

PURSUING ENTREPRENEURIAL PASSION AND PURPOSE AT THE TENNESSEE PEANUT COMPANY

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This case leads students through the story of a bootstrapped startup business and its early organic growth. Students will have the opportunity to evaluate the next steps in continuing the business launch and can consider how earlier business decisions and experiences have led to the current business position. Key themes in the case study include entrepreneurial passion, purpose, and mindset, organic growth, high-growth, viral moments, branding, start-up resource limitations, and strategic pivots.

INTRODUCTION

Jay Cleveland, CEO and Founder of the Tennessee Peanut Company, was learning how to run his start-up business on the fly. His business was growing rapidly, organically, and sometimes even unintentionally. But with every growth opportunity came a new learning curve and challenge for the young entrepreneur. However, Jay wouldn't have it any other way. The challenges excited him and provided both passion and purpose to his life. "I get up every day since this thing started not always knowing what I am doing, but I enjoy knowing I have something purposeful to do," Jay said. As Jay sipped his coffee, he described how this "side hustle" was never intended to grow into what it has become. Jay said, "I just started this business for fun and never dreamed it would become my full-time job." Throughout the first two years of the business, Jay has experienced steady growth, and at times even explosive growth, despite withstanding a pandemic which has led to many different entrepreneurial pivots and numerous unexpected business turns. At each turn, Jay has had to learn new skills and develop responses to the changing business environment. Now, once again, Jay needed to determine the next steps for continuing to scale his young startup company as new growth opportunities continued to emerge. As Jay took another sip of his coffee, he commented, "I still have a lot to learn about business, and a lot of big decisions to make, but I am excited about where we are going."

JAY'S LIFE STORY

In recent years Jay Cleveland has been a man on a mission, but it has not always been that way. Growing up in Talladega, Alabama, Jay had a rough childhood and for many years his life was in constant turmoil. During his early years his parents divorced, and he bounced from house to house, from one chaotic situation to another. When Jay was 10, his father died of complications from alcohol abuse, at which point Jay began to spiral out of control. "I started making bad decisions.... Nobody could tell me what to do," Jay said. But this was only the beginning of Jay's troubles. Soon he was kicked out of school, and by age 14 he had joined his first gang. Jay said, "We were skateboarders ...just punk kids. We skateboarded, we stole a lot of things, we graffitied buildings. It was bad kid stuff...but not horrible stuff."

Unfortunately, Jay soon moved beyond bad kid stuff. "I kept getting expelled from different schools and that led to alternative schools where I kept meeting kids worse than the kids I knew before, which led me down a deeper hole," Jay commented. Things got much worse for Jay from there. He added, "I was sneaking out every night, hanging out with Birmingham's worse. I was hanging with people who dealt guns, heroine, and meth. It was not a good situation." Eventually, Jay and some of his friends were arrested with guns after engaging in a drive-by shooting event. Jay was sentenced to juvenile detention and later had to attend his grandfather's funeral in shackles and a jumpsuit. Although it was a low point in Jay's life, it was not enough to get him to change. After one more bad decision he found himself moved from juvenile to adult prison at the age of 16. It was horrible. He was assaulted during his first few days in prison and lived in constant fear for his life. To Jay, his life seemed to be over. "I was a broken young man," Jay said.

Throughout Jay's troubled childhood, one person remained a constant source of positive influence in his life, his grandmother. Jay's grandmother continued to believe in him, and through a friend she petitioned the court for an alternative to adult prison. The request led to a "last chance" opportunity for Jay. Jays recalls the moment his life finally began to turn around: "I came to the courthouse one day and they said you are going to Nashville...to the Nashville Rescue Mission. You can complete the program, but if you get into any trouble, you will be back here for a long time," Jay added, "I didn't really know what it meant, but I signed the papers."

The Nashville Rescue Mission provided Jay with something he had never experienced before, a sense of structure, purpose, and normality. After several months in the required program, Jay committed to long-term residency and became a leader and mentor to others. Jay also found his personal faith in God during this time, which became the center of his restored life. Jay changed dramatically during that time, and his new purpose became serving others. During this transformational

experience Jay began to consider a future that was previously unimaginable: he decided he wanted to go to college. “I started seeing that other young people who were living normal lives went to college. I wanted to be normal. So, I applied and went to Middle Tennessee State University (MTSU),” Jay said. While in college Jay’s transformation continued as he met his wife, and his life became totally different from his past experiences.

