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BEN & JERRY'S: THE INSIDE SCOOP

How Two Real Guys Built a Business with a Social Conscience and a Sense of Humor

FRED ''CHICO'' LAGER

1.

Ben Cohen and Jerry Greenfield first met in a 7th grade gym class at Merrick Avenue Junior High School when they both found themselves lagging behind all the other students who were running a mile for gym class.

The coach yelled at them, *"Cohen, Greenfield, if you can't do the mile in under seven minutes, you're gonna have to do it again!"* Ben replied, *"But coach, if we can't do it in less than seven minutes the first time, how are we gonna do it in under seven minutes the second time?"*
With that, Jerry realized Ben was the sort of guy he wanted to hang out with, and the two quickly struck up a friendship.

Ben's father was a successful accountant who worked for the State of New York, and he later boasted his greatest contribution to Ben's career was in passing on genes that predisposed his son to eat a lot. Ben was okay at schoolwork when he applied himself, but he really excelled at eating and his physical shape (even as a kid) reflected a healthy appetite.

Like Ben, Jerry also was overweight as a kid. He got good grades at school, played as much sport as possible and hung out with a small group of close friends.

At High School, Jerry continued to get excellent grades while Ben excelled mainly at extracurricular activities. Jerry won an academic scholarship and went to Oberlin College in Ohio while Ben decided to attend Colgate University in New York because the dorms there had open fireplaces.

To support himself, Ben got a job in the student cafeteria which went okay until he grew a beard - which happened to be against food hygiene rules. When this was drawn to his attention, he shaved a thin strip down the middle of his chin, so instead of a beard, he now claimed to simply have two rather bushy sideburns. The food services manager was not amused and fired him anyway.

Ben eventually "sort of left" Colgate University, having failed to get around to returning to school after a one-month independent study period. After working for an ice cream company in their freezer for a few months, he tried to enroll in Skidmore College in New York as an exchange student - which went fine for one semester until they found out he had actually dropped out of Colgate. Ben suggested they let him sit in on some courses without actually registering (and without paying any student fees), but for some reason Skidmore College was not keen on that idea. Eventually, a compromise was reached, and Ben was enrolled in a program which allowed him to take some classes without being a registered student, although he did have to pay the course fees. After a year at Skidmore taking pottery classes, however, Jerry decided his new pottery career needed new influences and he moved to New York City at the end of 1972.

Jerry, meanwhile, continued to excel academically, and maintained a near-perfect 3.8 grade-point average at university in his first year as a pre-med student. His grades did, however, slip a little the longer he stayed at university, as he became involved in basketball and lacrosse. When Jerry was unable to get accepted into any medical school after graduating from Oberlin College, he decided to go stay with Ben in New York, and arrived there in May 1973.

To pay the bills, Jerry got a job as a lab technician while Ben drove a cab. Ben also developed an interesting theory on nutrition at about this time, and he tried to live on a diet of nothing but French bread and butter. Quite often, he would burn the bread while toasting it, and then happily eat charred French bread. It was a hint that Ben really had no sense of taste or smell whatsoever - which would later turn out to be a bit of a handicap in an ice cream business.

By mid-1974, Ben tired of New York and was successful in getting a job teaching crafts at Highland Community's school in Paradox, New York. When he got there, he found most of the 25 students were there by court order, but that didn't perturb him and he plunged enthusiastically into teaching crafts, photography and organizing the yearbook. Unfortunately, however, his dog Malcolm was accused of being the source of a surprising decrease in the number of chickens on the school property in circumstances that Ben later described as "strictly circumstantial". In addition, Ben didn't like the numerous staff meetings, and when the school closed in early 1977, Ben decided he would like to go into business for himself.

Jerry, meanwhile, had met his future wife, Elizabeth Skarie, and had moved to Chapel Hill, North Carolina to stay with her. While she worked and paid the bills, Jerry spent nine months hanging around the campus of the University of North Carolina until he got another job as a lab technician. When he was temporarily ditched by Elizabeth in early 1977, he decided to take up Ben's invitation to go into business with him and he loaded all his possessions into his car and drove north to catch up with Ben.

2.

Having decided to go into business together, Jerry and Ben now had to decide what type of business they wanted to start. One idea was to become cross-country truck drivers. However, since they both loved to eat, they also thought some business involving food might be fun.

Their first idea was to form a company called UBS (standing for United Bagel Service) which would home deliver fresh bagels and cream cheese with the Sunday edition of *The New York Times*. The only problem was they couldn't figure out what the company would do the other six days of the week. They also discovered bagel making equipment would cost them $40,000.

Their second choice for a business was making ice cream, which they never actually got around to researching the cost of equipment but they simply assumed must be cheaper than making bagels. Jerry and Ben invested in a $5 correspondence course on ice cream making offered by Penn State University, and started researching where they should locate their new enterprise.

Obviously, a warm climate is desirable for an ice cream business. The only problem was most warm cities already had home made ice cream shops. Therefore, they ended up moving to Saratoga Springs, the home of one of Ben's old university's - Skidmore College.

