

Ben and jerry case analysis

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Strategic Analysis of Ben & Jerry's Homemade, Inc. Can B&J Serve a Double Scoop of Being Green and Making Green? ESM 210 Professor Delmas Final Paper November 21, 2000 Alex Tuttle Vicky Krikelas 1 BEN & JERRY'S ICE CREAM Table of Contents

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OF SUCCESS..... 2 2 3 INTRODUCTION Ben & Jerry's is an innovative leader in the super premium ice cream industry. The company blends a commitment to provide all natural, high quality ice cream with a commitment towards social activism and environmental responsibility. This report will analyze both the company's environmental strategy and general corporate strategy in order to identify the consistencies and disparities (if any) between these strategies and to determine whether a "green" company such as Ben & Jerry's can sustain a competitive advantage.

We will also discuss the potential impacts on the company's strategic vision in light of the recent acquisition by Unilever. Our analysis will focus on examining the strengths and weaknesses of the environmental and general corporate strategies in light of its internal resources and external competitive and non-market forces. MARKET DESCRIPTION Ben & Jerry's operates in the highly competitive super premium ice cream, frozen yogurt and sorbet business.

Super premium ice cream is generally characterized by a greater richness and density than other kinds of ice cream and commands a relatively higher price. The company's two primary competitors include Haagen-Dazs (a member of the Ice Cream Partners organization) and Dreyer's Grand Ice Cream Company, which introduced its Godiva and Dreamery super premium ice cream line in the fall of 1999. Other significant competitors include Healthy Choice, Nestle and Starbucks (SEC Report, 1999). FIRM DESCRIPTION Ben & Jerry's Homemade, Inc. the Vermont-based manufacturer of super-premium ice cream, frozen yogurt and sorbet, was founded in 1978 in a

renovated gas station in Burlington, Vermont, by childhood friends Ben Cohen and Jerry Greenfield with a modest \$12,000 investment. The company is now a leading ice cream manufacturing company known worldwide for its innovative flavors and all-natural ingredients made from fresh Vermont milk and cream (www.benjerry.com). Manufacturing of all Ben & Jerry's frozen dessert products occurs in the company's three plants located in Vermont.

The company distributes ice cream, low fat ice cream, frozen yogurt, sorbet and novelty products nationwide as well as in selected foreign countries in supermarkets, grocery stores, convenience stores, franchised Ben & Jerry's scoop shops, restaurants and other venues. Outside of Vermont, the products are distributed primarily through Dreyer's and other independent regional ice cream distributors. Unilever, a multinational food and personal products company recently acquired Ben & Jerry's in spring 2000. The Ben & Jerry's Board of Directors approved Unilever's offer of \$43.60 per share for all of the 8 million outstanding shares, valuing the transaction at \$326 million (www.lib.benjerry.com, October, 2000). Under the terms of the agreement, Ben & Jerry's will operate separately from Unilever's current U.S. ice cream business. There will be an independent 4 Board of Directors, which will focus on providing leadership for Ben & Jerry's social mission and brand integrity. Both co-founders will continue to be involved with Ben & Jerry's, and the company will continue to be Vermont-based. THE MISSION STATEMENT Ben & Jerry's adopted a three-part mission statement formalizing the company's business philosophy.

According to the company's home page (www.benjerry.com), the mission statement is as follows: 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 to our shareholders and creating career opportunities and financial rewards for our employees. Underlying this mission is the determination to seek innovative ways of addressing all three components, while holding a deep respect for employees and the community at large. GENERAL CORPORATE STRATEGY Ben & Jerry's corporate strategy strives to implement the three integrated missions described above: developing a high-quality product, achieving economic growth and profitability, and incorporating social activism.

The general corporate strategy can be characterized as a focused or market niche strategy based primarily on product differentiation and quality production. Although focused differentiation strategies target a narrow buyer segment, this strategy helps Ben & Jerry's gain a strong competitive advantage as it can offer consumers something they perceive is appealingly different from rival competitors—innovative super-premium ice cream flavors that taste better and consist of all natural, high quality ingredients.

In addition to differentiating its product from other ice cream competitors, Ben & Jerry's general strategy combines several other key components, including fostering a company image of social activism, creating
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brandloyalty, franchising the company to aid economic growth, and developing creative advertising campaigns. Product Differentiation One means of gaining a competitive advantage is through the use of a differentiation strategy to provide a better product that buyers believe is worth the premium price (Thompson and Strickland, 1998).