Jay graduated from MTSU with a psychology degree, settled into a career in nonprofit management, and started a family with his wife Jessie. While he enjoyed the work he was doing, Jay still felt he could do more, and he realized that he had an untapped entrepreneurial spirit. He just wasn’t sure where his entrepreneurial passion would lead him. Jay knew that any business he pursued must be positive for his family, allow him to help and serve others, and leverage his creative skills. With those fundamental values in place, Jay began to explore entrepreneurial opportunities.

THE UNITED STATES PEANUT INDUSTRY

History

The peanut industry has a long and complex history in the United States, particularly in the southeast region. Peanuts are originally native to the western hemisphere and appear to have originated in South America, but they eventually were spread across the world by Spanish explorers (American Peanut Council, 2021). In the United States peanuts were first grown commercially in Virginia during colonial times, mostly for use as livestock food and as substitutes for oil and cocoa (Florida Peanut Producers Association, 2021). Consumers think of the product as a nut; however, peanuts are actually legumes which grow in the ground, yet they have a similar taste and nutritional composition to nuts (The Peanut Institute, 2021). Commercial peanuts declined in popularity during the late 19th century as the product was considered hard to cultivate and was perceived to be a food for the poor (American Peanut Council, 2021). Later, the consumer product became equated with carnivals, circus, and sporting events rather than with normal household consumption.

In the early 20th century, Dr. George Washington Carver of the Tuskegee Institute developed over 300 uses for peanuts as he promoted the product as a valuable rotational crop that saved and replenished the soil in the southeast region. At the time, Carver’s work was a revolutionary breakthrough for agriculture, and he became known as the father of the modern peanut industry (American Peanut Council, 2021). Carver’s new discoveries and promotion of them, accompanied by new technology for harvesting the crop, led to the rapid expansion of the U.S. peanut industry throughout the southeast (The Peanut Institute, 2021). Peanut production also expanded during World War II as the product was used to make

explosives and replace lost imports of vegetable oil from Asia (American Peanut Council, 2021). In recent years, approximately half of all U.S. peanut consumption has been in the form of peanut butter. By 2021, 13 mostly southeastern states have continued to grow peanuts commercially, and the United States remains the world's leading exporter and the 4th largest producer of the product (United States Department of Agriculture, 2021). Table 1 shows the latest government reports on peanut production by state.

TABLE 1
2020 Peanut Production by State

Rank	State	Pounds Produced
1	Georgia	3,280,000,000
2	Alabama	637,000,000
3	Florida	561,000,000
4	Texas	490,000,000
5	North Carolina	424,000,000
6	South Carolina	278,800,000
7	Arkansas	182,400,000
8	Virginia	110,700,000
9	Mississippi	96,800,000
10	Oklahoma	58,800,000
Others	Missouri, New Mexico, Louisiana	14,400,000

Source: USDA Peanut Stocks & Processing Report

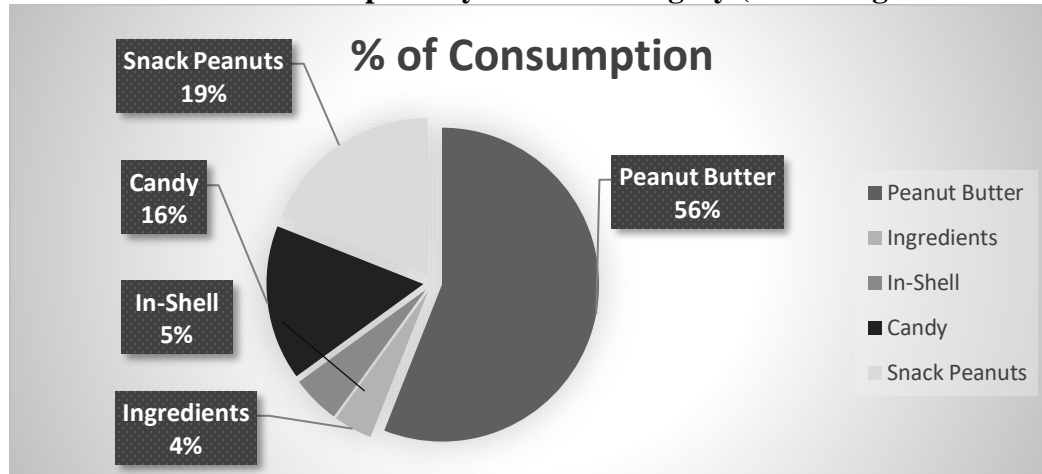
Current State of the U.S. Peanut Industry

