

# JAMBA JUICE



December 2001

**CORIOLIS**RESEARCH

Coriolis Research Ltd. is a strategic market research firm founded in 1997 and based in Auckland, New Zealand. Coriolis primarily works with clients in the food and fast moving consumer goods supply chain, from primary producers to retailers. In addition to working with clients, Coriolis regularly produces reports on current industry topics. Recent reports have included an analysis of the impact of the arrival of the German supermarket chain Aldi in Australia, and answering the question: “Will selling groceries over the internet ever work?”



The lead researcher on this report was Tim Morris, one of the founding partners of Coriolis Research. Tim graduated from Cornell University in New York with a degree in Agricultural Economics, with a specialisation in Food Industry Management. Tim has worked for a number of international retailers and manufacturers, including Nestlé, Dreyer’s Ice Cream, Kraft/General Foods, Safeway and Woolworths New Zealand. Before helping to found Coriolis Research, Tim was a consultant for Swander Pace and Company in San Francisco, where he worked on management consulting and acquisition projects for clients including Danone, Heinz, Bestfoods and ConAgra.



The coriolis force, named for French physicist Gaspard Coriolis (1792-1843), may be seen on a large scale in the movement of winds and ocean currents on the rotating earth. It dominates weather patterns, producing the counterclockwise flow observed around low-pressure zones in the Northern Hemisphere and the clockwise flow around such zones in the Southern Hemisphere. It is the result of a centripetal force on a mass moving with a velocity radially outward in a rotating plane. *In market research it means understanding the big picture before you get into the details.*

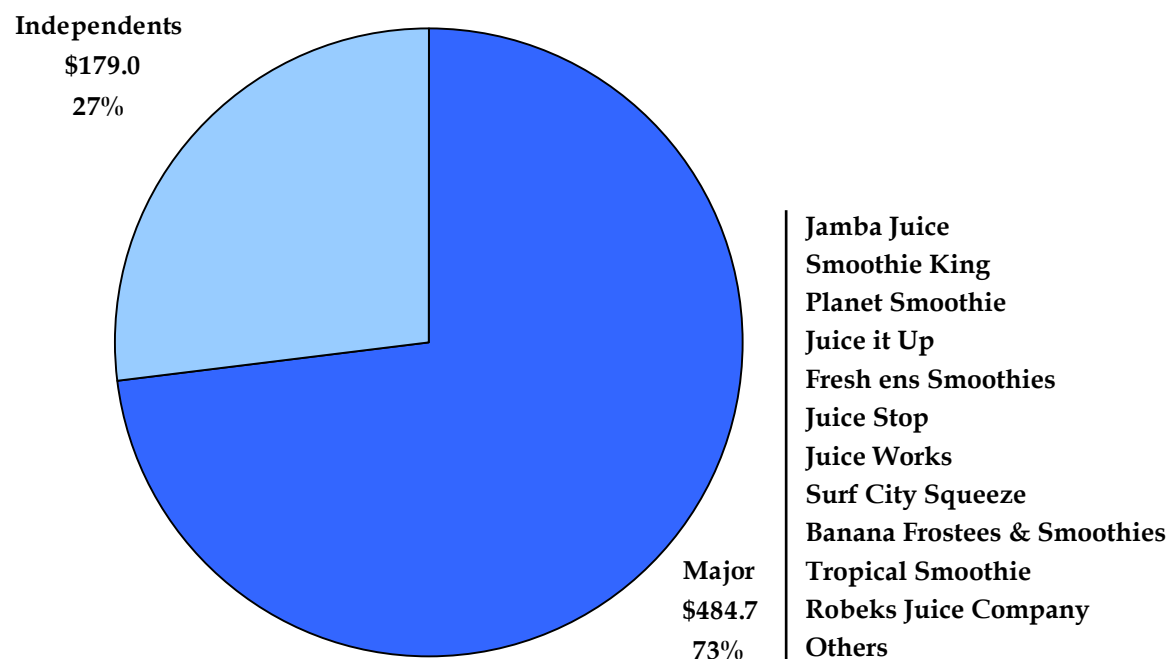


**CORIOLISRESEARCH**

PO BOX 10 202, Mt. Eden, Auckland 1030, New Zealand  
Tel: +64 9 623 1848; Fax: +64 9 353 1515; email: [info@coriolisresearch.com](mailto:info@coriolisresearch.com)  
[www.coriolisresearch.com](http://www.coriolisresearch.com)

The Smoothie and Juice foodservice segment has sales of \$664 million in the U.S. market in 2000, almost three quarters of which was through major chains

