

DSOF CASE STUDY

TASTEFULLY SIMPLE: A NEW RECIPE FOR SUCCESS



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tastefully simple®

At last, a time for celebration was at hand. Jill Blashack Strahan, Founder and CEO of Tastefully Simple, reflected on her 26 years in business and realized she and her team had come a long way during that time. The trajectory of the company certainly was not linear, and she and her team had ridden out 11 years of failing sales by making major pivots. By the time COVID-19 hit in spring 2020, Tastefully Simple had rebuilt a solid foundation, helping them reinvent themselves and become profitable again.

TASTEFULLY SIMPLE STARTUP

Headquartered in central Minnesota, Tastefully Simple was founded by Jill Blashack Strahan and silent partner Joani Nielson in 1995 as a company that provided easy-to-prepare seasonings, sauces, and baking mixes. Jill was raised on a dairy farm in a town of 300 and began her entrepreneurial journey at the age of 21 when she took ownership of hometown restaurant, Jill's Grill. Having worked at a local gift shop during technical college, she began to miss the gift industry and clientele. So at age 29, Jill started a gift basket venture, Care with Flair, with the goal of growing the business into a gift shop (Strahan, 2007). Over time, she learned the gourmet products she was selling were a more viable business opportunity and founded Tastefully Simple and the company's first product line with the tagline, "small indulgences for busy lives."

Initially operating out of a shed with no running water on Joani's property in Alexandria, Jill packed orders on a pool table during the day and hosted tasting parties in the evenings and

on weekends. The total start-up investment was \$36,000 — Jill's \$6,000, a \$20,000 secured Small Business Administration (SBA) guaranteed loan, and Joani's \$10,000 investment. Jill owned 70% and Joani 30% of the company.

By the end of the first year, she had seven independent consultants on her team, selling products direct to clients through in-home tasting parties. Jill recognized that people were looking for a fun, interactive experience, as well as personalized service. She also realized that grass roots, person-to-person selling could be massively scalable.

DIRECT SELLING

Direct selling is defined as "a business model that offers entrepreneurial opportunities to individuals as independent contractors to market and/or sell products and services, typically outside of a fixed retail establishment, through one-to-one selling, in-home product demonstrations or online. Compensation is ultimately based on sales and may be earned based on personal sales and/or the sales of others in their sales organizations," (Direct Selling Association). Ethical direct selling organizations have defined compensation structures, which they describe and disclose along with earnings information on their websites. Sales representative commissions are complex and varied, but generally are paid on personal and group retail sales. Group volume is calculated based on the representative's sales, plus sales of individuals they recruited and trained (Albaum & Peterson, 2011).

Direct selling is both a microenterprise (self-employment) strategy for representatives and a

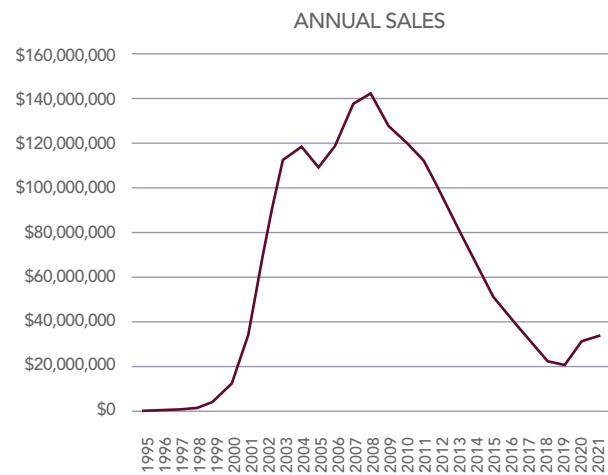
go-to-market strategy for companies. There are various sales strategies in direct selling.

Tastefully Simple chose a home party sales approach in which consultants (independent sales representatives) shared how products could be prepared by adding two ingredients or less. Home parties were social selling events with hosts inviting guests into their homes to sample foods and order products. Hosts were rewarded by receiving free products based on sales volume and bookings of future parties. Today, consultants earn commissions of 15%-40%, plus bonuses and incentives.

GROWTH, CHALLENGES, PIVOTS

Strahan's business plan projected sales of \$11 million within five years. Tastefully Simple's sales grew from \$100,000 in 1995 to \$11.8 million in 2000, surpassing the five-year goal. Peak sales were \$143 million in 2008 with 28,000 consultants, over 300 headquarters team members (employees), and a headquarters campus of 180,000 square feet in Alexandria (Strahan, 2007).

Sales began to fall in 2009 and continued to do so until 2020. In 2014, Jill and her team laid off 66 employees, reducing the headquarters team to approximately 200 (Ramstad, 2014). An additional 39 were let go in 2016 and more in 2017, reaching a total staff of approximately 100 in September 2017 (Tolkkinen, 2017). Sales in 2013 had fallen to \$82 million (Ramstad, 2014). In 2018, Tastefully Simple reached positive Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).