Jerry had accumulated about $4,000 since college, and Ben decided he would contribute the same amount of capital to the new venture. To raise his share, he took a job as a baker's assistant - but he was fired six weeks later for prepping a batch of roll batter with too much salt and other indiscretions. He also worked at a Diner for a while until he had a slight disagreement with the owner over the adequacy of the kitchen lighting and was fired again.

Jerry, meanwhile, was scouting out a location for a store and attending auctions for used restaurant equipment. Whenever he was free, Ben would help by attending the auctions with Jerry, although in the excitement of an auction Ben would sometimes lose track and bid against himself.

While on a road trip, they came across a sailboat which was for sale for $2,000. Although this wasn't strictly speaking on their equipment list, and despite the fact neither of them could sail, they decided it was too good a deal to pass and bought the boat. They did, however, have great fun with the boat often venturing out with Ben reading Jerry instructions from the owner's manual out loud while he tossed Chee-tos into the water to measure how fast they were moving.

Their plan to open their ice cream shop struck a slight snag in August, however, when a new homemade ice cream shop opened in Saratoga. Jerry and Ben decided they would be better off opening somewhere else, and they finally decided on locating in Burlington, Vermont - a small town of 40,000 people but very close to the University of Vermont with 12,000 students. The only disadvantage was that Burlington was only 40 miles south of the Canadian border, and therefore had quite a cold climate. Unperturbed, however, Jerry and Ben moved to a town called South Hero, about a 30-minute drive from Burlington.

It was now late September, 1977. While Jerry and Ben looked for a shop to rent in Burlington, they decided they would need a business plan to show to the bank to get some funding. An old friend of theirs, Jeff Furman, had a copy of a business plan used by a pizza parlor in New York, and Jerry and Ben adapted that by substituting the word "cones" wherever the word "slice" had been previously.

A quick discussion with a local banker convinced them their shop had to offer something other than frozen desserts during the Vermont winters, and they decided to round out their menu by adding crepes - thin, filled pancakes.

"We didn't have a lot going for us. We had no assets or collateral to speak of. We were new to the area. We were young. we weren't married. And we had no business experience."
– Jerry Greenfield

Their business plan eventually named the new enterprise Ben & Jerry's and stated, *"Ben & Jerry's is an Ice Cream and Crepe Parlor featuring homemade ice cream, frozen yogurt, sundaes and fountain drinks as well as main dish and desert crepes. Ben & Jerry's will be appealing to people who appreciate high quality, good tasting and nutritious food in a warm, friendly atmosphere."*

Jerry and Ben applied for a $20,000 loan from the bank, and stated they would be contributing $8,000 to the venture. They projected first year sales of $90,000 with a pre-tax net profit of $7,746. Luckily, the bank they applied to had a manager who believed in encouraging young people to go into business, and he approved the loan if they could get the Small Business Agency to guarantee it. The SBA agreed to provide that guarantee contingent on a suitable location being secured by Ben & Jerry's.

Unfortunately, the only Burlington shop that was available was an old disused service station. To make matters worse, Jerry and Ben could only secure a 1-year lease on the property. Since this did not meet the SBA criteria, the bank was unable to approve their $20,000 loan. The manager did, however, offer to give Jerry and Ben a $4,000 loan, collateralized by the equipment they were buying. That meant Ben & Jerry's would be launched with total working capital of $12,000 - four thousand dollars each from Jerry, Ben and the bank. It wasn't ideal, but Jerry and Ben decided to accept the bank's offer.

Ben & Jerry's Homemade Inc. was incorporated in Vermont on December 17, 1977 with Jerry Greenfield as president since Ben Cohen's name had been put first in the company's name. They were scheduled to take possession of their service station building in February 1978 with the aim of opening for business three months later in May once all the renovations were completed.

To ready the business, Jerry and Ben plunged enthusiastically into the renovations, unencumbered by previous construction skills. They enlisted a local building contractor to help, and since they had no funds to pay him, offered him free ice cream for life - or at least for as long as they stayed in business anyway. Amazingly, he accepted, and also served as the third member of the board of directors of the new company to meet Vermont State requirements for three directors.

Jerry and Ben turned the service station's office into the customer seating area, and divided a bay into half. In the front was their serving area, complete with counters and dip cases. The kitchen with a stove, freezer cabinet, crepe griddle and two work tables was in the back of the redesigned bay.

In between working on the shop and trying to get help by offering free future ice cream to the builder and the plumber, Jerry and Ben also tried to figure out how to make ice cream. In this, as in their building skills, they approached the task completely unfettered by previous experience.

Ice cream consists of a "mix" made up of a combination of cream, milk, cane sugar, flavoring additives (such as fruit, extracts or nuts), egg yolks and a natural stabilizer (which improves the end product's texture). During the mixing process, air is also introduced into the mix. In the ice cream business, the amount of air in the mix is termed the "overrun". Commercial ice cream has an overrun of 100-percent, while homemade ice cream typically has an overrun of only 20- to 40-percent. After the mix has been blended for around 30 minutes, chunks of cookies or candy can be added in and reblended. The finished ice cream batch is then sent to a hardening freezer.

Jerry and Ben managed to buy a secondhand ice cream mixer or "freezer" with a capacity to churn out four-and-a-half gallons of ice cream at a time for $1,500. They also had a small freezer which they used to whip up some test batches of ice cream.