Since higher quality ice cream generally costs more than the economy and regular types of ice cream, Ben and Jerry's has incorporated product differentiation in its general corporate strategy in order to command a higher price. The use of all-natural, high quality 5 ingredients and the innovative flavors of Ben & Jerry's ice cream illustrates the strategic use of product differentiation to gain a competitive advantage in the ice cream market.

Quirky flavor names such as Chubby Hubby, Wavy Gravy, Phish Food, and Chunky Monkey also set Ben & Jerry's apart from the traditionally-named ice cream products of rival companies. Furthermore, the use of recycled materials and dioxin-free (unbleached) paper in product packaging contributes to the uniqueness of Ben & Jerry's ice cream and helps keep its costs down. Socially-Conscious Company Image Ben & Jerry's strives to be an independent, socially-conscious Vermont company that supports local dairy farmers.

Several examples illustrate how Ben & Jerry's implements this corporate strategy. For instance, the company donates 7.5% of pretax profits to philanthropic causes through the Ben & Jerry's Foundation, community action teams, and through corporate grants (<http://www.hoovers.com>). The company also donates free ice cream during public events and community celebrations in the Vermont area, and contributes a percentage of the profits

earned from ice cream sold in Vermont retail stores to fund local charities (SEC Report, 1999).

Furthermore, the company has ensured the long-term viability of its own key suppliers, the Vermont dairy farmers, by executing a strategic decision to pay more than a specified minimum price for its dairy ingredients (SEC Report, 1999). Brand loyalty Developing brand loyalty is another strategic move to strengthen competitive advantage. Ben & Jerry's has made substantial efforts to gain a favorable reputation and image with buyers through its frequent promotional campaigns (i. e. , Free Cone Day), donations to social causes (i. , Ben & Jerry Foundation), and the use of eco-friendly products, as discussed below under Environmental Strategy. This strategy has proven successful; the 1999 Harris Interactive Poll regarding buyer perception of corporate reputability ranked Ben & Jerry's first in the "social responsibility" category and fifth overall (SEC Report, 1999). Small-Scale Growth and Franchising The economic mission of the company (to achieve profitability, increase value to shareholders and create career opportunities) is implemented through Ben & Jerry's strategy for small-scale business growth.

Ben & Jerry's has maximized profitability by initially starting small and slowly building an ice-cream business over time (Spolsky, 2000). Ultimately, the success at the small-scale required the company to shift its corporate strategy toward the establishment of several franchised "scoop shops" throughout the nation and Europe. As of 1999, there were approximately 164 scoop shops in North America (SEC, 1999). These scoop shops serve as a major employment resource and a source of revenue for non-profit groups.

In addition, Ben & Jerry's gains a competitive advantage through franchising by expanding market share, increasing revenue and publicizing the company's brand name using minimal amounts of startup capital. As shown in Figure 1, Ben & Jerry's has achieved substantial, yet gradual, growth in revenues since 1993. Marketing Strategy According to the Securities Exchange Commission (SEC) annual report, Ben & Jerry's use of natural ingredients, high product quality, periodic introduction of new flavors, focus on grass-roots community involvement and the "down home" local image are essential elements of the company's marketing strategy.

The company's Waterbury ice cream factory is the single most popular tourist attraction in Vermont. In addition, the company is well known for its creative television advertising and public relations campaigns. The use of innovative online marketing and web-based promotions with Yahoo have further emphasized this image and strengthened brand name recognition (SEC Report, 1999). Ben & Jerry's Annual Revenue: 1993-1998 225 \$ (in millions) 200 175 150 125 1993 1994 1995 1996 1997 1998 Year Figure 1. Annual Revenue for Ben & Jerry's: 1993 to 1998. Source: Ben & Jerry's 1998 CERES Report.

CORPORATE ENVIRONMENTAL STRATEGY In 1992, Ben & Jerry's became the first publicly held company to adopt the CERES (Coalition for Environmentally Responsible Economies) principles as part of its environmental strategy (Ben & Jerry's 1998 CERES Report). CERES is a non-profit coalition of interest groups working in partnership with companies towards the goal of corporate environmental responsibility worldwide. This involvement with CERES is evidence of the company's dedication to protecting the environment and

insurance that consideration is made to the environment when managing and operating its business.