In 2021, per capita peanut consumption in the United States reached an all-time high of 7.6 pounds per year (United States Department of Agriculture, 2021). Much of this increase is attributed to improved marketing and a boost from the pandemic. The composition of U.S. peanut consumption (excluding peanut oil) is displayed in Exhibit 1. After removing the 60% of peanut consumption related to peanut butter and ingredient usage, the remaining 40% of all peanuts are consumed as either snack peanuts, candied peanuts, or in-the-shell. The packaged peanut industry contains many large manufacturers and retailers as well as many niche retailers such as the Tennessee Peanut Company. There also remains a small number of roadside vendors selling unpackaged peanut products. Some of the leading national brands of snack peanuts include Planters, Hampton Farms, Virginia Diner, and the Hubbard Peanut Company. These large companies are vertically integrated, controlling their supply chain from the farm to the manufacturing processing plants

to retail branding. Most smaller peanut retailers do not have vertical integration at either the farm or the manufacturing level and ultimately must purchase their product from large producers.

EXHIBIT 1

2020 U.S. Peanut Consumption by Product Category (Excluding Peanut Oil)



Source: USDA Peanut Stocks & Processing Report

THE TENNESSEE PEANUT COMPANY

Company Origin

The Tennessee Peanut Company was originally founded by Jay Cleveland as a weekend “side hustle” to accomplish two goals. First, Jay was actively involved in mentoring and sharing his faith and believed that a side business could be a vehicle for connecting, serving, and creating economic opportunity for the men he hoped to influence, which, in turn, would give him greater purpose. Jay commented, “I wanted something where you spent a lot of time together where you could have deeper conversations about the purpose of life.” He also wanted a business in which his family could play a central role. “I didn’t want to do something that took me away from my family, but rather something that brought us together,” Jay said. He decided that a business producing and selling a product at a farmers’ market was the right business model for his goals. Jay entertained several different business ideas as he searched for the right product. He briefly experimented with producing and selling honey products before deciding that market was too saturated. Then on a family vacation to Florida he saw the perfect product, boiled peanuts.

Jay described the origin of his passion for boiled peanuts. “I grew up in rural Alabama and boiled peanut stands were everywhere. It was my grandfather’s favorite snack. He would do wheel-jerking turns in his truck every time he saw a

boiled peanut stand.” Jay continued, “I had been in Nashville for over ten years, and I had never seen a boiled peanut stand anywhere. I did see Georgia peaches everywhere on the side of the road, so I stopped and talked to these guys to see how they made their roadside stands work. After listening to their process, I thought: why couldn’t I do the same thing with boiled peanuts?”

Boiled Peanuts

Boiled peanuts remain a predominantly southern niche item, and many consumers are unfamiliar with the product in this form. The texture of boiled peanuts is soft, unlike roasted peanuts, so people are often surprised by their first exposure. “Boiled peanuts are often found in grocery stores and gas stations in the deep South. They have a long history...and are often referred to as the caviar of the South or as goober peas,” Jay said. Jay added that he always tells people that eating boiled peanuts is like eating edamame.

Unfortunately, the process to make boiled peanuts is long and labor intensive, often taking 8-10 hours to boil and an additional several hours to soak in the marinade after cooking. For Jay’s operation, this meant that he had to boil the peanuts prior to the farmers’ market events and then reheat them in multiple crawfish boilers to serve them hot and ready to eat. Jay described how his production process evolved: “So I bought a large trailer designed to boil peanuts for roadside sales. Originally, I was boiling the peanuts the day of the event, getting up at 2am, trying not to wake up my kids to start the process of boiling to be ready to hit the farmers’ market with fresh boiled peanuts.... It just wasn’t sustainable.” He continued, “Eventually, I pivoted to one boiling day a week, usually Monday, and then I would flash freeze the product...and then on the day of market I put them in coolers until it is time to drop them in boiling water to be ready to serve.” This process increased the efficiency and allowed Jay to sell directly out of a stand rather than rely on using the trailer for sales. “Being in a stand improves sales because you get a better position in the farmers’ market than if you have to use a trailer.... It allows you to entice customers with the smell of your boiled peanuts, so if you are next to the booth selling kale, you have a big advantage,” Jay added.

