CASE STUDY

MANAGING CORPORATE RESOURCES : AN ANALYTICAL STUDY OF BEN & JERRY'S HOME MADE INC

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ABSTRACT

Ben & Jerry's success story has a number of entrepreneurial lessons. This article involves a comprehensive analysis of the issues pertaining to the management of corporate resources of the company focusing upon the style of management and corporate and social responsibility dimensions. The SWOT and the competitive analysis within the framework of Porter's Competitive Forces Model provide interesting insights into the strategic management of the company.

Corporate History & Background

Ben & Jerry is a Vermont based Ice Cream manufacturing company, which was founded in 1978 by Ben Cohen & Jerry Greenfield, with an initial capital outlay of $12,000 (including a loan of $4,000). Its genesis can be traced to a $5.00 Correspondence Course that was taken by Ben and Jerry as childhood friends. The company soon grew into a powerhouse of $140 million on the strength of the entrepreneurial skills and hard work of its founders who introduced a number of innovative flavors of ice cream, made from Vermont milk and cream. Its main competitor is Haagen Daaz, which is undoubtedly a leader in this industry. Ben & Jerry grew very fast until early 1990's. In 1994, its stock price became ½ of what it was in 1992. It was further revealed to a great surprise to its consumers that its all-natural flavor was not actually all-natural. Besides, the company has suffered a lot during the last 10 years due to a tough competition and other emerging challenges in this industry.

CEO's Dilemma

On June 13, 1994, Ben announced his resignation as CEO, and decided to focus on product development and "Fun Stuff". During October – December 1994, the Company suffered considerable losses, and then Chuck

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Lacy resigned as President. The company adopted a very funny and unique method for recruiting the CEO. It organized a contest in which any one could participate by submitting an essay (in not more 100 words) on the theme: "Why I would be a great CEO for Ben & Jerry's" along with a lid from a container of his/ her favorite Ben & Jerry's Ice Cream flavor. Ben was the master-mind behind this contest. The company got 22,500 responses of all sorts. Ben felt that there would be no need for the company to advertise for hiring for several years, as people could always be hired out of this big pool of interested individuals. On February 2, 1995, an African -American, Robert Holland Jr. was hired as CEO. He was a former partner of McKinney & Co, had an MBA to his credit, and was known for his social commitment and for experience in turning troubled companies around. As a matter of fact, he was hired not as an outcome of the essay contest, but through N.Y. Executive Recruiter Russell Reynolds, by following a comprehensive recruitment process. He made a positive contribution as CEO, but resigned from Ben & Jerry's on October 31, 1996.Since 1997 when Perry D. Odak took over as CEO, the performance of Ben & Jerry's has improved significantly.

Mission & Corporate Philosophy

Ben and Jerry's has committed to a distinctive business philosophy, having corporate social responsibility as its major component. It has put it up as a "New corporate concept of linked prosperity".

Ben & Jerry's mission statement has following three inter-related parts:

(1) **Product Mission** To make, distribute and sell the finest quality, all-natural ice cream and related products of a wide variety and innovative flavors made from Vermont dairy products.

(2) **Economic Mission** To operate the company on a sound financial basis of profitable growth, increasing value for its shareholders, and creating career opportunities and financial rewards for its employees.

(3) **Social Mission** To operate the company in a way that actively recognizes the central role that business plays in the structure of society by initiating innovative ways to improve the quality of life for local, national, and international communities.

Underlying the mission of Ben & Jerry's is the determination to seek new and creative ways of addressing all three parts, while holding a deep respect for individuals inside and outside the company and for the communities of which they are a part.

Style of Management

Ben & Jerry's supports a bottom up style of management in which there is a lot of scope of delegation of authority and worker empowerment. It encourages participative decision making, and believes in creating ownership at all levels. There are 600 employees, and the turn over is only 12%. The company is against retrenchment. On the front of marketing, it actively pursues cause-generated marketing, and focuses a lot on PR efforts. However, in many quarters, it is strongly criticized that Ben & Jerry's has been lacking a clear direction; and its top leadership is not charismatic.