The CERES principles are as follows: • Protection of the Biosphere 7 • • • • •
• • • • Sustainable Use of Natural Resources Reduction and Disposal of
Wastes Energy Conservation Risk Reduction Safe Products and Services
Environmental Restoration Public Outreach and Education Management
Commitment Audits and Reports Ben & Jerry's believes that " businesses
should be among the leaders in the social change necessary to repair and
prevent the damage that the human race is capable of inflicting upon natural
cycles through everyday corporate, national, international, local and
personal practices" (ibid).

By integrating the CERES principles into the company's overall goals, Ben & Jerry's strives to develop a comprehensive environmental strategy that conforms to its mission of making an exemplary product, earning a fair return, and serving its community. Ben & Jerry's environmental goals as a company are to minimize its negative impacts on the environment, promote sustainable farming and safe methods of food production that reduce environmental degradation, and use its business as a medium for environmental and social change.

In order to accomplish this strategy there are numerous policies and activities that the company is executing, or has plans to execute in the near future. By analyzing Ben & Jerry's environmental strategy within the framework of the Principle Strategy-Implementing Tasks, as outlined in Chapter 9 of *Crafting and Implementing Strategy* (Thompson and Strickland, 1998), we can effectively examine the steps the company is taking to best

achieve its goals. These actions are visible in all aspects of the company and are proof of the company's commitment to its environmental strategy.

There is an ever-present culture within Ben & Jerry's of environmental awareness and interest in company greening. In implementing its strategy, Ben & Jerry's has worked to ensure that every employee is involved and that values are shared throughout the company. Within the management structure of the company, efforts are made to make sure that the Board of Directors and CEO are fully informed about pertinent environmental issues and are fully responsible for environmental policy. In addition, the company considers demonstrated environmental commitments when selecting Board members.

As the founders, Ben Cohen and Jerry Greenfield continue to provide strong environmental leadership that is crucial to effective implementation of the company's environmental strategy. There is significant dialogue within the chain of command of the company. At each manufacturing site in Vermont there is an Environmental Coordinator who is in charge of operating and monitoring environmental activities. These coordinators meet with the Manager of Natural Resource Use on a monthly basis. Through this dialogue, environmental strategies for company-wide and site-specific compliance and operations are made. The Manager of Natural Resource Use reports to the Senior Director of Operations who in turn reports to the CEO (ibid). This flow of information ensures that every decision-maker is aware of environmental issues and considers these factors when running the business. 8 There is also a significant employee environmental awareness and education campaign within the company. Programs such as the company-wide

Environmental Awareness Week promotes employee knowledge of environmental issues.

During orientation, new employees are introduced to the environmental policies of the company by the Manager of Natural Resource Use (ibid). In addition, there are employee-led groups called Green Teams that work on company-related projects like recycling, composting, and writing "eco-facts" for the company newspaper (ibid). This activism and knowledge-share that is built into the company network contributes to the success of its environmental strategy by enabling company personnel to better carry out their strategic roles.

In addition to this internal communication, the company also uses various strategies to build public interest and awareness in environmental issues. This succeeds in not only promoting the goals of the company, but also in adding to the competitive advantage of the company by gaining public support and loyalty. Ben & Jerry's website has a plethora of information on its environmental policies, activities, and accomplishments. The importance that the company places on these issues is shown by the fact that some of this information is highlighted on the home page ([www. benjerry. om](http://www.benjerry.com), 2000). Other tools the company uses for disseminating information to the public are the publications of the Annual Report and CERES Report, as well as position papers on dioxin and rBGH at their scoop shops. In addition, the company puts on an annual festival encouraging public awareness of environmental and social issues (CERES Report, 1998). In order to be successful in implementing its environmental strategy, Ben & Jerry's has established many strategy-supportive policies company-wide. These are detailed in the

company's 1998 CERES Report. These policies apply to all U. S. locations and international locations under the company's direct ownership. The Manager of Natural Resource Use continually updates them whenever new technologies, concerns, or standards emerge. Examples of these include:

- • Beginning in 1997, all uncontaminated waste oils from its plants are re-refined by a certified handler to be reused. In 1994 the company created a list of approved environmentally friendly cleaning and office supplies that is continually updated when appropriate. Scoop shops are built with environmentally sound material, such as tiles and countertops made of recycled materials.