Flavors can be easily added to boiled peanuts during the cooking process, creating many options for product variety. Jay described some of his popular flavors of boiled peanuts that he sold at farmers’ markets in Middle Tennessee. “We have produced traditional salted boiled peanuts, but we have also sold a lot of Cajun flavored, apple pie flavored, whiskey honey, and maple bacon, which are some of our favorites.” Other flavors have included scotch and dill-pickle as Jay has continued to experiment with new flavors. Jay continued, “We work really hard on developing just the right flavor profile, and sometimes I push the envelope a little too far, but you have to stay creative.” The farmers’ market setting has been very

useful to Jay as he can interact directly with customers to get their immediate reactions to new flavor concepts.

An Interesting Discovery

As Jay was in the process of launching his farmers' market business, he had a surprising experience that added to his sense of purpose for the business. "I love antiques and history and old things, so one day I found this old antique map and it showed that Tennessee was at one time a leading producer of peanuts up until the 1920s." Jay continued, "It actually showed that Hickman County was producing more peanuts at that time than Georgia and Virginia combined." Jay decided that someone in Tennessee had to know more about this, so he went to the University of Tennessee Agriculture School and several other regional agricultural centers. The reaction he received from these academic experts was shock and disbelief. As they researched further, they found that this was a forgotten piece of Tennessee farming history. Several older multi-generational family farms acknowledged that previous generations had grown peanuts but had stopped due to government quota restrictions that were put in place right before the Depression, and they had never experienced a market opportunity to resume growing the crop. Several of the farmers Jay spoke with mentioned that peanuts were an excellent rotational crop with cotton, and they would be eager to grow peanuts if demand could be demonstrated. For Jay, this was a challenge. "I just felt like at that point part of my mission was to restore to Tennessee the lost peanut culture of their past," Jay said.

Full-time Entrepreneur

Jay did not intend for the Tennessee Peanut Company to become his full-time job. "I really just started this business to be a side hustle or a fun hobby." Jay commented. When Jay launched the Tennessee Peanut Company, he had been working for a well-established Nashville non-profit for many years. His employer suddenly went through some political leadership and governance changes at the board level at the same time that Jay injured his back. "As the political changes occurred, there were several people who wanted my job. I had been praying very hard for God to get me out of the situation or show me a different path, and then I got injured. I was paralyzed for two weeks and then had two months of physical therapy," Jay said. During the time Jay was sidelined, he began focusing on expanding his business plan and website and developing new branding themes. Eventually, Jay decided it was time to leave the non-profit, and he started looking for another full-time job as he continued to develop his boiled peanut business. "As I was trying to figure out my next career move, the business just kept growing to the point where I was working all the time on new opportunities and it just became my job," Jay explained.

Product Line Expansion

Jay soon began offering roasted in-the-shelled peanuts in a bag and flavored shelled peanuts in a can to supplement his boiled peanuts. “I realized that not everyone likes boiled peanuts, but almost everyone likes roasted, flavored, or candied peanuts. And since we were buying peanuts in bulk, I figured I could get someone to produce a new line of products for our brand,” Jay said. Soon the long-established Hubbard Peanut Company began producing packaged, roasted, and flavored, products for the Tennessee Peanut Company. “Roasted peanuts definitely increased our sales and gave us a product with a shelf life as opposed to a consume-on-the-spot product like boiled peanuts. It was also very popular as a gift option, especially for tourists in Nashville,” Jay added. The company’s roasted products included in-the-shell unsalted, salted, and Cajun flavored peanuts sold in 2-pound bags. The shelled, roasted, and candied peanuts products were sold in 12 and 20-ounce cans and have included traditional salty, chocolate covered, honey roasted, sea salt and pepper, honey roasted chipotle, and Nashville sweet and hot.