As regards the organizational culture, it is quite evident that it has a strong team and family oriented atmosphere, and on the whole, the culture is relaxed, informal and casual. It offers a progressive family leave, health insurance, and other perquisites. It takes care of employees' welfare proactively, and has exciting events like Elvis Presley Recognition Day, with an Elvis look-alike contest, an appreciation day, a car race, and other such events under the aegis of "JOY COMMITTEE" which is guided by the mission statement, "If it's not fun, why do it?" The salient features of the human resource strategies can be listed as under:

1. $8.00 minimum wage per hour.
2. Lowest paid employee getting $22,000 against $ 17,436 average for Vermont residents.
3. Tuition Reimbursements.
4. Flexible Spending Accounts.
5. 360 Degree Feedback.
6. Evaluate your boss polls.
7. Paid Health Club Fees.
8. Maternity/ Paternity Leave.
9. Child Care Centers.
10. Sabbatical Leave.
11. Profit Sharing.
12. Wellness Clubs.
13. Commitment to minorities and women.
14. Support for people having different life styles or confronted with social issues.
15. Cap on executive salaries, requiring that no executive be paid more than seven times of the salary of the lowest paid employee.

The human resource policies of the company are not without criticism. In some quarters, it is said that Ben & Jerry's is "Not walking its talk". Though the salaries of CEOs and top managers have not been high, but values of the stock of Ben and Jerry are as high as $50 million in each case. On the other hand, it is felt that if you will not offer a competitive compensation package, you will not be able to attract the best talent. (Theroux John, 1991)

Industrial Scenario

Ninety-three per cent of US households consume ice creams, comprising of ordinary, premium, and super-premium ice cream and related products. The total annual sales of ice cream and frozen yogurt in US supermarkets were of more than $3.6 billions in 1994. The super-premium segment having annual sales to the tune of $ 415 million is regarded as highly competitive. Frozen Yogurt has a market of about $550 million. The demand is seasonal as the sales during the summer get accelerated by 30%. Ben & Jerry's has been doing exceedingly well in super-premium and frozen yogurt market segments. The profit margin is estimated to be 30.6 percent for ice creams and 20% for frozen food market.

Haagen Daaz is the leader in the ice cream market, enjoying 62 per cent share, while Ben & Jerry's is a challenger, having 36 per cent market share in $ 415 million business of super-premium ice cream, frozen yogurt, ice milk and sorbet. Haagen Daaz has always been a very aggressive marketer, and has a very heavy advertising budget. It even threatened the distributors when Ben & Jerry's entered into the market. The data furnished in the case clearly shows that the growth in the ice cream industry was 14 per cent during the period from 1989 through 1993. During the same period, Ben & Jerry's share grew by 120 per cent, while the share of Haagen Daaz declined by about 10%.

Corporate Social Responsibility

Ben & Jerry's has been endeavoring to project itself as a good corporate citizen. It has been trying proactively to become a good employer as discussed above. It has also been taking care of ensuring that it is fair and just to its suppliers. The suppliers are carefully chosen to foster alliances with businesses that share Ben and Jerry's social vision. It initiates efforts to influence other businesses to use their own resources to address social concerns. Many of the unique flavors are based on these alliances. (Bredrow, Iris, 1993)

Ben & Jerry's actively promotes social causes. It contributes 7.5 per cent of its pre tax income to non profit organizations like:

(1) American Wildlife Montana,

(2) Burch House, New Hampshire,

(3) Burlington Peace & Justice Coalition, Vermont, and

(4) Citizens committees.

It supports child welfare programs, drug addicts, HIV patients, and home-less individuals, and environment preservation causes. It also addresses the health concerns regarding the quality of milk to be used in preparing ice cream and yogurt, and buys from the smaller farms, not using any genetically engineered drug to increase cow's milk.

SWOT Analysis

Strengths

(1) Management: Value oriented and non conventional style.

(2) Socially active enterprise.

(3) Causal marketing.

(4) Shared values: Family oriented.

(5) Strong R & D (leading to launching of innovative products, and cutting edge flavors).

(6) Progressive and dynamic marketing team.

(7) Diverse Work Force: Proactive Equal Opportunity Employer, and support for minorities and women.

(8) Employee Empowerment.

