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.

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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

**Source:** Beverage Marketing; select articles; Coriolis analysis

<table>
<thead>
<tr>
<th>Brand</th>
<th>Sales (US$)</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>$484.7</td>
<td>73%</td>
</tr>
<tr>
<td>Independents</td>
<td>$179.0</td>
<td>27%</td>
</tr>
</tbody>
</table>

**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)

Source: Beverage Marketing; Coriolis analysis
Sixty seven percent of sales are through specialist smoothie and juices outlets.

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

- **Juice and Smoothie Bars**: 66.5%
- **Mixed Operators**: 26.1%
- **Ice Cream & Dessert Stores**: 7.4%
- **Others**: 6.0%

Source: Beverage Marketing; Coriolis analysis
The Smoothie and Juice foodservice segment is rapidly consolidating down to a few key players who are building national networks

## MAJOR SMOOTHIE CHAINS

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

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

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

Source: Select Articles; Coriolis analysis
Jamba Juice sales growth averaged 20.9% year between 1997 and 2001

JAMBA JUICE SALES
(Percent; 1997v.2000)

CAGR
97-00
20.9%

Source: Select Articles; Coriolis analysis
Jamba Juice

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

Source: Jamba Juice website; Coriolis analysis
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

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
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<tbody>
<tr>
<td>1990</td>
<td>Founded by Kirk Perron in California as Juice Club</td>
</tr>
<tr>
<td>1995</td>
<td>11 stores, relocated to San Francisco and introduced Jamba Juice concept</td>
</tr>
<tr>
<td>1998</td>
<td>Introduced Jambola first non-juice product</td>
</tr>
<tr>
<td>1998</td>
<td>Partnership with Café Hawaii</td>
</tr>
<tr>
<td>1998</td>
<td>Launched jambajuice.com</td>
</tr>
<tr>
<td>1999</td>
<td>Acquired Zuka Juice with 96 locations ($150m sales)</td>
</tr>
<tr>
<td>1999</td>
<td>Introduced soup for the winter season</td>
</tr>
<tr>
<td>2000</td>
<td>Developed online ordering with Waiter.com; Go2 systems online</td>
</tr>
<tr>
<td>2000</td>
<td>JambaGoGo distribution channel for event and catering services</td>
</tr>
<tr>
<td>2000</td>
<td>Plan to open in 75 Wholefoods outlets throughout the US</td>
</tr>
<tr>
<td>2001</td>
<td>Appointed Paul Clayton as CE (ex President of Burger King North America)</td>
</tr>
<tr>
<td></td>
<td>341 outlets in 25 states</td>
</tr>
</tbody>
</table>
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\(^1\)**

(US$; dollars; 1998v.2000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales per Outlet</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$10,577</td>
</tr>
<tr>
<td>2000</td>
<td>$6,231</td>
</tr>
</tbody>
</table>

\(^1\) Unable to factor for effect of rapid new store openings

Source: Select Articles; Coriolis analysis
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**

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

<table>
<thead>
<tr>
<th>Heartland Juice Company</th>
<th>Illinois, Minnesota, Wisconsin Partnership with Michael Connolly (ex Wendy’s, ex Great Clips for Hair)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamba Juice Florida (JJC Florida LLC)</td>
<td>Florida Second joint venture with Café Hawaii Partners Plans for up to 50 stores in State</td>
</tr>
<tr>
<td>Jamba Juice Hawaii</td>
<td>Hawaii Joint venture with Café Hawaii Partners CHP is “exclusive licensee of Starbucks Coffee International in Hawaii</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Name</th>
<th>Role/Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Kagle</td>
<td>Partner in Benchmark capital also on Board of</td>
</tr>
<tr>
<td></td>
<td>EBAY, ARIBA and others</td>
</tr>
<tr>
<td></td>
<td>Ex Boston Consulting Group</td>
</tr>
<tr>
<td>Howard Schultz</td>
<td>CEO Starbucks Coffee</td>
</tr>
<tr>
<td>Jamie Shannon</td>
<td>Early Starbucks Investor</td>
</tr>
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<td></td>
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</table>
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**

- **Retail Refrigerated Juices**
  - Ocean Spray Crantastics
  - Odwalla Smoothies
  - Tropicana Twisters

- **Ice cream & Dessert stores**
  - Dairy Queen
  - Baskin Robbins

- **Smoothie & Juice Outlets**

- **Convenience & Other Stores**
  - 7-Eleven’s Frut Cooler
  - GNC Smoothie Bars

- **Sandwich Chains**
  - Subways Fruizle Smoothie
  - Blimpies Smoothie Island