Sales Channels

As the farmers’ market business continued to grow steadily, the pandemic hit. “We were flying along doing farmers’ markets all over Middle Tennessee. I had trained several guys to run a booth, and we were seeing steady sales increases month-over-month. Then boom! Just like that we were done,” Jay commented. He added, “I didn’t really know what to do. So, I started looking for a job again.” The job offers didn’t come, but the sales of products through other channels did, so Jay decided to pivot his focus to the new channels at his disposal.

Fortunately, prior to the pandemic Jay had begun to experiment with developing a direct-to-the-customer online sales channel through the company website. “I have had a lot of experience with branding and website development, so over time we started selling directly to the customers our roasted, bagged, and canned products,” Jay commented. Those sales became critical to the company’s survival when the farmers’ market business evaporated. Jay pivoted to increase social media advertising when the pandemic hit, and the ecommerce sales continued to grow. Jay began filling orders directly from a warehouse space near his home with the help of one part-time employee, a bluegrass musician who had also suddenly lost his income stream. Each day they packaged the orders and used ShipStation to schedule daily UPS pickups at the warehouse. “We try with our ecommerce business to make it an experience, with customized packaging and personalized notes to make it feel like a Christmas morning package opening moment. We want it to be personal, our family delivering to your family,” Jay added.

One of the early validating startup experiences for the Tennessee Peanut Company was the steady rise of a retail sales channel presence without ever expending any

resources in the pursuit of retail vendors. “We have done nothing to promote our products to retailers but have still managed to wind up on the shelf in a lot of small retail locations across the country, currently about 250 plus locations across the country,” Jay said. He added, “We just signed a deal to be in 78 Publix locations in Tennessee, and I believe if I had more time to pursue targeted retailers, we could grow this channel even more. So far, every retailer we have acquired has come to us; we haven’t reached out to anyone. It has all been organic growth.” Jay would like to do more to develop additional retail channels, but at this point he is limited by time constraints. Jay currently ships directly to his retailers from his Nashville warehouse.

Company Branding

Jay’s branding of the Tennessee Peanut Company has been very intentional. The in-the-shell roasted peanuts are sold in bags that resemble old faded feedstore bags while the design of the canned products were inspired by the sleek look of various automobiles and the Gulf Oil cans from the 1920s to 1960s. All of the products, including the wide variety of t-shirts, hats, and stickers, have an artistic, retro styling. “My brand image is based on a genuine interest I have in a forgotten generation. These were people who were hard-working, who came from rural counties.... They worked hard their whole lives, usually with their hands. They lived quiet lives and carried a simple moral reasoning about them that we are missing in our modern culture,” Jay commented. The brand image of the Tennessee Peanut Company means a great deal to Jay personally. “When I was turning my life around, I looked back to people from this forgotten generation to express the kind of life I wanted to live for myself and my family. It was about faithfulness to your family and to your community. It was about doing things the right way and not just the quick way. It was about pursuing sustainable values. The values of that generation are everything I wanted the Tennessee Peanut Company to represent,” Jay added.

The Dr. Lupo Experience

As the company continued to grow and pivot from the farmer’s market business model to a multi-channel distributor, something unexpected occurred. On July 1, 2021, during his live streaming session, Dr. Lupo, an online gaming celebrity and leading Twitch personality, began eating from a can of Honey Roasted Chipotle peanuts from the Tennessee Peanut Company that he had received as a Father’s Day gift. Dr. Lupo, who knew nothing about the company, casually commented that the product was “really good.” During the next few hours Jay’s website crashed three times as massive amounts of new orders were placed. Because the website crashed, the sales order and inventory records became misaligned, and the system continued to take orders for out-of-stock products. The Tennessee Peanut Company had just experienced a viral moment.

Jay woke the next morning to find an exponential explosion in sales. As he began to research the situation, he soon traced the source of the new sales to Dr. Lupo and quickly discovered that the celebrity gamer had over 4.5 million followers on Twitch, making him one of the leading influencers on the platform. “I had no idea who Dr. Lupo was. That is not a world I live in, but I soon realized he was really big!” Jay commented. In fact, as Jay logged into Twitch with a newly created company account, he was immediately bombarded in the chat stream with questions about his products. As he responded to questions, he saw 20 to 30 new orders instantly pop up on his website after each comment. “It was crazy. Like a feeding frenzy of orders,” Jay added.