Weaknesses

(1) Lack of clear direction.

(2) Lack of charismatic leadership.

(3) Discontentment and criticism in some sections of employees.

(4) All natural ice creams, not "All Natural": Some flavors of all natural ice creams included ingredients that were not all natural.

(5) Software glitches, leading to delays and procrastination.

(6) Image of high fat and high calorie contents in ice creams.

Opportunities

(1) Untapped global opportunities.

(2) Health Conscious Consumers: The Company can go for catering their needs.

(3) Frozen Yogurt: It has been doing well. Yet, there are still opportunities to come out with more innovative products in this category.

(4) Sales in restaurants.

(5) Sales in institutions.

Threats

(1) Threats from Haagen Daaz, which is a market leader in this industry.

(2) Price war for attracting price conscious consumers.

(3) Baby boomers developing a new

perspective towards life. Baby boomers have conventionally been Ben & Jerry's customers. They are gradually becoming health conscious.

(4) Threats of break through by competitors: They can come out with innovative products or flavors.

(5) Imitation by competitors.

(6) Cut throat competition.(Annual Reports, Jen & Berry's)

Competitive Analysis Within the Framework of

Porter's Competitive Forces Model

1. **Rivalry**

   There is a price war initiated by arch rival Haagen Daaz, as it has introduced lower cost and lower fat premium ice creams. It is competing both on quality as well as cost. Haagen Daaz is the market leader in the United States, Europe, as well as Pacific Rim. It has recently opened a large factory in France. Another front for competition is from Eddy's, which is manufactured by Dreyers's. It recently received a huge cash infusion from Nestle.

2. **Bargaining Power of Customers**

   Health conscious consumers have become averse to high fat ice cream. Ben & Jerry's introduced low calorie ice milk, named as "Ben & Jerry's Lite Milk". It turned out to be a failure. Subsequently, in order to respond to market needs, Ben & Jerry's came out with low fat and low cholesterol frozen yogurt. It has been received well in the market. Since, 1995, Ben & Jerry's has introduced a number of flavors , realizing that the bargaining power of the customers is gaining strength due to their own health concerns, and also because of the new and modified products being introduced by competitors.

3. **Bargaining Power of Suppliers**

   This is the front that has been managed relatively well by Ben & Jerry's by pursuing its own relationship perspective, and by embarking upon the strategy of supporting social causes and concerns. For example, Brownies used in Chocolate Fudge Brownie Ice Cream are bought from a bakery in Yonkers, NY. It hires under-trained and under-skilled workers, and uses its profits for homeless, and teaches them different trades. Rainforest Ice Cream features nuts grown in South American rainforests. Wild Maine Blueberry Ice Cream contains the blueberries, grown and harvested by Pasa Maquoddy Indians of Maine. Ben & Jerry's believes in supporting family farms. Its Fresh Georgia Ice Cream is made from Georgia grown peaches. The company uses milk from the farms that don't use synthetic hormone, rBGH. Ben & jerry's pursues t

   policy to give the profits back to the growers of coffee beans. As a matter of fact, working with suppliers is good, but not easy. The bargaining power of suppliers does not have any adverse implications for Ben & Jerry's.

4. **Threats of New Entrants**

   The highly competitive ice cream market is not without the threats of new entrants. Many small companies have already come up in different market segments. Nestle is not that great as a player in the US Ice Cream market as it is in Europe and Pacific Rim. There is always a threat of the entry of any such big player, posing a challenge to Ben & Jerry's.

5. **Threats of Substitute Products**

There is a threat of the entry of a variety of new, modified, or substitute products like cookies, candies and nuts. Haagen Daaz has already launched its innovative products in these categories. Novelty segment is exposed to a greater challenge on this front. The competitors have demonstrated their capabilities to come out with new flavors and substitute products, by responding to the local tastes. For example, in Malaysia, Thailand, and Singapore, the novelty segment of ice creams has now got local flavors like 'Rambutan', and 'Durian'. Though Ben & Jerry's has been introducing more "Euphoric" new flavors, it is hard to establish a standard that cannot be imitated. (Annual Reports, Jen & Berry's)

