

Jenny Craig – United Kingdom and France: A Case Study

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ABSTRACT

This paper is about the Jenny Craig's business strategies for entering the United Kingdom and France. It compares the approaches and business practices in the two markets and provides a useful case study for classroom discussion on how things can have unintended consequences.

INTRODUCTION

This paper presents a case study to compare and contrast business strategy of a well-known brand in the weight control industry as it tried to expand its operations in Europe

Nutrition plays a critical role for consumers not only in the developing countries, but also in the emerging markets. Jenny Craig (JC) in 2010 was a strong and successful entity within Nestlé Corporation; it had successful operations in the United States, Canada, Australia, New Zealand, Puerto Rico and Guam. JC prides itself in being flexible and agile in managing its locations and responding quickly to changing market dynamics. This includes varying the techniques it implements across different countries and regions including the type of services it provides as well as altering the meal choices based on different culture's culinary preferences. Growth was particularly strong in emerging markets but also in France and Spain. JC's at home business compensated for weaker demand at some of its overseas locations [1]. JC's operations were quite successful in France; however, it failed in the United Kingdom, though it had succeeded in other countries such as Canada and Australia among others. In 2010, it had a 31% of the market demand of overweight people in France and 62% in the United Kingdom (UK) [2], [3]. With this kind of statistics, one would have thought success was imminent in the UK, but this was not to be the case.

MARKET FACTORS AND COMPARISON

Obesity Trends and Market Share in the UK

In 2010, the UK population was estimated to be over 63 million with an annual growth of 0.8%, expecting to reach 67.2 million by 2020. A study conducted in 2008 showed that approximately 25% of the adults in the UK aged 16 and over were classified as obese (BMI 30kg/m² or over) and that 42% of men and 32% of women were considered overweight with BMI's of 25-29kg/m². The study also revealed that 39% of adults in the UK had raised waist circumference compared to 23% in 1993. Women had a larger relative waist size than men (44% of women had waist circumference of 88cm or above; 34% of men had waist circumference of 102cm or higher) [4]. In 2007, 47% of obese men and 44% of obese women had high blood pressure. Prescriptions for items that could help with weight loss was 1.28 million compared to 127,000 prescriptions in 1999; and the weight management market in the UK was estimated to be £2 billion stabilizing at the time .

Cultural Factors in the UK

People in the UK spend roughly 11% of their disposable income on food. 22% of the grocery bags contain food high in fat and/or sugar, even though the government recommendation is that such food should not account for more than 8% of the daily meals. When it comes to body image and shape, a survey of 2,000 English women conducted in 2009 showed that women prefer a curvier figure over the slim one. The survey also showed that the women surveyed believed that the 60's Hollywood star Marilyn Monroe and the British actress Kate Winslet have the ideal body shape and were considered as role models. Most women admitted that they have a pear or an apple shaped body and that they strive to have a curvier body with a thin waist [5]. Another survey revealed that only 3% of British women are satisfied with their body and 73% of women worry about their body and shape daily. Of the 5,000 women surveyed, 75% were dissatisfied with their body shape and 71% with their weight. Six out of 10 women said they are depressed for reasons regarding their body shape and weight. 84% of normal weight women wished they had a slimmer body and that they would be satisfied with their body if they lost an average of nine pounds. Also 85% of those women confessed that they had dieted in the past, and 25% had tried starving themselves in order to lose weight, while a third of them said they are always on some sort of a diet [6].

Jenny Craig's Competition in the UK

Diet centers with almost the same concept as JC are abundant in UK. However, not everyone can afford these types of dieting services because of their high prices that range £5.57-£59.99 per day depending on the plan, which makes the other cheaper options, the old-fashioned way, more appealing to the British. Some of the diet food delivered services, like The Detox Kitchen and The Pure Package, provide healthy food that are prepared and packaged on the same day which are healthier alternative to the pre-packaged/frozen food sold by JC. Other diet plan programs differentiate themselves by appealing to different customers by offering more than one plans; BodyChef is a good example which offers eight different plans including, vegetarian, low GI, detox and lower carb plans [7]. In the U.S, JC's differential advantage is its one-on-one service with its consultants, who offer guidance and advice to their clients to achieve their ideal body weight; the same approach is also used in Jenny Craig UK.

Obesity Trends and Market Share in France

France is the fifth wealthiest economy in the world with a GDP of \$2,831 billion and GDP per Capita of \$33,493 in 2009 [8]. Its population, according to the French statistical office, INSEE, was 65,073,482 [9]. The obesity rate in France is among the lowest according to Organization for Economic Co-operation and Development (OECD), however the rate has been increasing slowly. 15% of the French population is obese and 32.3% are considered overweight. In 2011, the weight-loss market in France was estimated to be about 3 billion Euros.

