

Benandjerry business problems

Business



As Bob the new CEO of Ben & Jerry's, we believe that the following factors currently pose the most critical problem to the firm. Firstly, our internal x-factors namely manufacturing, inventory management, research and product development are in dire need of improvement. Currently, Ben & Jerry's is highly dependent on Dreyer's for production of its ice cream; up to 40% of Ben & Jerry's total ice cream is produced by Dreyer's. Ben & Jerry's high dependency on Dreyer's hasn't been solved due to its inability to open and operate its third factory in St. Albans, Vermont.

This was due to the lack of understanding of the complex automated manufacturing systems which led to the adoption of simpler proven processes. Bob was hired to solve this problem due to my expertise in manufacturing and distribution in the food industry, even though his work experience in several aggressive management style corporations remain a concern due to the fact that ben&jerry's is one of the most famous conservative social enterprise.

However, this social enterprise was being criticized for corporate activities from damaging tribal cultures till other smaller issue, these issues could damage the brand reputation and sales further in the future. There are also several other x-factors apart from manufacturing which must also be solved. In my perspective, the firm's R&D department is in need of improvement as the firm currently relies solely on the founder's ideas and tastes, neglecting altogether the formal market research on the development of new flavors. This has led to problems of shortages and overstocks of particular flavors.

Another serious problem within the firm is the 7: 1 ratio, causing the firm to fail in attracting competent professionals and incentivizing mid-level

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employees from working hard and earning a promotion. The number one external problem facing the firm is the naturally slow growth in this higher competition industry and the shifting demand within the super-premium ice cream segment towards the premium ice cream and frozen yoghurt segment. From the figures in exhibit 4, the frozen yogurt per production increased approximately 73% from 1.34 in 1989 to 2.32 quarts in 1994.

We can clearly see that this increase in production has been primarily to meet the growing demands of more health-conscious consumers. The effect of more value-conscious consumers can also be seen in the shifting demand from the super-premium ice cream segment to the premium ice cream segment. Therefore we believe that we should merge or takeover a key player in the premium ice cream segment in order to enter the growing premium market, as seen in exhibit 6, and better utilize our existing cash and assets which has been unproductive for the past several years, as seen in exhibit 2.

Moreover, this will help us in dealing with the possible threat of Unilever buying Haagen-Dazs in an attempt to dominate the ice cream market. If this deal happens to go through, Haagen-Dazs will exceed us in every aspect including channels of distribution, marketing, and operations. Therefore, we believe that negotiations with Unilever are crucial at this moment in time. The higher competition has induced firms to advertise more, thus eating a substantial portion of the profits.

In 1994, we spent \$6 million on advertising alone, causing expenses to jump significantly resulting in a net loss for the first time in the firm's history. If the competition wasn't so high and we didn't have to spend \$6 million on

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ads, our firm would still have been able to absorb the cost of the write off without incurring a net loss. The higher competition in recent years causes the profit margin in the industry to fall with merging or taking over will improve our company reduce our operating costs, thus, higher profit margin.