"Our original concept for the store was "Ice Cream for the people". We wanted to make the best ice cream available and sell it at a price that everyone could afford."
– Jerry Greenfield

Since Ben had trouble tasting anything, their ice cream had to be heavily flavored and have lots of chunks and add-ins before Jerry could tell what flavor it was. Eventually, they ended up with an ice cream that was rich, creamy, smooth, dense and chewy. It was also rather expensive to make, since Jerry and Ben both insisted in using only the finest ingredients.

Finally, the grand opening was near. Unfortunately, when they placed an ad in the local paper announcing the opening, there was a bit of a mix up and the date was advertised as May 5, 1978 instead of May 12, 1978. Not letting that minor detail deter them, Jerry and Ben called all their friends and everyone else they knew to make a frenzied effort to open on the new date.

There were a few minor technical hitches, including having to repaint the inside walls a second time because Ben didn't like the color he had originally picked out once he saw the job finished. Like an inability to taste anything, this would turn out to be an omen of things to come.

3.

Nothing really distinguished the grand opening of the first store on May 5, 1978. People started to wander in to buy ice-cream to be served by whoever could put own their tools and scoop ice cream into a cone. The cones sold for 45c (including tax), and their opening offer of "Buy one, get one free" worked just fine. On any given day, around 12 flavors of ice cream were on offer, and they sometimes ran out of ice cream completely during the first few months before they could afford to buy a better hardening freezer.

It suddenly dawned on Jerry and Ben they had to hire some staff to help run the business. They decided Jerry would do the hiring and Ben would do the firing if necessary, and that the staff would basically do everything Jerry and Ben didn't want to do themselves. At first, there was some turnover in their new employees with overscooping or slow scooping both being grounds for dismissal. (At one stage, Ben even considered wearing a black mask over his head whenever he had to fire someone, but never got around to it).

They also had neglected to set up a record keeping system, and one day a couple of months after opening, they put a sign on the door reading, "We're closed today so we can figure out if we're making any money" and spent the day with an accountant. They found that despite sales of $650 per day on average, their unpaid bills were mounting despite only paying themselves $115 each per week. It appeared overscooping was the problem.

Despite the fact they were working long hours, seven days a week, they weren't making any headway. To keep their personal costs of living as low as possible, they had even taken to becoming human composters - eating whatever scraps of crepes and ice cream sundaes customers left behind.

With the impending approach of winter, Jerry and Ben realized they would have to promote the store heavily to stay in business until next summer. They started working with Lyn Severance, a local graphic artist, to develop some ads using hand lettering because that was cheaper than typesetting. Ben started working on sales and marketing, which turned out to be quite an adventure.

"He didn't always know what he wanted, but he wanted it really cheap because he had no money, and he wanted it really fast because he was always doing things at the last minute, and he usually didn't like anything after it was done, convinced that it could have been better if we had changed this or that detail."
– Lyn Severance

The promotions they came up with included:

- A change in their company slogan from "Lick It" to "Vermont's Finest".
- Free ice cream cones for mothers on Mother's Day.
- An annual gala featuring stilt walking, apple peeling competitions, ice-cream eating contests, frog jumping and entertainment called "Fall Down".
- POPCDBZWE which stood for "Penny Off Per Celsius Degree Below Zero Winter Extravaganza"
- The First Law of Ice Cream Eating Dynamics which stated the colder it was, the more ice cream you should eat to reduce the difference between your internal body temperature and the temperature outside.
- Free outdoor movie festival during the summer.
- Free cone day on the annual anniversary of their store's opening.

Despite all their promotions and first year sales of almost double the $90,000 they had originally forecast, Ben & Jerry's still wasn't showing a profit. They realized they would have to wholesale their ice cream to make any money. With that, Ben & Jerry's went out of the crepes business and Ben decided he would hit the road in January 1979.

4.

By May 1979, Ben had around 30 restaurants ordering ice cream. With the approach of summer, Jerry and Ben realized they would have to expand their manufacturing capacity. As an established business instead of a start-up, they now qualified for an SBA backed loan of $30,800 from their bank to set up a manufacturing facility, which they did in part of an old textile mill about five blocks from their shop.

Soon, they had a manager at the original shop, Jerry was working in the factory all day churning out ice cream in ten-gallon batches while Ben hit the road in an old 1969 International truck with a refrigerator unit delivering ice cream and trying to set up new accounts. The original shop was now starting to make some money, but anything they made there was being more than offset by the wholesale operation's losses.

It was clear the restaurants wouldn't generate enough business, and one day Ben hit on the idea of packaging the ice cream in one-pint containers and selling it at all the grocery stores and supermarkets he passed on the way to the restaurants. They went back to Lyn Sevarance and had her design a red pint container with the slogan "Vermont's Finest All Natural Ice Cream" on it. She also suggested putting their pictures on the lid to connect the founders of the company to their product.

Ben & Jerry's launched the pint containers in February 1980 with eight flavors, and sales took off immediately. Within a few months, Ben went from 35 accounts to more than 200, and sales kept increasing week by week as stores kept selling more and more.

By the end of 1980, Ben & Jerry's had wholesale sales of $135,000 in addition to the original store's turnover of $238,000, giving a profit of $33,000 although Jerry and Ben were still only paying themselves $8,000 per year.