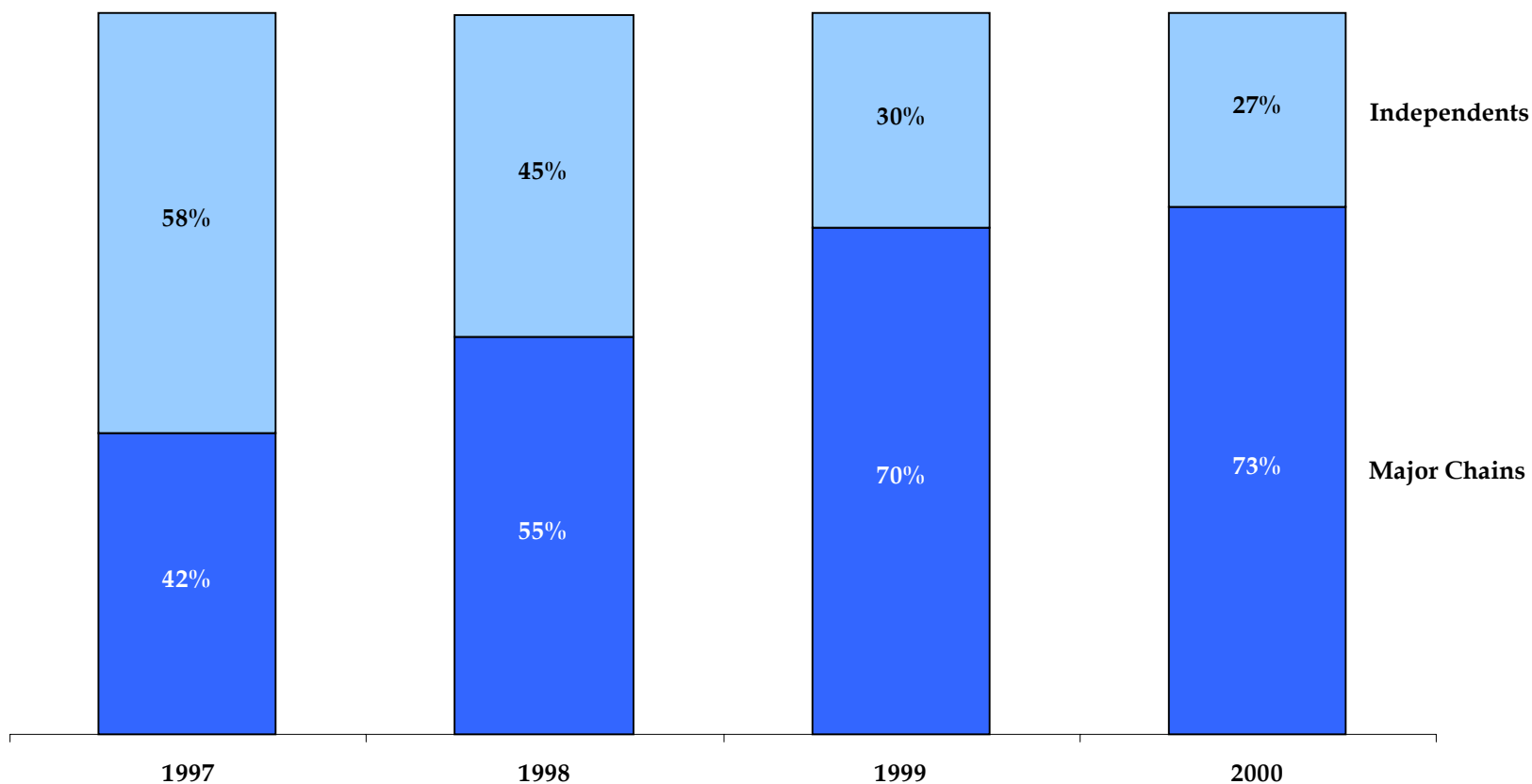
**SMOOTHIE AND JUICE MARKET SHARE**  
**(US\$; percent; United States; 2000)**



