

# Video Case

## **How Sriracha Became a Hot Product**

Entrepreneur David Tran cooked up his first batch of hot-pepper sauce in 1975, when he was still living in his native Vietnam. He packaged the sauce in recycled baby-food jars, and family members made customer deliveries by bicycle. When Tran came to America in 1980, he made a living by cooking up batches of his distinctively hot sauce and selling it by the bucketful to Asian restaurants around Chinatown in Los Angeles.

Tran named his company Huy Fong after the freighter that brought him to America. To convey the authenticity of the bright-red sauce made from freshly crushed jalapeno chili peppers, Tran called it sriracha, which is an actual town in Thailand. He packaged the fiery sauce in a clear squeeze bottle to showcase its “hot” color and quality, added white lettering in English and Chinese, and topped the bottle with a green squirt cap, features that differentiate his product from other sauces. The red rooster sketched on every bottle represents Tran’s Chinese zodiac sign.

Although Tabasco and other hot sauces had been popular condiments for years, the fresh quality and unique tang of Tran’s sriracha sauce quickly made it a mainstay in restaurants and consumer kitchens through word of mouth only—without advertising or even a salesforce. The firm soon needed a larger production facility and, as demand multiplied year after year, it enlarged its production facility a second time.

Now Huy Fong cooks up hundreds of thousands of bottles of its signature sauce every day, using locally grown jalapeno peppers that can be harvested, transported, washed, ground, and stirred into sriracha within only six hours. Because no two crops of peppers are exactly the same, some individual batches may be hotter than others, as Huy Fong warns customers on its Web site. Annual sales exceed \$80 million as Huy Fong's sauces are shipped throughout North America and beyond. Long lines of Sriracha fans wait to tour Huy Fong's production plant in Irwindale, California, where they can watch Tran's sauce being made and buy chili-red T-shirts in the Rooster Room gift shop (or online).

When Tran began selling his made-in-America sauce back in 1980, he did not trademark the sriracha name. As a result, his company cannot sue any time another marketer uses the word in a brand-name or to describe a particular item. It has also opened the door to competition from sriracha food products made by well-established, deep-pocketed corporations like Tabasco, Heinz, and Kikkoman. When Tran heard that Tabasco was about to launch its own sriracha sauce, his comment was: "My 'rooster killer' jumped into the market."

Despite the sriracha rivalry, Tran believes that widespread use of the word *sriracha* serves as a form of advertising for his product, which is positioned as the pioneer of the category. The entrepreneur also uses the fame of being sriracha's originator to forge partnerships with food marketers that want to add his sauce's flavor to their products.

Pop Gourmet, for example, has a deal to use Huy Fong's sriracha in its popcorn. Neither licensing fees nor royalties are involved, only prominent display of Tran's trademarked rooster on the popcorn's vivid-red packaging. Sriracha popcorn has become Pop Gourmet's best-selling product, and the firm is introducing additional snacks featuring sriracha. Now other marketers have received Tran's permission to use his sauce in their products, reinforcing the product's positioning as the original, most authentic, and best-known of all sriracha sauces.