Their wholesale business was going so well, in fact, that an ice cream distributor approached them seeking to acquire distribution rights for Ben & Jerry's Ice Cream. Jerry and Ben liked the idea, and gave Real Ice Cream exclusive rights to distribute their ice cream in Maine, New Hampshire and Vermont. Within a very short time, however, it became apparent this was not such a great idea, as Real Ice cream didn't give Ben & Jerry's the level of attention it required. Jerry and Ben canceled the agreement, and began again handling the distribution themselves.

Meanwhile, Jerry and Ben also moved their factory to a new 3,000 sq. ft. site, and invested in new machinery which could turn out 100 gallons of ice cream per hour - a 500% increase in their previous production capacity.

To keep the factory busy, Jerry and Ben did manage to find some good distributors to work with in the border states around Vermont. They also decided to start opening franchised scoop shops, based loosely on their first shop at the converted gas station.

Around the time the first franchise shop opened in July 1981, *Time* magazine ran an article about homemade premium grade ice cream. The effect was immediate, with people coming from out of town just to buy an ice cream cone.

By this time, however, both Jerry and Ben were becoming burned out from having worked three solid years of sixteen hour days, seven days a week. In addition, Jerry and Ben were also worried that they might end up becoming successful businessmen - a goal that definitely went against their personal beliefs that life was meant to be fun rather than a grind.

As a result, Jerry decided he would sell his half of the business and follow his girlfriend to Arizona. In 1981, Ben & Jerry's had sales of $615,000 and a profit of $29,000. Jerry toyed with the idea of selling his half for $510,000, and even went as far as signing a listing agreement with a business brokerage, but then changed his mind. Instead, Jerry ended up selling 40% of the company through a private placement to friends and relations, retaining 10% of the company as an investment. In addition, Ben & Jerry's entered into a consulting agreement with Jerry where he would return to help out with promotions about four times a year.

Jerry and Ben's change of mind on that listing agreement would later have some expensive ramifications. The broker sued Jerry, Ben and the company for breach of contract, and the matter was finally settled with Ben & Jerry's paying $75,000 to the broker.

5.

With Jerry only available for special projects, Ben hired Chico Lager to run the company's manufacturing plant, and to act as a general manager. This would allow Ben to continue to concentrate on sales and marketing.

Gradually, the company started selling ice cream in Boston, at first to supermarkets whose owners had read about Ben & Jerry's in *Time* Magazine or who had sampled their ice cream from the original shop. Ben decided to focus on expanding sales in Boston, and he found a distributor. He also grabbed Jerry and went to Boston to make their first TV commercial in a 10-second spot Ben called "Cheap". The spot went like this:

"Hi, I'm Ben."
"And I'm Jerry."
"We may not have enough money for a thirty-second TV spot, but we sure make some of the best ice cream you've ever tasted."

And that was the whole ad, which ran 132 times over a two month period, mainly on the cheaper UHF stations late at night or during new shows nobody had ever heard of.

In addition, Jerry and Ben would round up their friends and go into office buildings giving away free pints of their ice cream and spoons to anyone who would take it. Surprisingly, before long, sales were increasing in Boston, and it soon became clear Ben & Jerry's would have to once again expand its production capacity.

To build the new plant they had in mind would require an investment of around $2.5 million. It could be partially funded by debt, but it was decided around $750,000 of additional equity would be required to fund the project. It was too small an amount to be raised through a conventional public offering, but Ben came up with the idea of selling stock to the residents of Vermont who were the company's main customers, in a in-state stock offering - which would not be available to anyone living outside Vermont.

As usual, Ben & Jerry's was taking an unconventional approach to capital raising, including features such as:

- Running ads to get people to request a prospectus which instead of the dry, formal approach instead invited them "to get a scoop of the action."
- Setting the minimum purchase at only 12 shares for $126 in the belief that most people could afford that.
- Advertising an in-state toll-free number people could call for a copy of the Prospectus.
- Instead of using brokers, Ben & Jerry's sold the shares itself at 17 informational meetings held in various hotels around Vermont.

By the end of the process, Ben & Jerry's raised $700,000 in new equity from 1,800 Vermont households. They were also able to successfully secure the additional debt funding required for the plant expansion.

The company's sales were now starting to grow rapidly. For the first 6-months of 1984, Ben & Jerry's sales were $1.6 million, generating $134,000 in profit. This did not go unnoticed by Ben & Jerry's competitors, including the Pillsbury Corporation who owned the Haagen-Dazs brand of premium ice cream. In fact, around mid-1984, Pillsbury tried to force Ben & Jerry's Boston distributors to cease carrying Ben & Jerry's Ice Cream at the risk of losing distribution rights for Haagen-Dazs.

In addition to starting legal action against Pillsbury, Jerry and Ben decided they would also fight Pillsbury in the media, portraying it as a Fortune 500 corporation against two hippies from Vermont. Jerry took up station outside the Pillsbury corporate office as a one-man picket, wearing a placard and handing out brochures. In addition, the company offered a Doughboy write-in kit with sample letters of protest, offered a Doughboy T-shirt for sale and put stickers on its ice cream containers with an 800-number inviting people to call and leave their comments about Pillsbury's actions.