**Total sales = \$663.7 million**

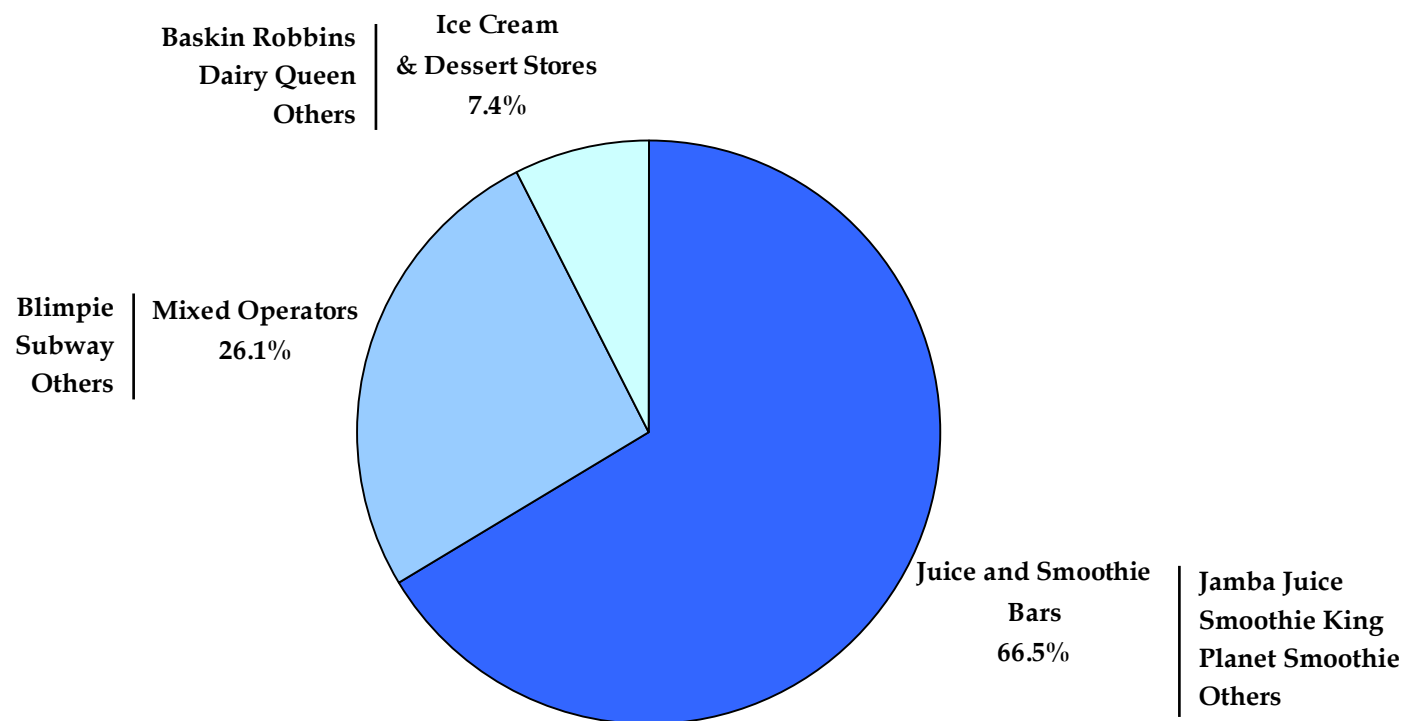
Major chains are gaining share at the expense of independents

**SMOOTHIE AND JUICE MARKET SHARE BY STORE NUMBER**  
**(Percent; 1997-2000)**



Sixty seven percent of sales are through specialist smoothie and juices outlets

**SMOOTHIE AND JUICE MARKET SHARE BY SEGMENT**  
**(2001)**



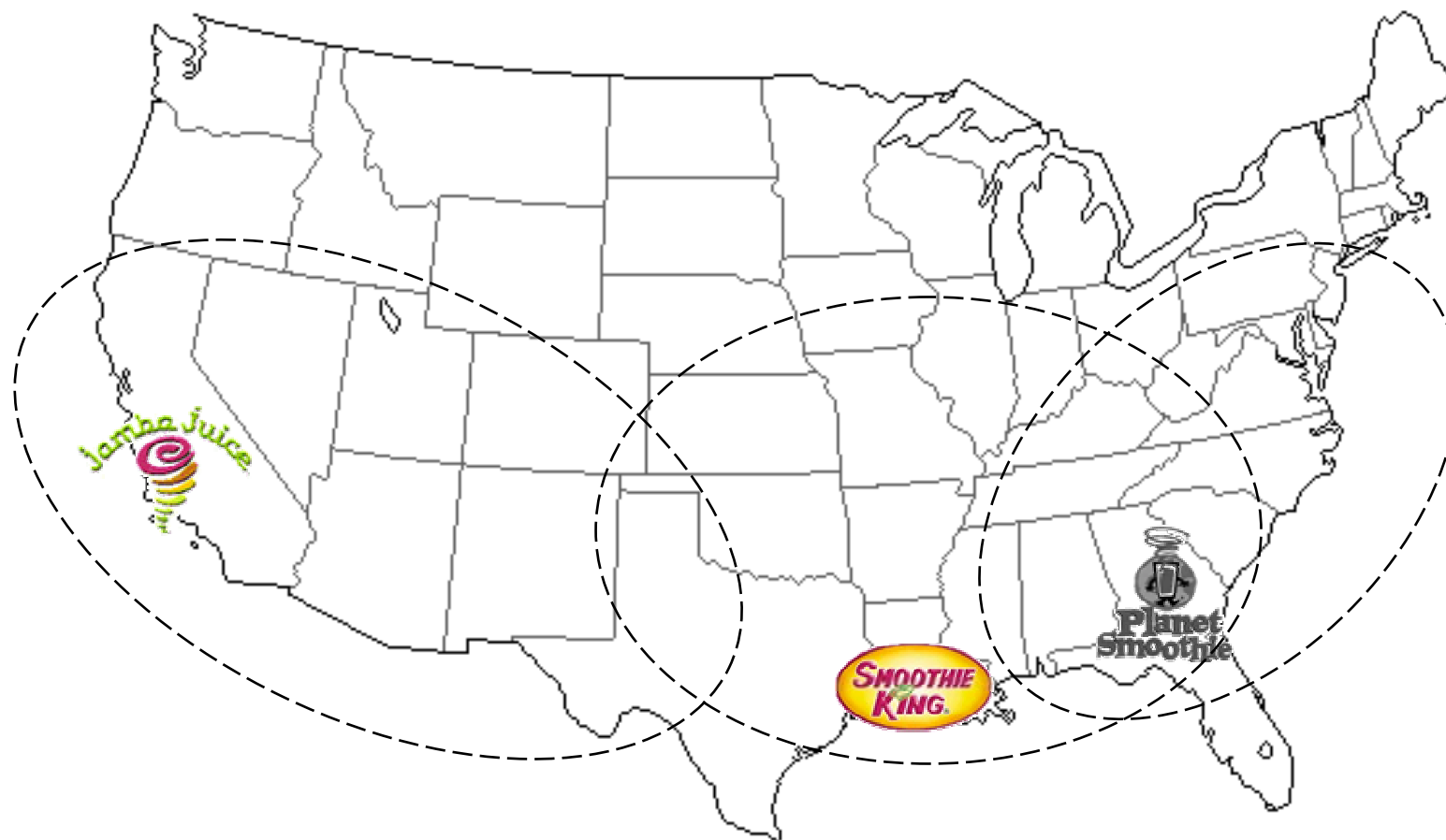
The Smoothie and Juice foodservice segment is rapidly consolidating down to a few key players who are building national networks