Tastefully Simple sales consultants

Tastefully Simple and Jill were recognized multiple times for their growth and quality workplace and developed a reputation for high employee satisfaction. In 2000, Jill was named an Ernst and Young Emerging Entrepreneur of the Year for the Minnesota and Dakota Region. In 2005, the company joined the INC 500 Hall of Fame list after being on the INC 500 list five times and Jill was awarded INC 500 All-Star Status. In 2008, the company won a Stevie Award for Women in Business Employer of the Year and Website of the Year, as well as being a national finalist in the WSJ and Winning Workplaces competition for Tom Small Workplaces. Then, in 2011, Tastefully Simple was the Top Small Company Workplaces National Winner.

CORE PRINCIPLES

Tastefully Simple's core business principles were established in 1997. The products needed the addition of no more than two ingredients and were simple to prepare. An independent salesforce was essential to the company's success and embodied the principle, "Helping you create a life you love." Today four principles govern the organization:

- **Be Abundant:** Foster peace of mind through win-win attitudes.
- **Make Magic:** Create positive energy through celebration.
- **Do Your Best:** Stir a spark through excellence.
- **Be Real:** Build trust through humbleness.

Jill described her values and processes in detail in her book, *Simply Shine: Stories That Stirred the Fire* (2007). In 1997, Jill and her three team members created seven core values, which Jill later distilled into three core principles. She recognized, "There's no extracting our personal life from our business life...the culture of the company is driven by our personal life, our personal beliefs and our personal values," (Strahan, 2007, p. 27). She stated, "People are

also instinctively drawn to energy that's created when they're experiencing excellence," and she learned to be intentional about celebrating (Strahan, 2007, p.99). This meant creating a company that celebrated victories. Jill was clear this mindset would drive Tastefully Simple, which manifested in the company's early growth. This shone through.

EVOLVING PRODUCTS AND CHANNELS

The fundamental premise of Tastefully Simple was to deliver tasty, simple to prepare foods to individual consumers through in-home tasting parties. Over the years, the product line expanded and evolved. TS EatWell products, which were clean-label foods with no artificial colors, flavors, or preservatives, were introduced in 2015. Since 2018 over 85% of the product line must meet these criteria. In 2017, the company introduced meal kits —"You add the fresh, we add the flavor." Ten-meal and five-meal kits include TS products and recipes. In 2018, Tastefully Simple began selling to consumers through Amazon (Kaplan, 2020).

Tastefully Simple added online sales in 2004 to help make life simpler for their clients. Customers could purchase products through the company website and were given an option to select the name of their TS consultant at check-out. Strahan consistently focused on the direct selling channel and the company's independent sales representatives. As of 2021, 90% of their revenue is through this channel; the remaining 10% comes from Amazon and clients who buy directly from Tastefully Simple through their website (Strahan, 2020).

Representatives join by purchasing a very affordable \$49 Starter Blast-Off Kit® or \$99 Business Blast Off Kit®. They are generally sponsored by other sales consultants when they attend or host a Tastefully Simple online or tasting party. In

2017, Tastefully Simple changed its commission structure from a traditional direct selling structure to a unique pay-for-performance model.

While in-person parties were a staple for the company, consumers could also place orders with their host through a catalog party. Parties were opportunities for consumers to taste the products and get ideas for meals and entertaining. They were also a way for consultants to book additional parties and sponsor new consultants.

TACKLING THE DECLINE

In 2008, when Tastefully Simple was 13 years old, company revenue was at its highest point, just as the market crashed. The company was not immune to the recession and experienced 11 years of continuous sales decline, surviving when others failed but not thriving and bouncing back. There were several reasons for the decline, according to Strahan.

- Since the 2008 recession, more women began working full time jobs, leaving them with less time to devote to a part-time business and hosting tasting parties.
- There were more distractions — smartphones, Facebook, Instagram, Twitter, Netflix, and digital television.
- The mindset of the salesforce shifted. Top leaders had grown large teams and had become financially comfortable and less compelled to drive results. As they sold less, they sponsored less, which shrunk the overall number of consultants.
- Tastefully Simple corporate became “Tastefully Complex.” They added more information and programs and did not purge the old. Layered, complicated processes created immobilization. When meal kits and the auto-ship program (TS to You) were launched, the company’s change management processes did not adequately support the new offerings. Tastefully Simple added several

bonus programs as a change mechanism to incent the salesforce to learn about their benefits. These were costly investments and equally important, were extraordinarily complex. As Jill noted, “a confused mind shuts down.”

- In this case, the snowball effect, which was positive in the company’s early day, went in the opposite direction. Once the decline began, it took phenomenal efforts to reverse.

The seven-year turnaround was exhausting for Strahan and the headquarters team. “Turnaround Fatigue” set in; between November 2017 and April 2018, three top executives left Tastefully Simple in addition to two key contributors. Jill began leading the company in the day-to-day operations in January 2018. There was no Vice President of Sales for four years, April 2017 through February 2021, and no Vice President of Marketing for nine months. Jill stepped into these roles, leading the sales, marketing, and training teams.

Jill had to focus in and control her thinking to get the job done, as she perceived her most significant role as that of influencing thinking. She adopted two key coping strategies to assist with this. First, she journaled to document her thinking and assist in achieving clarity. Second, she created a song playlist and cranked it up because, “It focused my mind on good faith-filled thoughts, and my emotions would follow. Thoughts control emotions, and emotions control actions. Every. Single. Time.”