Of course, the Dr. Lupo surge presented some serious operational challenges. “We were stocked out of almost everything the morning after Dr. Lupo’s streaming session, and with some products we had thousands of backorders,” Jay commented. Jay was excited by the exposure to so many new customers, but he was also panicked about how he would service the orders. “I honestly did not know what to do. So, I just started reaching out to all our suppliers and ordered everything I could get on an expediated basis,” Jay added. Jay also turned to email and social media with a communication strategy that explained the inventory situation, offering customers a refund if they desired, and thanking customers for their patience as he worked to fill the orders. After four weeks, with a lot of help from family and friends, Jay managed to get caught up from the surge and had all of the backorders fulfilled.

The good news from the Dr. Lupo saga was that the sales bump seemed to produce a long-term boost in sales levels. “We are still experiencing very elevated sales from that situation. We have had a lot of repeat sales from the new Dr. Lupo customers. In fact, I have basically shut down most of our Google ads for the time being just to focus on realigning our operations for a new level of sales,” Jay said. Jay also received permission from the streaming celebrity to produce a new personalized can of Dr. Lupo peanuts that will promote St. Jude Children’s Hospital. Ten percent of the sales from this product will be donated to St. Jude, which is Dr. Lupo’s primary charity, and he did not ask for any personal compensation. “We hope we can do some good for St. Jude and also expect that this might lead to another bump in sales.... We feel blessed to get to partner with him in this project,” Jay added.

New Operational Plans

Most recently a new opportunity to streamline the production and supply chain has emerged for the company. “We are going to switch all of our sourcing and production over to the Virginia Diner company. We were pleased with the service

and felt like they over-hosted us in our time there, so we feel good about this relationship,” Jay said. The hope is that Virginia Diner will be a partner that helps strengthen and simplify the supply chain for Tennessee Peanut Company. Jay added, “We are looking to be more creative where we can ship direct from their warehouse to speed up order delivery, increase our SKUs, and reduce the in-transit costs of the having the producer send us a pallet that we store and ship and repackage. This new arrangement will allow us to spend more time on brand development over production. And they should be all for this since we are selling their peanuts.” By reducing the warehouse operations and shipping time currently required in the Nashville operations, Jay should be able to spend more time on business development opportunities. As Jay concluded his thoughts on this new development he said, “We feel this is an opportunity to do the same things we have been doing at a lower cost.”

Throughout the first two years of the company Jay has continued to grow his business in a completely bootstrapped manner, but he is open to considering new financing opportunities to support future growth opportunities. “I am absolutely open to considering outside funding, but frankly I just don’t know much about those options. And as the company boss and as the only full-time employee, I really haven’t had any time to think about it. But it will be something we will have to consider at some point in the future,” Jay said. For now, the company profits are used for continued expansion, but new funding options would undoubtedly accelerate new business development.

NEXT STEPS

As Jay celebrates two years in business, he wonders what the next two years will bring. He has many decisions to make concerning the future steps for scaling the Tennessee Peanut Company. The plan is to continue to grow the existing business line while resuming some farmers’ market activity as a tool to further promote the brand. Beyond these immediate plans, Jay is open to any new opportunities that fit within their brand image and company mission. “We would love to eventually have a retail space of our own to showcase our brand. We also would love to get a commercial kitchen which will allow us to produce and vacuum seal some of our flavored boiled peanuts for retail sales, but that will require more investment capital than we currently have,” Jay said. Part of any potential boiled peanut expansion could include an opportunity to promote new peanut farming in Tennessee. Although Jay never intended or expected the company to go this far, he is pleased with the prospects of taking his passion and purpose further as new opportunities arise. Jay concludes his thoughts on the future this way: “I have learned to keep moving forward, to look for new opportunities while doing what we already do well, and to stick to our core values.... I believe if we do that we will continue to

grow. But truthfully, we have already accomplished far more than I ever dreamed. I know that I still have a lot to learn, and I look forward to seeing what comes next.”

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