**MAJOR SMOOTHIE CHAINS**

Chain	# of Outlets	Comments
Jamba Juice	341 (11/01) 100 (98)	Largest smoothie enterprise in US In 25 states Primarily on the West Coast
Smoothie King	270 (08/01) 230 (8/00)	In 20 plus states Based in New Orleans; primarily in South
Planet Smoothie	125 (08/01) 105 (8/00) 68 (6/99)	In 25+ states Based in Atlanta, GA; primarily in South Adding soups and sandwiches to menu CEO ex-Smoothie King manager


The three main chains are expanding from their bases in the warmer West and South of the country into the colder North and Midwest

**THREE MAIN SMOOTHIE CHAINS BY HOME REGION**  
**(areas of store concentration)**



Jamba Juice is the leader in the Juice and Smoothies foodservice segment

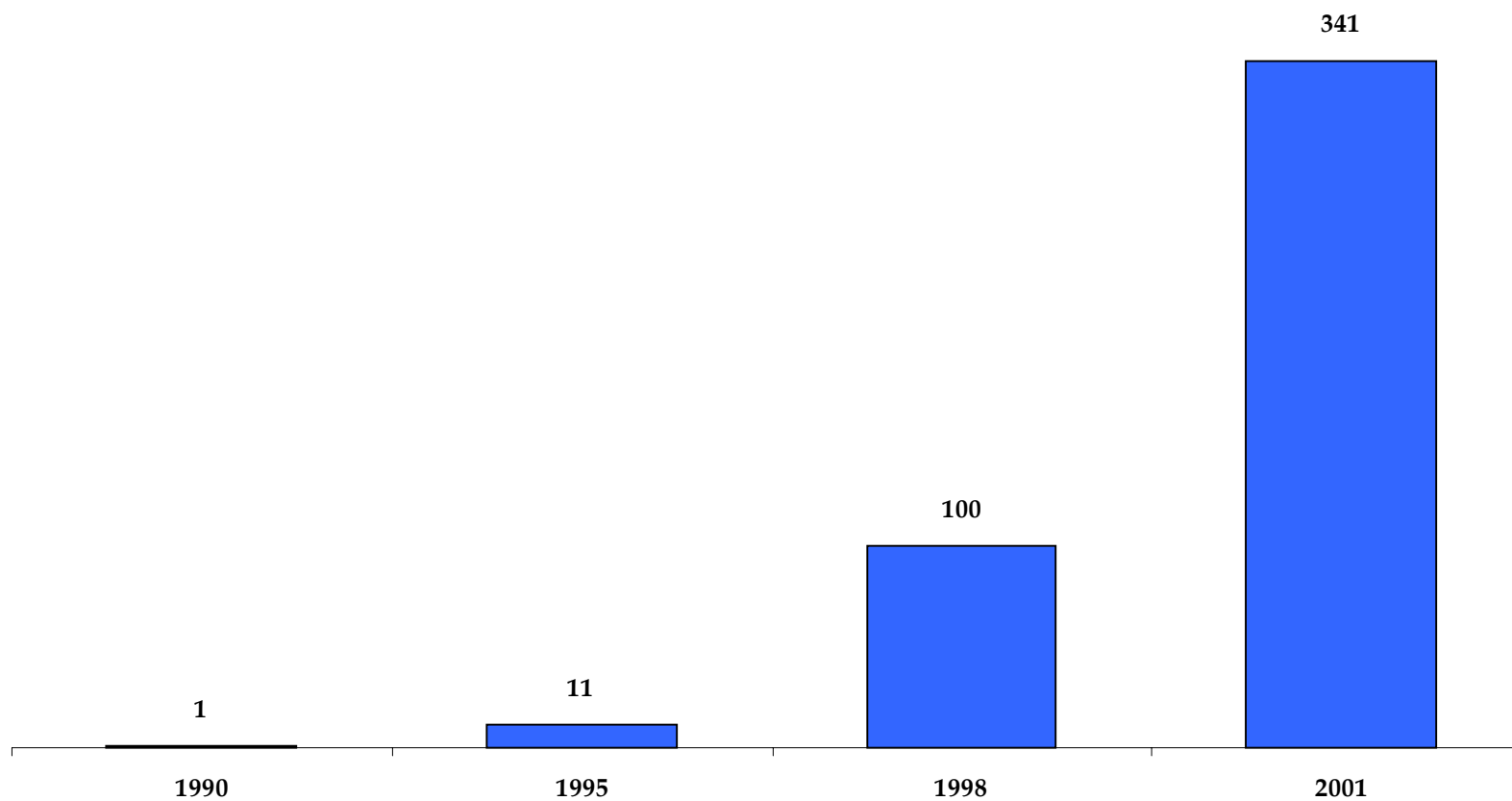
**JAMBA JUICE: PROFILE**

	<b>Name:</b> Jamba Juice <b>CEO:</b> Paul Clayton <b>Ownership:</b> Private <b>Website:</b> www.Jambajuice.com	<b>Address:</b> 1700 17 <sup>th</sup> Street San Francisco CA 94103  <b>Telephone:</b> (415) 865 1200