Marketing Mix Analysis

1. Product

Ben & Jerry's has pursued a focused niche marketing approach. Its main focus is upon super-premium market segment, comprising of chunky and smooth flavors, low fat frozen yogurt, and novelties. It has a strong R & D for new product development, and has launched several new products and flavors. It is known for six out of top ten, and thirteen out of twenty best selling flavors in the national market. The company has pursued a differentiation strategy by using different types of nuts. It has also positioned itself in the market distinctively by using pure, natural and socially conscious milk from Vermont Dairy. In the novelty segment, its Brownie Bars did not succeed, but its Peace Pops has been successful, though only marginally. Ben & Jerry's supports labor intensive packaging, and has been using recycled paper and other stuff in packaging process.

2. Place

Ben & Jerry's uses supermarkets, grocery stores as well as convenience stores as its channels of distribution. The company has not been much successful in conducting its sales through the restaurants. The independent regional ice cream distributors have performed satisfactorily. The company usually appoints only one distributor in a sales territory. In some areas, it has appointed sub distributors. On the whole, its collaboration with Dreyer's has worked out well. There have been problems with Amy's Ice Creams in Texas. The convenience Stores have been doing well for marketing its novelty item, Peace Pops. Its almost 70% sales are conducted through convenience stores. There are 105 licensed/ franchised "Scoop shops" in the whole US, and also a few in Canada. It has not been much successful in the global market. There are high hopes from its 50 -50 joint venture in Russia. As a matter of fact, the international market segment has never been accorded a priority by the company. It has recently come out with its innovative "Offering of gifts by mail" for delivering dry -ice packed B & J Ice Cream, any where in the US over night.

3. Price

Ben & Jerry's "Premium- priced, High -end "strategy worked well in 1980's and also in early 1990's. Now it is gradually shifting in favor of lower priced products. The price elasticity has declined recently... As mentioned earlier, Haagen Daaz has initiated a price war.

4. Promotion

Ben & Jerry's promotion strategy is characterized by causal marketing and edible activism, focusing upon charity, peace, and environment preservation. It has been sponsoring several types of events including music festivals; and attracts as many as 275,000 visitors to its own plant in Vermont. The company has been mainly depending upon publicity and PR efforts. It does not actively use external promotion or advertising agencies, and depends upon its own "In House Promotion". The print media has featured a number of high profile activists, including Carlos Santana, Bobby Seal, and Pete Seeger. Its website is quite innovative, and offers even games for kids as well as adults. The store coupons and price discounts have been introduced quite late, and only on a limited scale.

Concluding Remarks

The company has not been performing well since 1994. Even its stock price has been falling considerably. As a challenger in the Ice Cream market, it has to face a tough competition with its arch rival Haagen Daaz, which is pursuing a strategy that includes a price war, and introduction of new flavors and innovative low fat products.

There is a challenge to the ice cream market due to growing health concerns.

The sales are declining, and the capacity is not utilized fully.

There has been the problem of software glitches, leading to procrastination and delay in the opening of $40 million plant. Its all natural ice cream contains ingredients that are not all natural. There can be no ready made solution for the problems of Ben & Jerry's. It should conduct marketing research on a regular and on- going basis, in order to study the consumer behavior due to the growing health concerns and cut throat competition. The company should bring a charismatic leader as its CEO. He/ she should have expertise and experience in consumer products. In order to attract and retain the right talent, the company should consider lifting up its ceiling on compensation. It should address the criticism voiced by some of its employees that there is a lack of direction. It should revise its distribution strategy; and consider focusing upon sales to restaurants and institutional segments of the market.

The company should consider revising and modifying its global marketing strategy. Though it has already entered into the markets of Canada, Netherlands, Japan, U.K., France, Israel, Russia, Lebanon, Singapore, and Peru, it needs to pursue the overseas marketing strategically and more proactively. It should further strengthen its R &D, and launch its innovative products and new flavors after conducting test marketing. It should refrain from anything that involves an unethical practice. The future success of Ben & Jerry's will depend upon having adequately talented people working for the company, the R & D, innovative marketing, the strategic positioning in the domestic market, and implementation of a properly conceived global marketing strategy.

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