

Hampton Creek: Redefining the Foods We Eat

Dinia Gepte (300818574)

Centennial College

BUS 732-106

Professor Lillian Mak

March 31, 2015

## **Introduction**

Hampton Creek is an entrepreneurial food technology company whose purpose is to redefine the foods that we eat using a research and plant-based approach while maintaining environmental sustainability to give us healthier and cheaper alternatives to our everyday food. It was founded by two entrepreneurs whose passion towards a better society has led them to create this company that continuously brings forth inventive products by overcoming challenges to thrive in an industry that lacks innovation. Various articles and videos were used to write this report.

## **Hampton Creek CEOs**

Childhood friends Joshua Tetrick and Josh Balk are co-founders of Hampton Creek (Zipkin, 2014). Tetrick is a former high school jock who once dreamed of going professional but was diagnosed with a heart condition that prevented him from doing so (Buhr, 2014a). Instead, he went and acquired his Bachelor's degree at Cornell (Buhr, 2014a) where he graduated second in his class despite being at the bottom in high school. In 2008, he studied environmental law (Zipkin, 2014) and received a law degree from the University of Michigan (Mac, 2013). As a Fulbright scholar (Bloomberg, 2013), he spent seven years in Africa working for non-profit organizations and the United Nations (Buhr, 2014a) where he had the opportunity to work for the Liberian government (Zipkin, 2014). Closely working with the government may seem like a daunting task, but Tetrick was no greenhorn—he previously worked in the Office of President Clinton (Buhr, 2014a). Returning from Africa, he launched the now-defunct-website 33needs which raised money for social entrepreneurs (Mac, 2013). Tetrick's turning point in his career was when he share ideas with Josh Balk, the director of corporate policy for The Humane Society that protects animal rights (Zipkin, 2014). Balk suggested that taking on the chicken egg,

one of the world's most basic food, will solve today's health, poverty, environmental, and animal industry issues all at once.

### **Motivation**

Tetrick's motivation for starting the company is driven by his great concern for social and environmental issues. His experience working and living in Africa exposed him to the prevalent hunger and poverty issues plaguing Sub-Saharan Africa and a good portion of the world's developing countries. He felt that non-profit organizations, even with the best methods, do not impact these societies fast enough to change their lives (Zipkin, 2014). As a vegetarian, he is aware of the intensive animal agriculture process such as the caging and force-feeding of beakless chickens in the egg industry (Mac, 2013). The industry is expensive because most of the costs are dedicated to feeding livestock, and unsustainable because of the considerable amount of waste generated by these farms.

Tetrick's mission is not only to solve world hunger but also to change what people eat. According to a USDA research, U.S. households spend more than suggested values on red meat, refined grains, processed foods, and sugar. Americans buy less of the healthier options like fruits, vegetables, and low fat products (Buhr, 2014b). People spend more on processed and industrialized products rather than their organic counterparts is likely because of the costs associated with them. Organic products tend to be more expensive and the wise, low-to-middle-income consumer wants to cut costs. Tetrick wants to solve the problem for everyone by innovating products that are reasonably priced (cheaper), environment-friendly, tasty, and healthy (Buhr, 2014a).

### **Product Innovations**

Since starting its operations, Hampton Creek has launched various products that imitate eggs and egg-based items. Beyond Eggs, their inaugural product (Kolodny, 2014), is their plant-based substitute for the chicken egg (Zipkin, 2014). Hampton Creek's laboratories tested over 1500 plants and found eleven (Bloomberg, 2013) that had the protein consistency as that of an egg. Out of the eleven candidates, they chose one—the unassuming Canadian yellow pea (Zipkin, 2014). Tetrick speaks of the pea in his interview with Bloomberg as if it is a miraculous plant that can look, taste, and feel just like the battery-produced counterpart (2013). With this innovation in hand, Hampton Creek forged ahead and created Just Mayo—their first commercially available product version of the mayonnaise. Being plant-based and egg-free, Just Mayo is marketed as cheaper, cholesterol-free, and disassociated with animal-cruelty practices (Mac, 2013). The product comes in different flavours of original, chipotle, garlic, and sriracha (Zipkin, 2014), and sold in Whole Foods, Safeway, Costco, and Dollar Tree (Buhr, 2014b). Although Just Mayo is Hampton Creek's rise-to-fame product, there are other noteworthy products like Just Scrambled, a scrambled egg substitute, and Eat the Dough, an eggless cookie dough (Zipkin, 2014).

### **Current Position in the Market**

Hampton Creek's approach in the food industry with the staggering facts behind its conception would raise anyone's eyebrows; however, Tetrick managed to win them over with his products' costs, health benefits, and environmental impact. Supermarket chain Whole Foods in the U.S. is convinced. With an energy input to food energy output of 2:1 ratio against a 39:1 ratio of eggs, Just Mayo costs ten percent less than the regular mayonnaise in the store (Mac, 2013). Discount store Dollar Tree carries their product as well (Buhr, 2014b). Being able to sell in this store allows Hampton Creek to create an image for their company that healthy, vegan

alternatives don't necessarily have to cost a lot. Zipkin says that the company is looking to sell outside the U.S. by bringing their product to Hong Kong's Park 'n Shop which is a digital store that sells over 9000 products (2014). Hampton Creek is also in partnership with Fortune 500 companies and has continuously garnered support evidenced by the additional \$23 million funding for its second stage of development (Zipkin, 2014).