Other steps included:

- Tastefully Simple engaged people with proven track records to provide guidance in areas where expertise was needed. For example, they received advice and counsel from their advisory board, investor contacts, and a financial turnaround expert. Yet, the

advice was always tempered by Jill's own knowledge, experience, and internal sense.

- Jill invested \$5,000,000 of her own funds when bank financing was not an option...against the advice of numerous people.
- While working with a turnaround expert in 2017, Tastefully Simple worked through the Optimal Decision Matrix to determine the *why and the limits of efforts and financial commitment*. According to Jill, "Over time I concluded my first priority was to save the TS brand, second to provide income to the HQ team, and third income to consultants." She

Jill Blashack Strahan,
Founder and CEO,
Tastefully Simple



shared with the team that she would not invest more funds without compelling strategies.

- They made fundamental and drastic changes in expenses with a total of \$19 million in reductions by the end of 2018. This included reducing the team size from 350 to 75 employees. They also reduced the number of SKUs by 40% from 90 to 52 products.
- Tastefully Simple completely reconstructed the independent representative compensation plan in 2017 with an innovative tiered commission structure of 15% to 40% based on sales volume and a new restructured set of incentives. The changes initially led to losses of some top leaders, poor morale, and some disconnect between the salesforce and the executive team.
- At the same time, there continued to be a loyal, passionate, and strong team. This was a core factor in the revival of the company.
- Brand quality and relevancy was a key factor in turning the company around. In fact, Tastefully Simple enhanced the product line and it became more attractive to consumers.
- Leveraging the power of digital marketing and adding two non-direct channels added to the marketing capacity of the company. While the addition of direct selling via the website and Amazon could have radically disrupted the independent salesforce, Tastefully Simple created a Brand Advocate Bonus with 5% of the revenue from the additional channels shared with consultants.
- Tastefully Simple became *Tastefully Simple* again. They shed many of the complexities that had been created during the high growth phase.

THEN CAME COVID-19...

When the pandemic began and with the years of decline finally behind them, Jill and the Tastefully Simple team pivoted at warp speed. They launched an online party training boot camp for their salesforce within a week, prior to the nationwide quarantine. Seasoned consultants

who had been with Tastefully Simple for many years had resisted hosting online parties. They believed, as Jill did, that clients wanted to taste the products before buying. To keep their business alive, consultants shifted their perspective and paradigms. Virtual parties, primarily held through Facebook, worked. In fact, there was a 58% increase in non-tasting parties in 2020.

The market was hot. People were panicking and stockpiling shelf-stable food. Restaurants closed so consumers were left to fend for themselves in the kitchen. Schools transitioned to remote learning and parents were struggling for meal ideas for their children. In addition, they had more time to prepare meals at home. There was a surge in “comfort” foods such as breads, soups, baking mixes and drink mixes.

Like the rest of the world, Tastefully Simple scrambled to find solutions to keep the team safe at headquarters. Jill and the team were proactive about developing an operations contingency plan in February, concerned the virus would make its way to the United States in a matter of time. The Technology Team prepared to shift the office team to work remotely. Zoom was quickly adopted. Many team members were impacted by schools moving to remote learning. A culture of high trust created a relatively smooth transition to “do what you need to do to make it work for you and your family.” Flexible schedules, and attitudes, became the norm. As a food company, Tastefully Simple was considered an ‘essential business’ so the doors remained open. Due to diligently following CDC guidelines, the team remained safe. The overall impact to the Tastefully Simple team was minimal and daily operations continued without any bumps.

In March 2020, their primary baked goods vendor announced they would no longer be producing seven of Tastefully Simple’s baked goods,

including their best seller, Bountiful Beer Bread. The team pivoted and found a new vendor by June. By October, all baked products were back in stock. Supply chain issues also impacted lids, glass jars, and plastic, however Tastefully Simple maneuvered through the issues.

Tastefully Simple also adapted its marketing approach to the stay-at-home environment, offering online catalog parties, virtual parties, freezer meal workshops, and fundraisers. Consultants demonstrated recipes using Tastefully Simple products in online workshops. They appealed to consumers through opportunities to support their favorite causes. A recent blog post identifies six ways for consultants to sell: online parties, website sales, meal prep workshops, events and “pop-up” opportunities, such as fundraisers, and business gift sales (Keri M., 2021).

Rather than big, costly in-person conferences to recognize their top sales leaders, the company transitioned to virtual conferences. Consultant participation increased significantly because the conferences were widely accessible.

Jill shared in a keynote address to direct selling organization leaders:

“We have been so very blessed...the impact of COVID has been the hand of God....from a plan perspective, we have been incredibly agile, and we have become even more laser-focused... The next thing is the people...we’re seeing the entrepreneurial spirit that’s just really blowing air on the flames of our business in a positive way... What I’ve appreciated about this time in 2020 is that I think we’ve all become laser-focused, all of us...are getting back to building and creating,” (Strahan, 2020).

Tastefully Simple found a new recipe for success by rebuilding a solid foundation and pivoting during the pandemic.



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