The “ Contractor's Handbook” contains environmental requirements for all outside parties working at Ben & Jerry's sites. Another area that is crucial to ensure that environmental strategies are achieved is in the allocation of resources to strategy-critical activities and the institution of best practices for continuous improvement. The company puts a lot of energy into exploring opportunities for waste reduction, recycling, and energy use. In addition, the company tracks the cost and impacts of all waste and energy use associated with the production process.

Using a system of integrated environmental tracking tables the company reports on solid, hazardous, wastewater, and dairy waste production, energy use, and recycling. This information is used to identify trends and set 9 goals. As a result of this work the company has demonstrated continual improvement in its solid-waste recycling, rising from 35% in 1995 to 53% in 1998. Figure 2 shows the amount of waste the company has recycled

between 1995 and 1998. In 1998, a Packaging Innovation Group was created with a goal reducing waste from ingredient packaging (ibid.).

In 1997, the company conducted a project to develop a pint container that would be more environmentally sustainable and compostable. The company invested hundreds of man-hours to analyze sources of chlorine-free paper for their "Eco-Pint" (ibid.). The release of this product is in direct line with the company's environmental strategy and presents a major step forward in its goal to develop a compostable, non-toxic container. Annual Recycling at Ben & Jerry's Tons of Solid Waste 1000 800 600 400 200 0 1995 1996 Year 1997 1998 Figure 2. Annual Solid Waste Recycling at Ben & Jerry's between 1995 and 1998.

Source: Ben & Jerry's 1998 CERES Report. Ben & Jerry's realizes the importance of community participation and accountability. Consistent with its environmental strategy, Ben & Jerry's uses its business as a means of promoting environmentalism, small-scale agriculture, human rights, and economic justice. This is achieved through Corporate Giving to organizations like Natural Resources Defense Council and the Vermont Land Trust, the establishment of the Ben & Jerry's Foundation which funds non-profit social and environmental organizations across the United States, and Community Actions Teams.

These teams are made up of Ben & Jerry's employees who organize annual major community projects in their area and provide grants to various community-based organizations. All told, Ben & Jerry's donates approximately 7.5% of its pre-tax profits annually (ibid.). 10 Another means by which the company seeks to achieve its environmental strategy is <https://assignbuster.com/ben-jerry-case-analysis/>

through management of its supply chain. Ben & Jerry's is consistently working to purchase ingredients and other inputs from environmentally and socially responsible sources. The company has a Vendor Certification Program in which 80% of its suppliers were enrolled by the end of 1998 (ibid.). As part of the assessment process, Ben & Jerry's evaluates the environmental competencies of potential suppliers and considers this information when determining whether or not to do business. In addition, Ben & Jerry's only purchases dairy supplies from family farmers who pledge not to treat their cows with rBGH, because of the adverse effects it has on sustainable agriculture (ibid.). By working with its suppliers, Ben & Jerry's attempts to ensure that its environmental goals are shared throughout its supply chain. This leads to a more effective implementation of its overall strategy.

STRATEGY ANALYSIS An analysis of the external and internal forces shaping the ice cream industry is necessary in order to determine the effectiveness of Ben & Jerry's current (and prospective) corporate and environmental strategies. We will utilize several analytical tools to characterize the strengths and liabilities of the industry and the effectiveness of the company's strategy, particularly through the use of the Five Forces Model of Competition, the Sixth (Non-Market) Force analysis, SWOT analysis, and the key factors of success.

Five Forces Model of Competition In order to identify and assess the strength of external competitive forces on the ice cream industry we utilized a common analytical tool, Porter's Five Forces Model of Competition, which is based on the following five factors: rivalry among competing sellers,

bargaining power of buyers, bargaining power of suppliers of key inputs, substitute products and potential new entrants to the market (Thomas and Strickland, 1995). Figure 3 summarizes the competitive strength of these forces on the ice cream industry.

Rivalry Among Competing Sellers The principal competitors in the super-premium ice cream industry are large, diversified companies with significantly greater resources than Ben & Jerry's; the primary competitors include Dreyers and Haagen-Dazs. Rivalry can be characterized as intense, given that numerous competitors exist, the cost of switching to rival brands is low, and the sales-increasing tactics employed by Dreyers and other rivals threatens to boost rivals' unit volume of production (SEC Report, 1999).

