered all over America, but were frozen products so they could be shipped in this way. In 1995, there were no fresh delivery services that were in the reasonable price range for the average consumer. The few companies in California that did offer this kind of service catered primarily to the rich and usually famous residents, the bulk of which lived in Los Angeles where these companies were also based.

Food service represents a definite growth opportunity in the food industry, and thus a company must develop strategies that address the present opportunities, segments, and customers. These strategies must reflect the relative value of customers, and include order potential over time, price sensitivity, and unique product requirements. It is also important for players in this industry to add value by responding to customer demands for healthy prepared meals that are convenient. Across food service operating segments, companies may also want to include benefits such as item rotation, and unique recipes to compete effectively.

Industry Breakthroughs: Who wins and who loses in the industry could be significantly affected by seven different industry breakthroughs. All major players should be vigilant in watching for signs of change, and poised to seize opportunities when they occur.

1) Shared commissary kitchens. Multiple concepts under the same or different ownership would make takeout and delivery more viable for casual dining and limited fast food chains by lowering costs and providing greater variety. The disadvantage is that food service operators could lose control over proprietary products and processes.
2) Using third-party kitchen capacity during off-peak hours. Entrepreneurs or current operators of business and industry, school, or prison kitchens could use their spare capacity to provide low cost, home-delivered foods.
3) Lower prices. By quickly lowering average meal prices, casual dining and broad menu fast food chains could expand volume rapidly and possibly blunt the growth of other segments.
4) New vending technology. Broader, higher quality selection in easy-to-use, aesthetically pleasing machines could make vending a growth segment.
5) Longer-term, insulated home delivery receptacles with refrigerated, frozen, and heated compartments. These would enable consumers to receive a wide variety of items from supermarkets, restaurants, and fast food operators. While development and installation costs are addressable barriers, longer-term hurdles include municipal regulations and minimum scale issues.

6) Improved preservation technology for freshly prepared foods. This would enhance the perceived quality and variety of delivered foods and extend the acceptable time between preparation and delivery for restaurants, fast food, and supermarket operators.

7) Widespread availability and acceptance of electronic ordering and delivery. Both consumer acceptance and delivery barriers remain unresolved. Consumer acceptance of non-branded food (that is, the produce most likely to be offered electronically), is uncertain, and the benefits are not significantly greater than fax or phone ordering. Food service operators, however, are likely to increasingly order their supplies electronically to make sure they see all the available price options and to reduce total distribution costs.

Possible Threats to Industry Profitability: During the winter of 1994/1995, floods in California were reported to have a negative affect on the restaurant business in the state. Due to the damage to crops and the loss of livestock in the floods, there was a large increase in prices among some farm products. Recorded as one of California’s heaviest rainstorms, losses in both restaurant sales and agriculture industry threatened the food market. Price hikes in vegetables and fruits included lettuce, broccoli, cauliflower, avocados and almonds. The California Farm Bureau reported that if rains were to continue, there would be an even further gap in production and higher retail prices.

Questions for Students:

The purpose of the case study is to let you apply the concepts you've learned when you analyze the issues facing a specific company. To analyze a case study, therefore, you must examine closely the issues with which the company is confronted. Explain the overall picture of what is happening to the company and then several times more to discover and grasp the specific problems. Once you complete this analysis, you will have a full picture of the way the company is operating and be in a position to evaluate the potential of its strategy in this industry. Thus, you will be able to make recommendations concerning the pattern of its future action.

What are the strengths and weaknesses of entering into this industry?

Evaluate using Porter’s Five Forces. Do you believe this is a go or no-go?

What do you see as the strengths and weaknesses of being a female business owner in this industry?