Cultural Factors in France

France has played a crucial role as a center of high culture ever since the 17th century, as well as in cinema, cuisine, and fashion. French people value food as part of their culture and lifestyle. They set aside a time and place for enjoying food. It is much more customary to eat food sitting at home or a cafe, slowly. "They sit down and eat for pleasure, using all of their senses," according to Mireille Guiliano [10]. In contrast to Americans, their portion sizes are much smaller, and they do

not eat too much processed food and instead opt for locally-produced, fresh, and quality ingredients. However, American culture has gradually slipped through into this country and companies such as Starbucks and McDonald's are expanding rapidly and steadily in the past few years. Beauty in France is typically associated with slimness and French women are generally more concerned about their physical appearances and tend to be more motivated to lose weight than men although men have also become more interested in their appearance and weight management. French women are receptive to meal replacement products and are open to try new methods to maintain their weights.

Jenny Craig's Competition in France

Nutrition and Santé is the leading brand of meal replacement product in France, with a combined 26.1% value share. One of the reasons for its excellent sales record is that it provides a wide variety of products to the customers. One of the company's brands, Gerlinea, is available in supermarkets and hypermarkets. The other brand, Milical, is available in channels such as pharmacies. In addition to replacement product providers, weight-loss program provider Weight Watchers is also another competitor in this industry that JC needs to take into account. Weight Watchers is one of the main weight-loss program providers in over 30 countries worldwide. It conducts its business through both company owned and franchise operations. Group support in the classroom setting, exercise, and diet are the 3 main factors in its programs [11]. It is a perfect program for the French psyche because in theory people are allowed eat whatever they like, but just can't eat much. This sets well with the firmly held French belief that food is by definition good but that everyone should carry around a vague sense of deprivation [12]. Records of individuals joining the Weight Watchers program in France (in 2009) indicate that the average length of participation was 11 ± 10 weeks with an average total weight loss of 5.4 ± 15 kg. At the time of leaving the program, 30% had achieved at least a 5% weight loss and 13% had achieved a weight loss of 10% or more. This data suggests that a comprehensive, lifestyle-based weight-loss service is effective in France [13].

MARKET ENTRY STRATEGIES COMPARISON

UK Strategy

In 2010, JC decided to expand its operations into the UK; however, this decision came with a storied past as JC had been in the UK market once before, but failed. Due to the early successes witnessed after the 2009 launch of Jenny Craig in France, the company considered the UK market once more. In entering the UK market, JC chose to complete a year-long pilot program to test whether the market was receptive to the brand. The UK market showed a wide range of potential customers – 25% of the UK was classified as obese and 61% were overweight. In a clinical study completed during the pilot program, JC found that people who followed its program for a year lost 11% of their body weight, thereby solving much of their weight problems [14]. At the time of JC entry, the company that maintained dominance over the UK market was the global weight-loss brand, Weight Watchers. Unlike its previously failed attempt, JC now had successful operations in France and could foreseeably use that in its marketing campaigns. The company's strategy was to utilize a series of TV campaigns, magazine advertisements, and a use of word-of-mouth to market its products and brand to tackle the competition head-to-head [15]. In fact, as part of its strategy, JC chose to air commercials targeted directly against Weight Watchers, but was restricted in an eventual litigation from making claims of superiority against its rival [16]. Interestingly, JC did not follow the same strategy as previously utilized in other countries and opted instead to provide a 12-week course, during which it would train clients to follow guidelines on health, portion sizes, and exercise. In addition to weekly contact with a weight loss consultant, clients would also be able to receive tailor-made meals based on their individual dietary needs. Non-JC foods were also

introduced to help clients self-moderate their diets. After the 12-week course, successful clients would have made the necessary changes to continue on their own if they so choose. JC chose to utilize a methodology that would highlight short-term efforts for long-term effects. Moreover, JC decided to manufacture all of its tailor-made foods directly in the UK and not importing them, which was providing fresher foods, but would also helping out with the local market and economy as well.

French Strategy

Since 2006, Nestlé, a Swiss multinational food and beverage company, owned JC. Nestlé decided to enter the European market and started with France in 2010. The Swiss company supports the fight against obesity and did so through integrating European elements into the American Jenny Craig weight management program [17]. Obesity has increased tremendously in Europe and this phenomenon is even occurring in France, one of the healthiest countries with historically low obesity rates and highest rate of underweight people in Western Europe. Obesity rate in France has increased from 8.5% in 1996 to 15.4% in 2010; in comparison, the obesity rate in the US is about 35% [18]. Nestlé understood French culture well and knew that it could not use an American concept to lose weight in France. The French model of eating and the American couldn't be more different. So it avoided the idea of using JC imported U.S. solutions, as French people wouldn't trust an American diet solution due to the high obesity rate in the US. Thus, Jenny Craig America and Jenny Craig France are completely different [19]. Furthermore Nestlé understood that it is not easy to sell packaged food to a country that is so proud of its cuisine. Eating in France is a cultural construct and a meal is a kind of communion, a sharing of experience. Moreover, French people do not snack and there are only three meals a day, as opposed to the UK, and especially the USA where they eat meals and snacks up to six times per day [18].