Buyers The power of buyers is relatively high because buyers are large, consisting of individual customers, grocery stores, convenience stores, and restaurants nationwide and globally. Since retailers purchase ice cream products in large quantities, this gives buyers substantial leverage over price. In addition, there are many ice cream products to choose from, so the buyers' cost of switching to competing brands is relatively low. In order to defend against this competitive force, a company's strategy must include strong product differentiation so that buyers are less able to switch over without incurring large costs.

Suppliers The suppliers to the ice cream industry include dairy farmers, paper container manufacturers, and suppliers of various flavorings. Such suppliers are a moderate competitive force, given that the ice cream industry they are supplying is a major customer, there are multiple suppliers throughout the nation to choose from, and many of the suppliers' viability is tied to the wellbeing of large, established companies

such as Dreyers and Haagen-Dazs. Therefore, the ice cream suppliers have moderate leverage to bargain over price.

Substitute Products Many substitute products are available within the dessert and frozen food industry (cookies, pies, Popsicles, cake). The ease with which buyers can switch to substitute products is an indicator of the strength of this competitive force. Since substitute products are readily available and attractively priced compared to the relatively higher priced super-premium ice cream products, the competitive pressures posed by substitute products are intense. Companies that enter the super-premium market, therefore, must adopt defensive strategies that convince buyers their higher priced product has better features (i. . , quality, taste, innovative flavors) that more than make up for the difference in price.

Potential New Entrants The barriers to entry within the ice cream industry are moderate due to the brand preferences and customer loyalty toward the larger and more established rival companies. Other obstacles to new entrants include strong brand loyalty to established firms and economic factors, such as the requirement for large sources of capital, specialized mixing facilities and manufacturing plants.

In addition, the accessibility of distribution channels can be difficult for an unknown firm with little or no brand recognition. Although Ben Cohen and Jerry Greenfield successfully launched their ice cream business from a gas station with modest funding and staff, they had to initially rely on a rival company's distribution channels (and later on independent distributors) in order to gain a stronger foothold in the market.

Figure 3. Porter's Model of the Five Competitive Forces

Substitute Products Many Substitute products

Buyers Strong leverage Large Rivalry Among Competing Sellers
Many large established rivals Suppliers Moderate leverage New Entrants weak
Moderate Barrier to entry 12 As discussed above, several competitive forces on the ice cream industry are relatively strong, suggesting that it is a difficult industry to be competitive in. However, Ben & Jerry's implementation of a differentiation strategy has helped the company effectively defend against these forces and gain a competitive advantage.

The use of higher quality ingredients and ecofriendly packaging has created a unique brand image that helps develop brand loyalty and beat rival competitors to the market. The company's social activism toward the community and use of innovative flavors also help insulate the firm from the strong bargaining power of buyers since rival firms and/or products are relatively less attractive. Similarly, Ben & Jerry's product differentiation strategy also allows the company to fend off threats of substitute products that don't have comparable features.

The company's differentiation strategy also mitigates the threat of potential entrants due to high buyer loyalty for a superior product. The moderate threat posed by suppliers is tackled by two other facets of the company's strategy: ensuring the viability of suppliers by paying premium prices for raw materials, and redesigning the distribution network to gain more control and reduce reliance on rival distribution channels. The "Sixth" Force (Non-Market Forces) Industry Regulations Ben & Jerry's is subject to regulation by the United States Food and Drug Administration (FDA) and the Vermont Department of Agriculture.

In response to stringent labeling criteria for health-oriented foods, the company made changes in its labeling regarding its low fat/low cholesterol products (SEC Report, 1999). FDA regulations may potentially affect the ability of the company, as well as rival firms in the ice cream industry, to develop and market new frozen dessert products. However, given that Ben & Jerry's is already in compliance with the FDA, it is unlikely that such regulations will have a significant impact on the company's operations.

Other regulatory forces include potential RCRA liability due to the company's generation of hazardous materials during the manufacturing process. However, Ben & Jerry's is currently exempt from these hazardous materials regulations since the level of hazardous materials generated is below the threshold for requiring a permit; indeed, by staying small and maintaining regulatory compliance, the company gains a competitive advantage over larger companies that may have to meet stricter regulations or be more susceptible to non-compliance.

