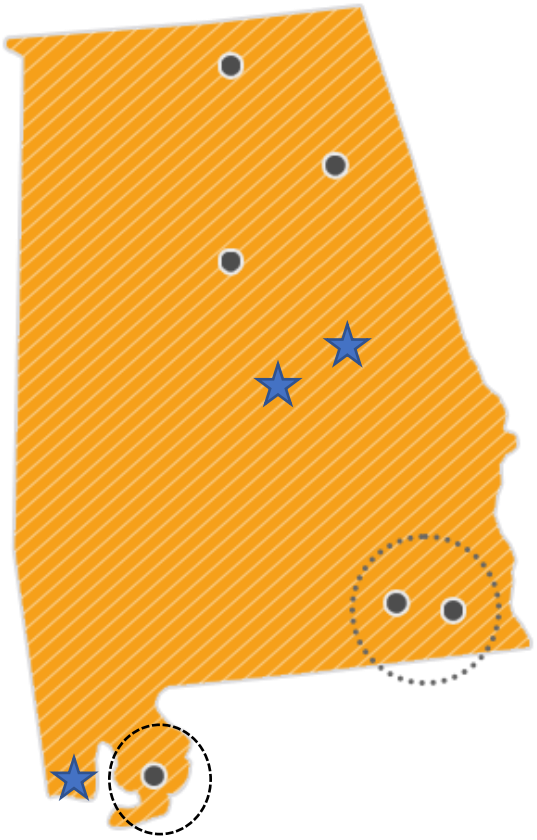
VANDERBILT UNIVERSITY
Owen Graduate School of Management

Southern Blood Center Captures Wiregrass[1]

The room fell silent after Becca Jancy finished the Wiregrass strategy presentation. The final slide showed a picture of the notoriously tough, fast-spreading grass that grew in Southern Alabama, with the tag line: *SBC – Growing like wiregrass*! Becca was the Executive Vice President and Chief Business Officer for Southern Blood Center, a nonprofit operating in Alabama that collected and distributed blood products. The presentation outlined a potential new partnership with Community Health Network (CHN) that could expand SBC's business by 30% and give it control of the so-called "wiregrass region" of the state.

CHN operated a system of 70 hospitals across 14 states, with six of these hospitals located in Alabama. CHN had proposed to make SBC its primary provider for three hospitals in southern



SBC collection sites (stars) and CHN hospitals (circles).

[1]This case was written by M. Eric Johnson and Richard H. Willis for class discussion rather than to illustrate effective or ineffective managerial decisions. The fictional scenario was created to explore managerial concepts and strategies. Any resemblance to actual firms, persons, or events is purely coincidental. Rev: 9/24/25

Alabama (Enterprise, Dothan, Foley). Success with those three hospitals could open an opportunity to serve the other three, much larger, hospitals in the northern part of the state.

SBC's operations in Alabama were relatively concentrated, with three large collection centers (and customers) located in Mobile, Montgomery, and Auburn, along with mobile collection via vans and coaches. They supported nearly all the demand in those MSAs, representing approximately 1 million lives. SBC prided itself on providing convenient blood collection, which brought donors back year after year. Convivence meant professional staffing and processes to ensure donors could be processed quickly and with great care. For hospitals, SBC was known for reliability – meeting the commitments to those customers.

The fiscal year 2024 (ending in January) had been a good year for SBC. They collected approximately 95,000 units of blood, with an annual operating budget of around $31 million, generating significant net income (see Exhibit 1 for a summary of financial results). Taking on CHN would require increasing blood collections by 30% within 18 to 24 months.

Becca had been working for nearly 2 years to secure the SBC account, but she never imagined they would be awarded primary status for three hospitals. She was delighted by her success and eyed the room for team approval. However, the executive team seemed to struggle with digesting the opportunity.

Eric Johanson, VP of operations, was first to speak. "This is great… really great. But can we do it? It feels like we might be the proverbial dog that catches the car." Christina Meal, VP of Communications and Donor Recruitment, had become visibly pale during the presentation. She leaped on Eric's comment, stammering, "This is too big. SBC would need to move collection to a whole new level—adding sites and expanding mobile operations. Besides, Gulf Region Blood, which already had services in the southeastern part of the state, would likely feel threatened and make our entry difficult." Richard Williams, CFO, squinted thoughtfully at the financial reports on the table and murmured, "The increase in revenue would sure help the bottom line." Turning to Eric and Christina, he asked, "What investments would be needed to ramp volumes that quickly?"