	<b>Sales (2000):</b> \$97.2m <b>Stores (2001):</b> 341 <b>Sales/store (2000):</b> \$324,000/year; \$6,231/week <b>Year Established:</b> 1990 <b>States:</b> 25 <b>Average size:</b> 1,200-1,300 sqft <b>Takeout as a % of sales:</b> 85% <b>Average check:</b> \$5.00	<p style="text-align: center;"><b>Executives</b></p> <b>Founder &amp; Chairman</b> Kirk Perron <b>Board Member/Investor</b> Bob Kagle <b>CEO:</b> Paul Clayton <b>CFO:</b> Joseph O'Neill <b>VP Operations</b> Rayond Miolla <b>VP Marketing</b> Chris Strausser <b>VP Development</b> Randy Carucci <b>Product Development Mgr.</b> Steve Marko <b>R&amp;D Director</b> Joe Vergara <b>Controller</b> Kevin Wilkinson
<b>Locations</b>		<b>Key Investors:</b> Howard Schultz (Starbucks) Bob Kagle (Benchmark Capital)
Target: High income, high education areas Shopping malls, sports arena, strip centres, airports, Whole Foods markets (upscale supermarket chain)		



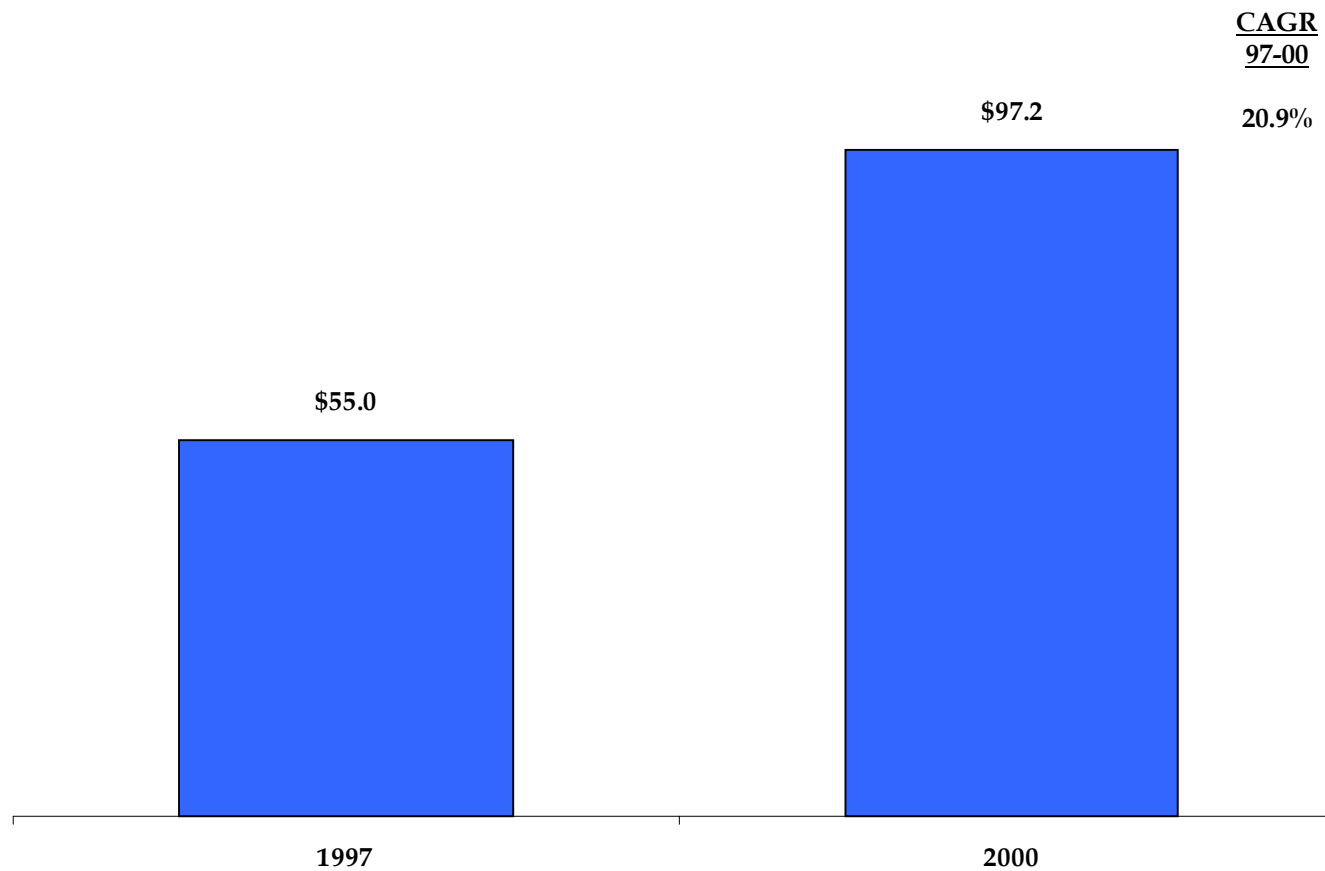
Jamba Juice has grown to 341 stores in eleven years