Public and Stakeholders Public and stakeholder concerns over health and nutrition and environmental pollution exert a strong force on the ice cream industry. The heightened consumer awareness and demand for low-cholesterol or low-fat foods can force companies to respond with ingredient substitutions and differentiated product lines to stay in business. Similarly, the increasing consumer trend toward supporting eco-friendly product packaging and all-natural, organic ingredients can cause ice cream companies to revise their strategies.

Ben & Jerry's, with its commitment to providing all natural ingredients, a low-fat ice cream line, and chlorine-free paper for example, is in a better

position to attract those consumers who are willing to pay more to get more. Given Ben & Jerry's proactive strategic approach, the company can effectively insulate itself from these public pressures and enjoys a significant competitive advantage over those companies that resist incorporating socially progressive or eco-friendly values into their strategies. 13

SWOT Analysis Another means of analyzing the strategies of the company is by examining the strengths and weaknesses of its internal resources, and then exploring the external threats and opportunities facing the company. By developing a clear understanding of these factors, we can evaluate where the company should go from here. Figure 4 identifies these forces for both the general corporate and environmental strategies of Ben & Jerry's. Based on our analysis, we feel that much of the company's internal strengths and external opportunities lie within its environmental strategy.

This gives further evidence to suggest that the environmental and corporate strategies are well integrated, and that this integration is crucial to the future success of the company. Figure 4. SWOT Analysis of Ben & Jerry's

Strengths Product Differentiation Brand Name & Image Creative Advertising & Promotion Innovation Environmental Leader Threats Image Deterioration Increased Competition Shift in Buyer Preferences Loss of Sales to Substitutes Bush Presidency Conflicts with Unilever Weaknesses Dependence on Outside Distribution High Cost Financial Instability Geographic Limitations

Opportunities Growing Consumer Environmental Interest Geographic Expansion Market Diversification Alliances Key Success Factors A successful strategy incorporates the company's efforts to be competent on all of the industry's key success factors and to excel on at least one factor (Thompson <https://assignbuster.com/ben-jerry-case-analysis/>)

and Strickland, 1998). In the highly competitive super-premium ice cream industry, the key factors of success include product differentiation, a strong distribution network, brand loyalty and clever advertising.

As shown in Figure 5, Ben & Jerry's excels in these (and other) key factors, and has a particular expertise on product differentiation to gain a competitive advantage. Product Differentiation All-natural ingredients Innovative flavors High quality Brand Loyalty Favorable reputation with environmentally-aware consumers Access to Distribution Network use of independent suppliers and existing channels Social Activism Corporate philanthropy Ben & Jerry's Fund Eco-friendly Product Dioxin-free pint containers Recycled materials Hormone-free dairy supply

Clever advertising Free ice cream samples Grassroots and local image Figure 5. Ben & Jerry's Key Factors of Success. STRATEGIC CONSISTENCIES According to the Ben & Jerry's Mission Statement, the goal of the company is to integrate product quality with economic success and social responsibility. One of the key strategic factors that successfully links these three missions together is the differentiation strategy. In this respect, the environmental and general corporate strategies are very much in tune with each other.

Differentiation not only increases the competitive advantage of Ben & Jerry's, but it also leads to environmental excellence in the operation of the company. By focusing its attention and energy on recycling, energy efficiency, and product innovation, Ben & Jerry's can reduce its impact on the environment while at the same time reducing product cost. This is being achieved through the work of the Packaging Information Group that focuses on reducing the incoming packaging which adds to the waste stream, and

the production of the compostable “ Eco-Pint. ” These and other actions help build a competitive advantage within the market.

By using allnatural, rBGH-free ingredients and dioxin-free containers, Ben & Jerry’s can also attract environmentally minded consumers to its products, thus increasing market share. At the same time, this practice helps protect the environment and support family-farming and sustainable agriculture. Therefore, this differentiation strategy has the versatility of providing a better product that can attract customers, command a higher price, and protect the environment, thus satisfying the three integral parts of the company’s mission and both the corporate and environmental strategies.

In order for this environmental differentiation strategy to be sustainable there needs to be a willingness among customers to pay for environmental quality, credible information about the company’s environmental attributes, and insulation against imitation. The company’s steady 15 growth in revenue over the last few years shows that the customer base is there and that they are more than willing to pay a premium price for a superior quality product. Ben & Jerry’s addresses the latter two issues through its informative website, external audits, and constant innovation creating unique, hard to imitate flavors and products.