Fortunately, Ben also arranged some first class legal representation to supplement the publicity campaign. In the end, after more than 1,500 Doughboy kits had been sent out and after extensive coverage in the *New York Times*, the *Boston Globe*, the *Wall Street Journal* and the *San Francisco Chronicle*, Pillsbury entered into an out of court settlement with Ben & Jerry's which effectively prohibited them from interfering in Ben & Jerry's distribution arrangements.

While all of this was going on, two other things were happening. First, sales were taking off - Ben & Jerry's was now expecting 1985 sales to reach $10 million compared to $4 million the previous year. That meant the company was going to have to increase its production capacity again to match the demand more than two years earlier than expected. But secondly, Ben & Jerry's was still struggling to get the first stage of the new plant operating smoothly. In fact, things were going so badly the plant had cost overruns of $600,000 over the original estimates and the usual teething problems of getting new systems and equipment working smoothly.

To continue increasing production capacity to meet the demand, Ben & Jerry's would once again require further funding. In May 1985, the decision was made to carry out a secondary equity offering using a small regional stock brokerage company, and to list Ben & Jerry's stock on the Nasdaq National Market. Existing shares were split 3:1 and new stock was offered at $13 per share. Within the space of just a couple of months and with little drama, another $5 million in shareholder funding was secured.

With Ben & Jerry's stock publicly listed, the company was now being closely followed by analysts. This presented particular problems for Ben as the CEO. In one memorable interview with the Wall Street Transcript, the following interview took place:

WST: Do you believe you can attain a 15-percent increase in earnings each year over the next five years?
BEN: I got no idea.
WST: Umm-hmm. What do you believe your capital spending will be each year over the next five years.
BEN: I don't have any idea as to that either.
WST: I see. How do you react to the way the stock market has been treating you in general vis-a-vis other companies in your line.
BEN: I think the stock market goes up and down, unrelated to how a company is doing. I never expected it to be otherwise. I anticipate it will continue to go up and down, based solely on rumor and whatever sort of market manipulation those people who like to manipulate the market can accomplish.
WST: What do you have for hobbies?
BEN: Hobbies. Let me think. Eating mostly. Ping-Pong.
WST: Huh?
BEN: Ping-Pong.

How the market perceived their company was not really of much interest to Jerry or Ben. The subject closest to their heart was how they achieved social responsibility for Ben & Jerry's. To do that, they formally instituted two company policies:

1. Jerry and Ben were keenly interested in giving back something to the community that supported them, particularly in the early days. Therefore, Ben & Jerry's created a foundation into which the company would contribute 7.5-percent of its pretax profits for grants to nonprofit organizations. (Ben also gave the foundation 50,000 of his personal shares as an initial endowment).
2. Ben & Jerry's established a formal policy in which no employee (even the CEO) could earn a salary more than five-times that of an entry level worker. This was presented as a commitment to all employees rather than just those in executive positions.

In addition, Ben & Jerry's also had a profit sharing plan which distributed 5-percent of pretax profits to all employees (based on length of service rather than job title) and a company wide employee benefit package which everyone received.

6.

In addition to having the analysts attention, Ben & Jerry's was now becoming large enough to be noticed by a lot of other companies. Richie Smith, the founder of the Frusen Gladje brand super premium ice cream company, had recently sold his old company to Kraft for $30 million. Mr. Smith then acquired another homemade ice cream maker, Steve's. He met with Ben and told him that he was prepared to merge his company with Ben & Jerry's, as long as he controlled 51-percent of the stock. Mr. Smith also added that if Ben didn't go along with his offer, he would use his new Steve's brand ice cream to take market share away from Ben & Jerry's niche.

Ben didn't even give the idea of merging the two companies any serious thought, but he was astute enough to realize Ben & Jerry's should get itself established in other large markets before another brand like Steve's could do so. Therefore, he came up with a plan: Ben & Jerry's would launch its ice cream in Philadelphia, Atlanta, Washington D.C. and Florida in January, take a month off to relax and then launch in Chicago, San Francisco, Los Angeles and Dallas. Ben was proposing that the company enter one major new market per month until it had achieved national distribution.

""I really don't see this as being all that complex", Ben said reassuringly. At the November board meeting, Ben outlined a game plan for getting around the fact that he was the only person we had working on sales. The first step was to get a copy of the Yellow Pages and generate a list of all the grocery stores in each city. Each one would be sent a promo kit and a copy of the proposed media buy for their market. Two weeks later, someone in our office would call and try to pinpoint the store's location on a huge, wall sized map. "And then, Ben concluded, "our four person flying sales force can go into the market and sell all the accounts in about two weeks, before moving on to the next market, where they'll do the same thing". I was laughing when Ben finished. "Exactly what four person flying sales force were you referring to?' I asked. "That's the only part I haven't figures out yet", Ben admitted. "You got any ideas?"""
– Chico Lager

The "flying four man sales force" eventually became one chap who tried to get things rolling in the first four new markets. Later, a national sales manager was added, and after a few months of negotiations, a distributor was found who would handle Ben & Jerry's product outside the Northeast region of the United States.

To supplement the company's expanding distribution area, it was decided to put Jerry back on the company's payroll, and to send the company's founders on a cross country scoopathon giving away free samples of Ben & Jerry's ice cream in the summer of 1986.