**JAMBA JUICE STORE NUMBERS**  
(Number of stores; select years; 1990-2001)



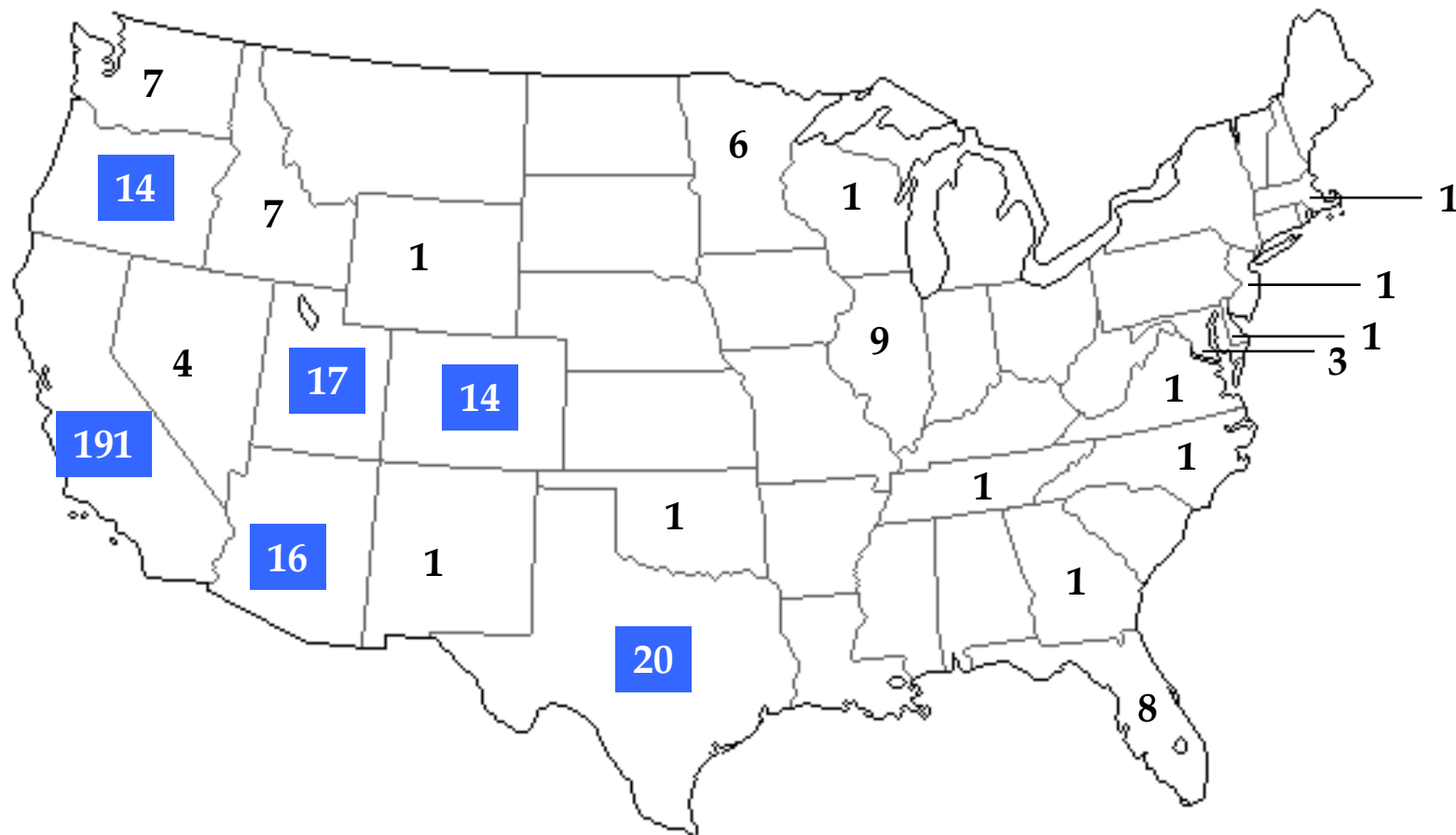
Jamba Juice sales growth averaged 20.9% year between 1997 and 2001