The six CHN hospitals served catchment areas that ranged in size and with different levels of competition, from Gadsden, where CHN was the only large hospital, to Birmingham, where they competed with several large hospital systems.

Exhibit: City (hospital size) – MSA population
Huntsville (180 beds) – 420,000
Gadsden (346 beds) – 103,000
Birmingham (372 beds) – 1,200,000
Enterprise (131 beds) – 52,000
Dothan (235 beds) – 155,000
Foley (112 beds) – 250,000

Taken together and considering the competition, the three southern hospitals served roughly 300K patients. SBC was currently supporting the blood needs of approximately 1 million lives.

Eric scratched out a quick capital investment estimate on the whiteboard. Serving these new hospitals would likely require two new collection facilities and additional mobile collection. A medium-sized collection facility could collect roughly 7500 units per year and cost about $800,000 in lease improvements and equipment. Alternatively, mobile collection provided flexibility to go to where donors were located. A team with two vans could bring the equipment and staff needed to run a blood drive inside a host office. Alternatively, a larger coach could contain the people and equipment to set up in a parking lot. Either could collect about 5000 units per year. Vans and equipment cost about $210K (and the team would require 2 vans). A coach cost with equipment ran $650,000. Eric estimated that to increase collection by 30% (roughly 28K units), they would need 3 more mobile teams supported by vans or coaches. Altogether, this would require an investment of $2.8M to $3.5M, depending on the mix of vans and coaches.

After gaining composure, Eric stepped to another whiteboard and asked the group to brainstorm some of the key considerations. Within 15 minutes, the group had nearly filled the board.

- What about risks? What is our financial risk tolerance?
- Can we fund the ramp-up? How do we offset the initial (1-2 years) of financial investment? What would our blood import needs look like, and at what cost?
- Should we expand efforts in our current service area, collect in a new location, or both?
- If we expand collections in a new territory, should we:
    - Hire new staff in that area or use existing staff and pay for them to travel?
    - Open new fixed sites in that territory or rely on mobile buses?
- How do we get the senior team aligned?
- What if we don't achieve the goals in 1-2 years? Then what?
- How will the service to our existing customers be impacted?
- How should we communicate the opportunity and plan with the Board?

That last question hung in the air. Richard reminded the group that this was a material shift in the business that required board approval. They would need to work quickly to prepare for the next meeting.

Exhibit 1: Annual financial results 2024.

Southern Blood Center: Statement of Activities (Income Statement)

Revenues:		
Contributions & Grants	360,000	
Program Service Revenue	30,600,000	
Investment Income	800,000	
Other Revenue	200,000	
Sub-Total Revenue		31,960,000
Expenses:		
Compensation-Key Officers	(900,000)	
Other Salaries & Wages	(14,524,551)	
Employee Benefits	(2,390,772)	
Accounting & Legal	(78,575)	
Advertising & Promotion	(1,284,443)	
Information Technology	(163,641)	
Occupancy Costs	(668,051)	
Travel	(567,772)	
Depreciation & Amortization	(971,322)	
Lab & Donor Supplies	(7,353,358)	
Repairs & Maintenance	(659,151)	
Insurance	(541,998)	
Imported Blood Products	(513,173)	
All Other Expenses	(634,281)	
Sub-Total Expenses		(31,251,088)
Income		708,912
Margin		2.2%

Exhibit 1 (cont): Annual financial results 2024.

Southern Blood Center: Statement of Net Assets

	Beg of Yr	End of Yr
Cash	380	380
Marketable Securities		10,000
Accounts Receivable	4,600,000	5,300,000
Notes		54,000
Inventories	630,000	785,000
Pre-Paid Expenses	1,250,000	305,000
PPE, net	7,500,000	7,250,000
Investments-Publicly Traded Sec.	12,000,000	13,400,000
Other Assets	2,800,000	2,100,000
Total Assets	28,780,380	29,204,380
Accounts Payable & Accrued Exp.	3,370,000	2,850,000
Other Liabilities	3,580,000	2,172,000
Total Liabilities	6,950,000	5,022,000
Net Assets without Donor Restrictions	21,829,580	24,182,230
Net Assets with Donor Restrictions	800	150
Total Net Assets	21,830,380	24,182,380
Total Liabilities and Net Assets	28,780,380	29,204,380