Naturally, Jerry and Ben loved the idea, and they found a 9-year old recreational vehicle which they cut the side out of and installed a serving window. They dubbed the car "the Cowmobile" and had a large mural of grazing cows painted all the way around it.

"The steering was a little loose, and the Cowmobile wandered a little bit which is why it was so draining to drive. You had to pay attention all the time. Ben didn't like that. It was also a really wide vehicle, and it had these side view mirrors that really stuck out. Ben and I had this running bet from the first day out about who was going to hit something first. We'd been driving for weeks and weeks, and then I finally just knicked something with my mirror, and the instant I hit it, Ben yelled out, "IT WAS YOU!""
– Jerry Greenfield

Their goal was to scoop 1,000 free ice cream cones a day, which they did wherever they stopped and occasionally to cars that were stuck in traffic on the freeways around the country. At the end of their trip, Jerry and Ben flew back to Vermont while a couple of employees drove the Cowmobile back across country. Unfortunately, the Cowmobile's engine set fire to the fiberglass body in Cleveland on the way back and it was completely destroyed. Jerry and Ben took that in their stride, and used the insurance money to buy another RV which was even funkier and more distinctive than the first. The new vehicle was christened Cowmobile II..

Altogether, Jerry and Ben's coast-to-coast trip in the Cowmobile generated more than $1 million of free publicity, in addition to making people aware of Ben & Jerry's ice cream around the country.

7.

In June 1985, Ben announced he was burned out and wanted to follow Jerry into semiretirement. He did, however, get rather caught up in the program to respond to Steve's ice cream that his retirement moved to the back burner. On his and Jerry's return from the Cowmobile trip, however, Jerry again mentioned his intentions and suggested a target date of the end of 1986 be worked towards.

The idea of replacing Ben was a challenge. For one thing, his fastidious attention to quality control would definitely be missed. He was so dedicated to trying to figure out how to ensure each pint had the right amount of chunks that he once sent pints through airport X-ray machines and hospital MRI scanners to try and accurately measure the quality.

Ben was also at the heart of R&D. It was not unusual for him to take home 144 variations of a new product, each with slightly different compositions, to try and determine which one the company should go with. Ben was also the creative force behind many of the company's most successful marketing initiatives, and loved to work on new products and ideas - which, in turn, caused the company to do even more business year by year as those new products came on-stream.

Ben also had a number of personality traits that made working for him a challenge. For example, his last minute revisions were legendary. When he decided to introduce a novelty bar in July 1986, he had tens of thousands cartons printed showing the weight of the bar as 5-ounces, only to change his mind and decide that was too big and the bar should be smaller. At one board meeting, Ben suggested the company should limit the introduction of new products to one per year, and by the next board meeting he proposed six new products that he'd thought of and he considered the company should introduce immediately.

Meanwhile, sales continued to grow spectacularly, reaching $20 million in 1986 - a 100% increase over the previous year, and the fifth year in a row the company had doubled year-to-year sales. In 1987, sales again increased to $32 million, which although no a 100% increase over the previous year did represent the largest dollar increase ever achieved in a 12-month period.

Ben & Jerry's now had more than 150 employees, but the company's organizational systems still struggled to keep up with the explosive growth. Examples included an inadequate computer system, loose or nonexistent financial controls and an absence of procedures for coordinating activities between various departments.

It was clear that Ben & Jerry's had now reached the stage of growth at which the company's entreprenuerial founders pass the management on to a management team that can continue the company's ongoing progress. This process is always harrowing as roles change for the existing people and jobs that had previously been done by just a few people get split up among many.

Nobody, however, was keener for the change to occur than Ben himself, who sent the board of directors a letter in November 1987 stating that he would like to be phased out of an active role in the company's management by March 1, 1988.

8.

Ben & Jerry's impressive pattern of year-to-year growth showed little sign of slowing, with sales forecast to rise from $32 million in 1987 to $75 million by 1990. While the managers were grappling with how to expand production quickly enough to meet that demand, Jerry and Ben (who were still members of the board of directors) proposed that a Joy Committee should be formed and charged with responsibility to make work fun for the employees.

The Joy Committee subsequently came up with some innovative ideas, including an Elvis Day (with a prize to who looked-sounded- and sneered-most like the King), a Synchro-Energizer (a machine with goggles that flashed patterns of colored light while New Age music played) and a Barry Manilow Day.

In order to ensure the company's ongoing culture reflected both Jerry and Ben's original vision for the company, a Ben & Jerry's Mission Statement was developed which said:

Ben & Jerry's is dedicated to the creation and demonstration of a new corporate concept of linked prosperity. Our mission consists of three interrelated parts:

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

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 of a broad community; local, national and international.

Economic Mission: To operate the company on a sound financial basis of profitable growth, increasing value for our shareholders and creating career opportunities and financial rewards for our employees.

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.