So the first step to launch JC in France was to understand the merits of French culinary tradition. The dishes of Jenny Craig France are traditional French dishes and the prepackaged meals are much more exquisite and tasty than the ones in the U.S. Moreover, the French Jenny Craig box is smaller, elegant and the packing is brightly patterned. It also created a new, Jenny Craig's Idea: "You have your Jenny Craig meal, but at the table, with the others. You don't have the stress of making your own comparable meal or eating quickly in the kitchen to hide that you are on a diet. No, you heat it up and have your meal with everyone else." Another change was that in France the consultants are all dietitians, whereas the American model relies on laypeople trained in the JC technique [18].

Jenny Craig France also tailored its marketing scheme to the French mindset. Whereas the American Jenny Craig Web site advertise with the slogan "See What Success Tastes Like" and inspires the diets to "Feel Like New. Feel Like You;" the motto on the French Web site is more logic-based, "I did the Jenny Craig solution. It works!" "Why not you?". Even the Web site's exercise videos changed and are tailored to the European or French ambience and lifestyle. The JC launch in France was successful because Nestlé knew and accepted the French culture and highly tailored its products and services for the French customers [20].

JENNY CRAIG SUCCESS VS. FAILURE

UK Failures

Nestlé looked to establish its JC brand in the UK market in 2010 but failed to do so. Although the weight loss program addressed some important health concerns of UK consumers, it ran the risk of being seen as too expensive in the poor financial landscape at the time. However, the brand still

catered for important consumer trends and, with the backing of Nestlé, was hoped to provide long-term success. Nestlé re-introduced its JC brand in the UK after a successful regional trial in late 2009. The company pitted the brand in direct competition to Weight Watchers as a program that educates consumers over a set timescale, giving them the tools to maintain a healthy weight for a prolonged period. One facet of the Jenny Craig regime includes the delivery of tailored meals to participants for a fixed period. Since the onset of recession in the UK in 2008, the ready meals market had not performed well, as consumers moved towards cooking from scratch more in a bid to lower costs. This inhibited the success of JC in the UK. The gloomy economic conditions at the time also led to a rise in comfort eating and snacking as consumers sought moments of escape from the growing pressures of everyday life. Although concerns over health and personal appearance in particular remained important, the previously stated trends outweighed these concerns. Moreover, Weight Watchers was truly considered a household name in the UK. Therefore, entering into competition with this company required significant efforts that Nestlé was not able or willing to provide. Nestlé's original plan was to use print and word-of-mouth marketing in order to direct consumers to Jenny Craig's UK website, however, the television adverts planned after this initial push did not spark interest among the UK consumers. Despite some encouraging signs that the economy would recover, consumers did not yet feel much of this recovery by 2010. JC faced publicity problems as its celebrity ambassadors failed to meet the weight loss results so heavily marketed by the company. These celebrities, such as Australian Rebel Wilson and American Kirsty Alley left a poor model to follow for aspiring customers and left doubt in the mind of potential customers over the success rate of the JC strategy. In 2012 the global JC brand faced strong backlash on social media after the company sponsored a controversial radio host in Australia, who was deemed "sexist" by many adversaries [21]. Even with a quick turnaround, the company image was tarnished by this incident, leading many customers to consider other diets and options. As a new company to the UK, and facing stiff competition from Weight Watchers, JC couldn't afford such a publicity fiasco at such an early stage of its strategy. Ultimately, these factors, along with the tough recession and powerful competition, caused it to fail again in this market.

French Successes

Nestlé was able to establish its JC brand in the French market in 2010. The reason for JC's success in France is that Nestlé really looked at the French culture and understood it very well. Regarding its market entry strategy, Nestlé determined that it could not enter the French market as many have a negative reaction to American food, but in terms of weight loss, the Americans have credibility here [20]. Knowing that the American's weight loss strategies do have a good chance of success, a French Jenny Craig could exist and thrive, if done correctly; therefore Nestlé revised the concept and tailored it to the French customer by tailoring the food using French cuisine and dishes. Furthermore, they changed the packaging so that the boxes looked more elegant; they also changed their marketing scheme.

SUMMARIZED REASONS FOR FAILURE AND SUCCESS

JC pulled out of the UK market in May 2013 after just over three short years. One of the most crucial reflections to their failure in the UK is that in neighboring France, JC was able to not only survive, but thrive. Many different challenges faced both entities. In the UK, there were many more obese citizens, but there was a plethora of other firms and programs readily available. In France, the market was just emerging and Jenny Craig was able to enter and gain an early foothold. In the UK, the British eating habits aligned very closely to American habits, indicating a similar strategy could possibly work. The French habits were much more of a challenge and JC had to overhaul its entire

strategy there just to survive. Furthermore, the British culture allowed for a curvier body type than the slender French body type. In the end, JC learned – to its detriment in the UK and its benefit in France – that understanding and adapting to a customer’s wants and needs is imperative to a company’s survival in that market.

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Available upon request