**JAMBA JUICE SALES**  
**(Percent; 1997v.2000)**



Jamba Juice has outlets in 25 states, but is concentrated predominantly on the West Coast

**JAMBA JUICE STORES BY STATE**  
(latest available data; total 341 stores)



Hawaii = 11

**Jamba believes it has huge opportunities for growth**

- **“Jamba has become a way of life for millions, and we intend to offer that opportunity to millions more during the next decade.”**

**Kirk Perron, Founder, Jamba Juice, April 2000**

- **“We want to grow Jamba into that lifestyle brand that really stands for great-tasting, better-for-you nourishment, and we have a lot of opportunity to grow the products and things that can help people lead healthier lifestyles through our offerings. I feel we’re just getting started.”**

**Kirk Perron, Founder, Jamba Juice, July 2000**

- **“Joe [O’Neill] is a savvy and skilled financial manager. His presence at Jamba will lend a seasoned perspective to a company poised to grow from a strong 325-store multi-regional player into a dominant national and international brand.”**

**Paul Clayton, CEO, Jamba Juice, Feb 2001**

**Jamba Juice has extended beyond the store to new channels and tastes**

**JAMBA JUICE TIMELINE**

<b>Date</b>	<b>Event</b>
1990	Founded by Kirk Perron in California as Juice Club
1995	11 stores, relocated to San Francisco and introduced Jamba Juice concept
1998	Introduced Jambola first non-juice product
1998	Partnership with Café Hawaii
1998	Launched jambajuice.com
1999	Acquired Zuka Juice with 96 locations (\$150m sales)
1999	Introduced soup for the winter season
2000	Developed online ordering with Waiter.com; Go2 systems online
2000	JambaGoGo distribution channel for event and catering services
2000	Plan to open in 75 Wholefoods outlets throughout the US
	Appointed Paul Clayton as CE (ex President of Burger King North America)
2001	341 outlets in 25 states

**Location is key to the success of the concept**

- **“Site selection is a priority for the company. The way to create the best choice for somebody, you have to start with the most convenient, easiest location for people to access and then follow it up with the best experience in the store.”**

**Kirk Perron, Founder, Jamba Juice, May 1998**

- **“We’ve always worked very well where there is high income and high education demographics.”**

**Randy Carucci, VP Development, Jamba Juice, April 1999**

- **“Florida promises to be a terrific market for Jamba Juice thanks to the year-round warm weather and outdoor lifestyle as well as the widespread health and fitness-orientation of consumers here.”**

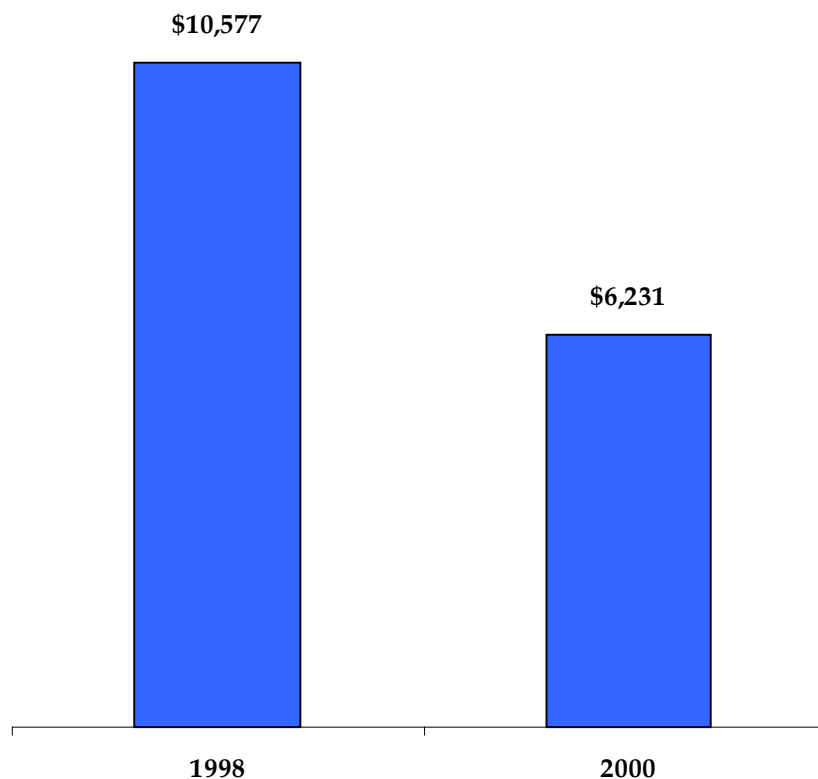
**Paul Clayton, CEO, Jamba Juice, May 2000**

