

Case 04: Chewse: Delivering a Culture of Love

Teaching Note

Key Terms: Startup Funding Stages

- **Seed Round** – Initial capital to test product/market fit.
 - Often <\$1M from friends, angels, accelerators.
- **Series A** – First major VC round (typically \$2–15M).
 - Goal: prove scalability of business model.
- **Series B** – Later round (tens of millions).
 - Goal: expand markets, grow operations.
- **Series C (and beyond)** – Larger, growth-focused rounds.
 - Goal: expand globally, acquire competitors, prep for IPO.

Key Terms: Other Concepts

- **Accelerator (e.g., 500 Startups)** – Short-term program offering capital, mentorship, and exposure.
- **Burn Rate** – How quickly a startup spends cash. Determines “runway” before new funding is needed.
- **Runway** – Number of months before the company runs out of cash at current burn rate.
- **Product–Market Fit** – When a product meets a strong market demand and growth accelerates naturally.
- **Culture Fit** – Hiring/management emphasis on values and alignment with company mission.

Framing the Case

Founder’s Perspective

Role Play

- Imagine you are **Tracy Lawrence, co-founder and CEO of Chewse**.
- Your goals:
 - Scale the business beyond San Francisco.
 - Preserve the “**Love Culture**” that differentiates Chewse.

- Secure the right investors and leaders for growth.

Key Question:

How do you expand Chewse without losing its culture?

Case Overview

Chewse at a Glance

- Founded by **Tracy Lawrence** (2011) after frustrations with catering logistics.
- Pivoted from event catering to **corporate lunch delivery**.
- Completed **500 Startups** accelerator → refined focus on office meals.
- Differentiation:
 - Simplified catering management.
 - Curated local restaurant partners.
 - **Culture factor**: mealtime hosts to build community.

Mission: “Make sure nobody eats alone.”

Chewse’s “Love Culture”

- Emphasis on **relationships, transparency, and vulnerability**.
- Practices include:
 - **Open salaries**.
 - **Weekly gratitude circles**.
 - Hiring based on **values fit**.
 - Transitioned delivery staff to employees.
- What advantages does this culture create?
- What risks does it carry for growth and fundraising?

Turning Point

Investor Pushback

- Some investors dismissed Tracy for not being “out for blood.”

- Lawrence reframed: Chewse isn't "out for blood" — it's "**out for love.**"
- Raised **\$5.6M Series A** with Foundry Group (B Corp) + others.

Tension: Culture as a liability vs. culture as a strategic advantage.

Growth Strategy

Fast vs. Slow Growth

Fast Growth

- First-mover advantage.
- Access untapped markets quickly.
- Attracts more venture capital.
- Can recruit top talent.
- Higher liquidity (potential exit sooner).

Slow Growth

- More sustainable over time.
- Easier to maintain culture.
- Lower employee churn.
- Easier to pivot if needed.
- Builds trust in the brand.

Why might Tracy Lawrence have chosen a slower growth path for Chewse?
How does this choice shape the Seattle vs. Los Angeles decision?

Strategic Dilemma

Next Market Expansion

Chewse must decide where to expand after San Francisco:

- **Seattle**
 - Similar to SF in size and customer profile.
 - Safer bet for transferring culture.
- **Los Angeles**
 - Larger, more complex market.
 - Less tech-centric, more influential industries (banking, entertainment).

Founder's Challenge:

As Tracy, should you choose the safer option (Seattle) or the bold move (LA) — and how will you maintain *Love Culture* in a new city?

Compare Options

Expansion Criteria

Market similarity – Is it easier to replicate SF’s success?

Cultural transferability – Can Chewse’s love culture scale here?

Growth potential – Will this market support fundraising and visibility?

Operational feasibility – Geography, logistics, local talent.

Strategic fit – Does the expansion reinforce mission + business model?

Compare Options

Founder’s Expansion Criteria

Culture transferability – Can I embed Chewse’s *Love Culture* in this new city?

Team building – Will I find (or promote) leaders who embody our values?

Operational feasibility – Is this market manageable in terms of geography and logistics?

Personal bandwidth – How much time will I need to spend there to get it right?

Strategic visibility – Will this market choice strengthen Chewse’s credibility for future fundraising?

Compare Options

Expansion Tradeoffs

| Founder’s Criteria | Seattle | Los Angeles |
|---|--|--|
| Can Love Culture be transferred easily? | <input type="checkbox"/> Similar culture to SF | <input type="checkbox"/> Different culture, riskier |
| Can I build the right team quickly? | <input type="checkbox"/> Smaller, easier to manage | <input type="checkbox"/> Larger, more talent diversity |
| Are operations/logistics manageable? | <input type="checkbox"/> Compact city, tech hub | <input type="checkbox"/> Sprawl + heavy traffic |
| Do I have bandwidth to support it? | <input type="checkbox"/> Less demanding travel | <input type="checkbox"/> More personal time required |
| Will this market boost our credibility? | <input type="checkbox"/> Safer but less visible choice | <input type="checkbox"/> Bold, influential industries |

Instructions

- Check boxes as you evaluate each city through Tracy’s eyes.
- Discuss: Which criteria should matter most to her at this stage?

Make a Recommendation

Which Market?

- Seattle

- Lower risk, culturally similar, manageable geography.
- But may be seen as a “safe” or less ambitious choice.
- **Los Angeles**
 - Bigger market, more diverse industries, higher visibility.
 - But logistics + cultural differences pose challenges.

Wrap-Up

Scorecard Totals

- **Seattle** → ____ / 5
- **Los Angeles** → ____ / 5

Discussion Points

- Which criteria did your group weigh most heavily?
- How does Chewse’s **love culture** factor into your choice?
- Are you evaluating purely on strategy, or also on values?

Key Takeaways

- **Culture as strategy:** Chewse’s differentiation goes beyond food.
- **Growth dilemma:** Expansion involves both markets and values.
- **No single answer:** Seattle vs. LA highlights different growth philosophies.
- **Entrepreneurial lesson:** Mission-driven businesses must balance heart and scale.

Chewse ultimately re-entered **Los Angeles**, prioritizing influence and proving culture could work outside of tech.