Another way in which the environmental strategy and corporate strategy are consistent with each other is in the area of regulatory compliance. As a result of the attention Ben & Jerry’s pays to the environmental risks associated with its production process, and the efforts made by the company to ensure that negative impacts to the environment from its business operations are minimized, Ben & Jerry’s has had very few compliance issues and has never

been issued any penalties by Federal regulators (1998 CERES Report). In addition to the environmental benefit from such compliance, there is a beneficial impact on the business as well.

By minimizing operational costs, the company gains a potential competitive advantage over competitors with less stringent environmental controls that may face compliance issues. Overall, the company's environmental strategy and general business strategy are well integrated. By focusing on differentiation, which is in large part due to environmental policies and programs, the company gains a competitive advantage over its rivals. As the company grows and increases its annual profits, more money can therefore be donated to social and environmental causes through its various giving channels.

Ben & Jerry's has positioned itself so that its success is highly dependent on its environmental image, therefore the two strategies are intimately linked. There are, however, some disconnects between strategies. There are a few instances where environmental goals take a back seat to company profits. Examples of these disconnects are described in the next section below.

DISCONNECTS BETWEEN STRATEGIES Although the mission of the company is to temper economic growth with environmental responsibility, during our research we discovered several occasions in which company profits clearly outweighed the desire to be as environmentally proactive as possible. For example, Ben and Jerry's currently packages its Peace Pops inside a plastic wrapper and paper board box. This change was in response to a belief that sales had been declining due to customer disapproval of its original

packaging, which consisted solely of a plastic wrapper. This change has led to an increase of packaging materials by 152, 000 pounds annually (ibid.).

This is in direct conflict with the company's policy on waste reduction and illustrates the priority given to company profits over environmental concerns. Similarly, an effort to introduce an organic line of desserts, which would have been more in line with its environmental strategy, was abandoned due to economic costs. Another example of a " disconnect" is in the company's energy use. Ben & Jerry's recognizes that its operation, like any industrial process, is energy intensive. However, as of 1998, the company had no formal policy on energy use and conservation (ibid.).

While the plants and scoop shops make attempts to be energy efficient, the company relies on non-renewable sources of energy for its production processes, instead of using green energy that would be less damaging and more consistent with its environmental policies. Although not expressly stated, it seems that economic cost is once again superseding sustainability. While Ben & Jerry's works to reuse and recycle as much of its waste as possible, it is the policy of the company to send any hazardous waste that cannot be recycled to a hazardous waste incinerator to be handled.

Although this may be the most economical method of treating hazardous waste, it is not necessarily the most environmentally sound disposal technology, and directly contradicts the company's environmental goals. In keeping with the corporate strategy of maintaining a local, down home image, many sacrifices to the environmental strategy are made. The most glaring disconnect is in the national distribution of the product from a

single state. Manufacturing in Vermont requires extensive shipping of its products; this is a highly energy-intensive process.

In 1998, emissions from the distribution of its products totaled over 113,000 pounds for carbon monoxide, 15,000 pounds of nitrogen oxides, 7,000 pounds of hydrocarbons, 1,600 tons of carbon dioxide, and 400 pounds of particulate matter (ibid.). This tradeoff illustrates an inherent inconsistency between the corporate and environmental strategies of the company. While these disconnects do occur, we feel that Ben & Jerry's has done an excellent job in integrating its business and environmental strategies and balancing profitability with environmental protection.

UNILEVER ACQUISITION AND IMPACTS ON STRATEGY Ben & Jerry's strategy will likely shift towards larger-scale economic growth in response to the recent Unilever acquisition of the company in April 2000. Ben & Jerry's emphasized that this acquisition will allow the company to create an even more dynamic, socially positive ice cream business with global reach (www.lib.benjerry.com). In addition, the financial backing of a larger and established company will strengthen Ben & Jerry's competitive advantage with respect to the five forces, particularly the threat of competition from rival firms.

According to the cofounders, "neither of us could have anticipated, twenty years ago, that a major multinational would some day sign on, enthusiastically, to pursue and expand the social mission that continues to be an essential part of Ben & Jerry's and a driving force behind our many successes. But today, Unilever has done just that. While we and others certainly would have preferred to pursue our mission as an independent

enterprise, we hope that, as part of Unilever, Ben & Jerry's will continue to expand its role in society" (ibid).