Throughout 1988, Jerry and Ben worked on a number of innovative projects including:

- Approaching the New York City Transit Authority to have Ben & Jerry's renovate and maintain one subway station in pristine condition for a year. unfortunately, the project bogged down over whether or not it violated a union agreement and was never able to be followed through on.
- Introducing a new novelty bar called the Peace Pops which promoted the idea of having the Federal Government allocate 1-percent of its annual defense budget to a fund to be used to promote worldwide peace. Unfortunately, due to production problems, the new bar was introduced after the peak summer sales period and struggled to reach its full potential.
- Taking on a bakery which hired homeless and hard-core unemployable people to supply brownies for use in making Chocolate Fudge Brownie flavored ice cream and novelty bars. After a few teething problems, this ended up working out very well.
- Attempting to open a Ben & Jerry's in Moscow, which eventually led to a scoop shop being opened in Petrozavodsk, Russia.

- Opening up the first scoop shop run as a partnership with a community group providing job experience and business training for disadvantaged kids under twenty-one.
- The formation of Green Teams at each company plant which figured out ways to make sure every possible recycling or environmental project feasible was followed through on and put into active practice.

9.

1988 sales were again forecast to rise 50-percent over the previous year to $48 million. In addition, Ben & Jerry's now had 76 franchise scoop stores throughout the United States, and in terms of market share for super premium ice cream, Ben & Jerry's was a solid number three and rapidly closing in on the number two spot.

As usual, the company was struggling to keep up with the growth, and a number of key management positions remained unfilled (including that of Chief Financial Officer) - due in part to the company's five-to-one salary policy adopted in 1985.

Meanwhile, 1989 sales again increased to $58 million. Ben & Jerry's also took over the number two spot in the marketplace, achieving a 25-percent market share. (The number one spot, however, was still a long way off, being held by Haagen-Dazs with a 62-percent market share).

A decision was made to introduce a "lighter" version of Ben & Jerry's ice cream which, although still quite rich, would feature one-third less fat and 40-percent less cholesterol than the original product. To promote the product, Ben suggested putting a "skinny-ized" picture of him and Jerry on the lid, duplicating the look of a distorted mirror in a funhouse. Another idea was to have a TV ad featuring Jerry and Ben wearing Groucho Marx disguises, saying, "We got so skinny eating Ben & Jerry's Light people don't recognize us anymore." The only problem was that wile the Lite version was marginally healthier than the original product, it was still not exactly health food.

In the end, though, it was a moot point anyway because Ben & Jerry's Lite failed miserably and was soon discontinued, although it was replaced with super premium frozen yogurt which sold exceptionally well and has remained part of the company's product mix ever since.

In 1990, Ben & Jerry's achieved sales of $77 million, with an after-tax profit of $2.6 million. Around this time, the company also started offering tours of its factory facility. In 1991, more than 225,000 people paid to go on the factory tour, making it one of Vermont's most popular tourist attractions.

The company also continued to expand on its social mission goals. Some initiatives Ben & Jerry's tried included:

- Alternative producers and suppliers were sought actively. The company bought brownies from a bakery which was staffed by homeless and hard core unemployable people, fruit from the Passamaquoddy indians in Maine who were trying to develop their tribal resources, and brazil nuts and cashews which had been grown in rain forests rather than cutting the trees down.
- Ben & Jerry's replaced Oreo cookies in its recipes with other cookies because it didn't want to do business with a company which also sold cigarettes.
- When milk prices declined after federal support programs were eliminated, Ben & Jerry's paid Vermont farmers a premium based on the long-term historical price of milk.
- The company signed the CERES principles, a set of environmental guidelines developed in response to the Exxon Valdez oil spill off the Alaskan coast.
- Ben & Jerry's promoted a social pressure group called ACT NOW which, among other initiatives, called for a reduction in U.S. dependence on foreign oil and took a public stand against the Gulf war.
- The company also took a public stand against a Canadian hydroelectric dam project which was opposed by the cree Indians.
- By 1991, more than $1.5 million had been allocated to the Ben & Jerry's Foundation since its formation in 1984.

What was most surprising of all was that none of these social programs seemed to impact negatively on the company's business. 1991 sales for the company were up another 26-percent to $97 million, generating a profit of $3.7 million. In 1992, sales jumped another 36-percent to $132 million with profits of $6.7 million.

"The most amazing thing is that our social values - that part of our company mission statement that calls us to use our power as a business to improve the quality of life in our local, national and international communities - have actually helped us to become a stable, profitable, high-growth company. This is especially interesting because it flies in the face of those business theorists who state that publicly held corporations cannot make a profit and help the community at the same time, and moreover that such companies have no business trying to do so. The issues here are heart, soul, love and spirituality. Like individuals, businesses can conduct themselves with the knowledge that the hearts, souls and spirits of all people are interconnected; so that as we help others, we cannot help helping ourselves."

– Ben Cohen

In November 1992, Ben & Jerry's was named to the Forbes Magazine list of the "200 Best Small Companies in America" for the third successive year. Even when the company was evaluated solely on its five year average return on equity and all the social factors were discounted, Ben & Jerry's had earned both the respect of Wall Street and the broader investment community as a whole.

With the company breaking ground for its third factory in 1992, one of its flavors, Chocolate Chip Cookie Dough, was selected as one of Fortune Magazine's "Products of the Year" ranking alongside Apple's Powerbook computer.