## **Challenges**

It was not a walk in the park for Hampton Creek to crack the \$9 billion egg industry (Bloomberg, 2013) and the \$11 billion mayonnaise market (Kolodny, 2014). To find the perfect ingredient for their egg substitute, the company had to test 1500 plants resulting in just eleven of those that can be used (Bloomberg, 2013). While the ingredients used for the Just Mayo product line are certified grass by the FDA (meaning, no extra legal actions need to be taken to sell the product), some plants are not which could take from six months to a year to process the application before they can sell (Bloomberg, 2013). Furthermore, it wasn't enough to house only biochemists in their laboratories. They needed food scientists and chefs to contribute to the rapid testing and prototyping of their products (Zipkin, 2014). External factors have come into play as well. In 2013, the American Egg Board has launched a campaign against laboratory-created products that aim to replace natural chicken eggs (Mac, 2013).

Due to the success of the Canadian yellow pea and the potential of plant-based products, Hampton Creek is creating the largest plant database in the world. Former Google data scientist employee Dan Zigmond has recently joined Hampton Creek to help with the huge challenge of studying 8.7 million plant species, plus varieties of each species, and processing that data into meaningful information (Buhr, 2014b). The knowledge generated by this database will allow

Hampton Creek to inform farmers of suitable alternative crops that will bring down the cost of organic produce to veer consumers away from processed foods.

### **Potential and Future Prospects**

Many big-name investors in the likes of Bill Gates and billionaire Tom Steyer are attracted to the idea of the sustainable, cost-effective, and healthier food promise of Hampton Creek (Mac, 2013). Hampton Creek received a venture capital of \$30 million from Microsoft, Yahoo, PayPal, and others (Buhr, 2014b). It raised another \$23 million for its Series B plan (Zipkin, 2014). Tetrick says that up to half of the funds will be used for research and development, and the rest for operations, distribution deals, and expansion outside of the U.S. with a particular interest in China (Kolodny, 2014). An investor predicted that the company will focus on distribution, make their supply chain more efficient and competitive, and promote global awareness to their brand (Kolodny, 2014).

Starting with mayonnaise, Hampton Creek sees the current market to be a large playing field with enormous opportunity in the next five years (Zipkin, 2014). It aims to create more than eggless products by, for example, reducing the amount of sugar in sweets while keeping or improving their taste (Buhr, 2014b). The company is negotiating with several companies to use their products. One is a giant fast food chain and another is General Mills, parent company of Betty Crocker and Pillsbury (Mac, 2013). It is also looking to sell the information gathered from the plant database to household name manufacturers to shift to plant-based ingredients (Buhr, 2014b). If these talks come to fruition, consumers should expect more of these eco-friendly products to our table and Hampton Creek will be one step closer to its mission of changing the foods we eat.

## References

- Bloomberg. (2013, December 3). *\$9B Egg Industry Inefficient: Hampton Creek CEO*. Retrieved from Bloomberg: <http://www.bloomberg.com/video/cracking-the-9-billion-egg-industry-cq5CEFjkRI~U5kAnEkhcQQ.html>
- Buhr, S. (2014, April 7). *Former jock hatching new food biz with help from tech*. Retrieved from USA Today: <http://www.usatoday.com/story/tech/2014/04/07/hampton-creek-foods-josh-tetrack-just-mayo-silicon-valley/7348077/>
- Buhr, S. (2014, July 3). *How A Former Google Data Guy Could Change What We Eat For Breakfast*. Retrieved from Tech Crunch: <http://techcrunch.com/2014/07/03/how-a-former-google-data-guy-could-change-what-we-eat-for-breakfast/>
- Kolodny, L. (2014, February 17). *Hampton Creek Raises \$23M to Make Eggs Obsolete*. Retrieved from The Wall Street Journal: <http://blogs.wsj.com/venturecapital/2014/02/17/hampton-creek-raises-23m-to-make-eggs-obsolete/>
- Mac, R. (2013, November 23). *Bill Gates' Food Fetish: Hampton Creek Foods Looks to Crack The Egg Industry*. Retrieved from Forbes: <http://www.forbes.com/sites/ryanmac/2013/11/23/bill-gates-food-fetish-hampton-creek-foods-looks-to-crack-the-egg-industry/>
- Zipkin, N. (2014, April 4). *This Mega-Funded Startup Wants to Forget the Chicken and Redefine the Egg*. Retrieved from Entrepreneur: <http://www.entrepreneur.com/article/232793>