The agreement between Unilever and Ben & Jerry's ensures that the current social mission of Ben & Jerry's will be encouraged and well-funded, which will lead to improved performance in this area; and an opportunity has been offered for Ben & Jerry's to contribute to Unilever's social practices worldwide. According to Richard Goldstein, President of Unilever Foods of North America, Unilever feels that " Ben & Jerry's has a significant opportunity outside of the United States. Unilever is in an ideal position to bring the Ben & Jerry's brand, values and socially responsible message to consumers worldwide.

Much of the success of the Ben & Jerry's brand is based on its connections to basic human values, and it is our hope and expectation that Ben & Jerry's continues to engage in these critical, global economic and social missions" (ibid). Based on the nature of this agreement, Unilever is pledging to uphold Ben & Jerry's mission of 17 integrating product quality with economic performance and social responsibility. Therefore, we do not expect that Ben & Jerry's environmental strategy will change, except that more innovations can possibly be made with the augmented financial and human resources.

In addition, the social and environmental mission of the company will have the opportunity to be applied on a more global scale. As far as the preservation of the company's corporate strategy, Unilever's global presence and greater access to distribution channels will allow for Ben & Jerry's to continue to expand internationally, thus increasing market share, profitability, and competitive advantage. Potential threat to Ben & Jerry's

success as a result of the Unilever acquisition are the negative public perception of the company (i. e. selling out), loss of consumer support and brand loyalty. This can be mitigated through marketing strategies geared towards alleviating public fears and ensuring that the underlying goals and policies of the company will remain intact.

RECOMMENDATIONS & CONCLUSION Based on our analysis, we believe that the corporate and environmental strategies are appropriate and well integrated. While there are some disconnects between the two strategies, overall it is clear that the company strives to achieve economic success and environmental responsibility.

Up to now, Ben & Jerry's has been successful at maintaining this balance. The primary concern is how well the company can insulate itself from future competition that could threaten its position as a leader in the super premium frozen dessert industry. In light of the threats identified in the SWOT analysis, we recommend that Ben & Jerry's implement the following suggestions: • • • • • • • •

- Protect its public image in light of the recent acquisition by Unilever by maintaining its current position as a market-leader in environmentally and socially responsible business practices.

Continue cost-cutting efforts through implementation of further waste reduction, energy conservation, and recycling programs. Draft a formal written policy on energy use. Frequent product innovation and diversification to address threats of substitute and imitation products and meet changing consumer preferences (i. e. lactose-free ice cream, all organic line of frozen desserts, cookies) Continue franchising scoop shops to increase its market

reach and withstand growing competition, both nationally and internationally.

As the company grows, there will be greater waste generation and distribution-related emissions - increase the development of cleaner manufacturing, disposal, and distribution technologies to ensure that the company continues to stay in compliance. Develop additional manufacturing plants and distribution centers outside of Vermont to reduce distribution costs, cut down on distribution-related emissions, and increase production volume of the company. If George W.

Bush becomes President, there could be a relaxation of environmental regulations and attitudes, thus leveling the playing field and eroding Ben & Jerry's competitive advantage over firms that may be less environmentally responsible. The 18 • company needs to continue to focus on its differentiation strategy to retain its edge and bolster customer loyalty and support. Continue to work with Unilever to ensure that Ben & Jerry's remains an independent subsidiary with its social and environmental values firmly in place. Protect itself from assimilation into the multinational corporate identity.

In conclusion, our analysis has illustrated that a company can be competitive without sacrificing its environmental goals and strategies. Through differentiation, Ben & Jerry's has established itself as both a leader in product quality and environmental responsibility. The challenge will be for Ben & Jerry's, after being acquired by a multinational conglomerate, to demonstrate that it is still possible to maintain its uniqueness and proactive

environmental strategy. So can Ben & Jerry's continue to serve up a double scoop of being green and making green?

Stay tuned for the next flavor of the month. 19 BIBLIOGRAPHY Ben & Jerry's 1998 CERES Environmental Report, 1998. Securities and Exchange Commission Annual Report for Ben & Jerry's Homemade, Inc. Form 10-K, 1999. Spolsky, Joel, "How to Grow a Business," <http://www.fool.com>, August 4, 2000. Thompson, Arthur A. Jr., Strickland, III, A. J. *Crafting and Implementing Strategy, Text and Readings*, 10th edition. Irwin McGraw-Hill, 1998. www.hoovers.com www.benjerry.com www.lib.benjerry.com
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