Several competitors have tried to compete more aggressively with Ben & Jerry's by introducing lines of super premium ice cream with funky flavors and chunks of fruit. Ben & Jerry's responded by launching a line of smooth ice creams without chunks, designed specifically for "people who are just too tired to chew" in Ben's words.

In early 1994, Ben & Jerry's and Haagen-Dazs were neck and neck in terms of market share, with around 40-percent each. By the end of that year, Ben & Jerry's had pulled just slightly ahead.

The company's sales growth in recent years has not been as large as in previous years, although it is still increasing. The company has struggled to attract high caliber management in recent years, largely due to the five-to-one salary policy. In recognition of that, the ratio was increased to seven-to-one at the end of 1990 after two years of internal debate.

When the board decided to recruit a new CEO from outside the company in 1994, it was also decided the salary ratio would have to be eliminated if someone with experience in managing a $140 million business could be found. However, the search for a new CEO was given a unique twist when Ben & Jerry's board launched a "Yo, I'm Your CEO" contest. Each applicant for the job as CEO was invited to submit a 100-word essay on why they should be hired as the new CEO. The first prize was the job, and second prize was membership in Ben & Jerry's free-ice-cream-for-life club. More than 22,000 applications were received, generating vast amounts of publicity for Ben & Jerry's. The new CEO chosen was Bob Holland, a McKinsey & Company partner with operational, strategic and marketing experience.

"The record, quite simply, is incredible. Small business provides well over two-thirds of all new jobs; about 40 percent of our aggregate national output; the bulk of new products and technologies; most of the jobs generated for younger, older and female workers; and over 66 percent of all "first jobs". The winners of the 1988 National Small Business Person of the year Award began with two employees in 1978. The company now employs 200 people, and the $8,000 in start-up money now generates annual sales of $30 million, selling to grocery stores in thirty-five states and in forty-five ice cream parlors around the country."

– President Ronald Reagan presenting Jerry Greenfield and Ben Cohen with the National Small Business Person of the Year Award for 1988

"Our sales had also continued to increase significantly in 1988. Based on results for the first three quarters, we were projecting total sales for the year of $48 million, a 50-percent increase over 1987. For the most part, we had been successful at beating back the challenge from Steve's over the past two and a half years. One of the keys to our success had been the "Two Real Guys" radio spot, which featured the following jingle, sung a cappella, first by a doo-wop group and then by an enthusiastic opera singer.

There ain't no Haagen, there ain't no Dazs,
There ain't no Frusen, there ain't no Gladj,
There ain't nobody named Steve at Steve's,
But there's two real guys at Ben & Jerry's.

To drive home the point that the guy on the Steve's pint wasn't Steve, we had also temporarily put a "Two Real Guys" gold-leaf banner on all of our pints, underneath the founders photo.

The campaign worked. Nationally, we were the number-three super premium brand, and in many markets we had passed Frusen Gladje and taken over second place."

– Chico Lager

"Novelties couldn't be produced on the same equipment we used for the pints, and the only way to get into the business quickly was to find someone to manufacture the product for us. We did, and in July of 1986 we introduced the Ben & Jerry's Deluxe Chocolate Covered Bar, a full 5-ounces of chocolate-covered ice cream on a stick. After eating a few, most people in the company came to the conclusion that the product was way too big.

"It's not too big for me", Ben countered. Of course, as a rule, no amount of food looked too big to Ben. Eventually he came around to the idea that a smaller portion might work, especially if we lowered the price. Unfortunately, we had already printed up tens of thousands of cartons on which the declared weight was 5-ounces.

"No problem," Ben announced after he'd pondered the dilemma for a few minutes. "We'll put a sticker on the boxes that says, Now Smaller and Cheaper." Ben wanted to kick off the promotion by immediately dropping the price on our existing inventory of 5-ounce bars. He suggested we put another sticker on those boxes, this one proclaiming "We Goofed, You Gain" explaining to customers that the extra ounce of ice cream was a short-term windfall. That way, he reasoned, they wouldn't feel ripped off when they picked up a smaller product at the same price in a couple of weeks.

Before we could follow up on that brainstorm, the company that was making the product for us went out of business. despite having lost our supplier, Ben was adamant about not giving up on the new product line, and he proposed that we install the equipment to make novelties in our Waterbury plant. How hard, after all, could that be? "It's a damn machine," Ben reasoned. "You plug it in."

Actually, it was about five or six machines, set up sequentially. If we doubled the size of our production room, upgraded the refrigeration and electrical systems, and accepted the fact that we'd forever have an inefficiently laid out manufacturing facility, we could have done it. Ben ultimately agreed that it would make more sense to find another co-packer."

– Chico Lager

"We can't just optimize profits. We have to optimize the community as well."

– Ben Cohen

"It's not a question of making great ice cream, making some money and then going and doing socially responsible things. Caring about the community has to be imbued throughout the organization so that it impacts every decision we make."

– Ben Cohen

"I'd rather fail at something new than succeed at something old."

– Ben Cohen

"Most people suspend their values about contributing to society when they go to work believing that its something they're only supposed to be concerned with in their free time at home. It's when we're at work that we're most powerful, because we're organized and we have the financial resources of the company behind us. The results we achieve within the company, working together, are far greater than those we could accomplish working as three hundred individuals on our own."

– Ben Cohen