- **“Sites include financial districts, regional malls, community shopping districts, walking districts, alternative venues in airports and college campuses, kiosks and the co-branded unit in the Whole Foods Market grocery.”**

**Nation’s Restaurant News, May 1998**

However, average sales per outlet may be falling as the chain expands into cooler parts of the country and more marginal locations

AVERAGE SALES PER JAMBA JUICE OUTLET PER WEEK<sup>1</sup>  
(US\$; dollars; 1998v.2000)



New 'hot' items have been added to the menu in an effort to increase unit sales, especially during colder times of the year

**MENU EXTENSIONS**

<b>Product</b>	<b>Retail Price</b>	<b>Year Introduced</b>	<b>Comments</b>
<b>Jambola (Pastry)</b>	<b>\$1.50</b>	<b>1998</b>	<b>Increase average sales; stop cross shopping at bagel outlets; offer compete meal solution on-site and takeaway</b>
<b>Souprimo</b>	<b>N/A</b>	<b>1999</b>	<b>Increase sales on cold days/in winter; made using existing smoothie equipment</b>
<b>Power Meal</b>	<b>\$4.00</b>	<b>1999</b>	<b>Bundled Smoothie &amp; Jambola to increase average sales</b>



The range increase is part of a company strategy to make a more full product offering

- “The company needs to innovate in the product arena and present customers a more complete product offering that represents a true healthy meal replacement.”

**Bob Kagle, Board Member & Investor, Jamba Juice, May 1998**

- “Many customers would come in, order a smoothie, and while it was being made, they’d go next door to pick up a bagel. We wanted to address that need... We’ve always positioned our smoothie as the meal, the centre of the plate item for us. We had our burger, but what would be our fries?”

**Joe Vergara, R&D Director, Jamba Juice, May 2001**

- “A lot of people wanted to consume something with a smoothie, a lot of people needed a ‘chew’ factor.”

**Chris Strausser, VP Marketing, Jamba Juice, Aug 1998**

- “We’re working on weather-proofing Jamba for all times of the year. We’ll be featuring soups as well as smoothies during certain times of the year. Instead of a smoothie or juice place, we’ll be marketing as a wellness place.”

**Michael Connolly, Manager, Jamba Juice Midwest JV, April 1999**

**Jamba Juice has accelerated its growth through strategic joint-ventures**

**REGIONAL JOINT VENTURES**

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**Heartland Juice Company**

**Illinois, Minnesota, Wisconsin  
Partnership with Michael Connolly  
(ex Wendy's, ex Great Clips for Hair)**

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**Jamba Juice Florida  
(JJC Florida LLC)**

**Florida  
Second joint venture with Café Hawaii Partners  
Plans for up to 50 stores in State**

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**Jamba Juice Hawaii**

**Hawaii  
Joint venture with Café Hawaii Partners  
CHP is "exclusive licensee of Starbucks Coffee  
International in Hawaii**

**Some form of regional franchising appears to be the preferred model for international growth**

- **“What we have today is a model that pulls many different things from many different companies: joint-ventures, company managed stores, franchisees, licensing, a partnership with Whole Foods Market. Today we’re a hybrid of franchising, with a compensation program that really asks the store manager to act like an owner.”**

**Kirk Perron, Founder, Jamba Juice, May 1998**

- **“We have so much demand from our customers to grow Jamba throughout the United States, and today we probably get five international calls a day. So we have a lot of demand, lots of opportunity, lots of open doors in front of the company.”**

**Kirk Perron, Founder, Jamba Juice, July 2000**

- **“We think they’ve done a good job at establishing a brand that has some lasting value and establishing a concept that is attractive not only to consumers but also to franchisees. It’s a concept that can make money for franchisees, and therefore they have considerable opportunity to roll it out.”**

**Rod Guinn, Senior Banker, FleetBoston Financial, July 2000**

The company has raised a total of \$47 million in four private placements

MAJOR INVESTORS

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<b>Bob Kagle</b>	<b>Partner in Benchmark capital also on Board of EBAY, ARIBA and others Ex Boston Consulting Group</b>
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<b>Howard Schultz</b>	<b>CEO Starbucks Coffee</b>
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<b>Jamie Shannon</b>	<b>Early Starbucks Investor</b>
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**The privately owned company is being positioned for listing at some point**

- **“We’ve raised about \$50 million in venture financing, and we need to give these guys a way to get their money out at some point. And the most likely exit strategy for them will be through taking the company public.”**

**Kirk Perron, Founder, Jamba Juice, July 2000**

- **“Investors remain pleased with the company so far.”**

**Bob Kagle, Board Member & Investor, Jamba Juice, May 1998**

- **Initial discussed taking company public in 1999**
- **IPO now on hold until ‘market improves’**

However, Smoothie and Juice outlets are under threat from a number of directions

THREATS TO JUICE BARS

