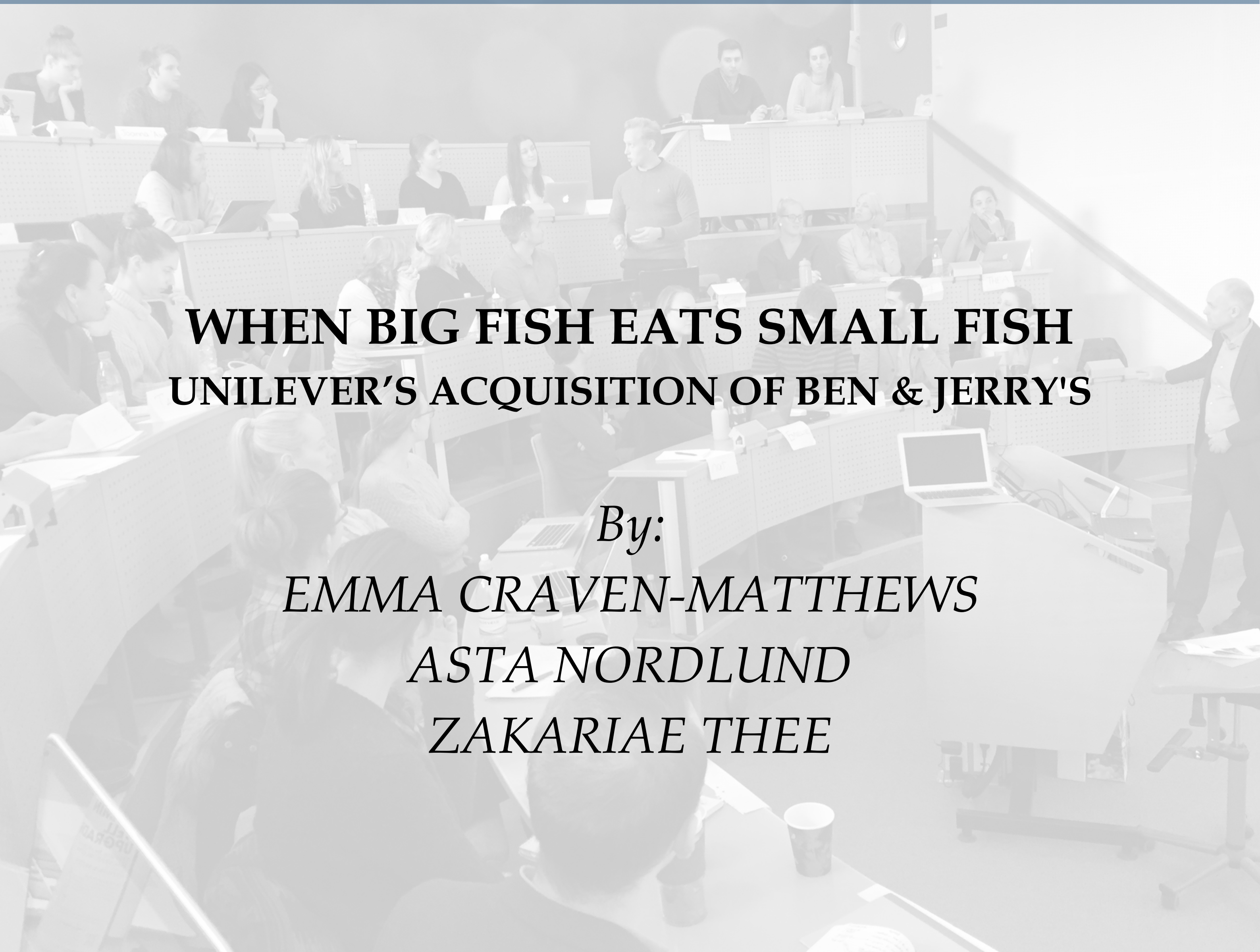
CORPORATE BRAND MANAGEMENT
AND REPUTATION

MASTER CASES



WHEN BIG FISH EATS SMALL FISH
UNILEVER'S ACQUISITION OF BEN & JERRY'S

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Eights Edition
Master Student Case Papers

2021

Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

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When big fish eats small fish
Unilever's acquisition of Ben & Jerry's

WRITTEN CASE

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

MANAGEMENT DECISION CASE

02 – 2021

FEBRUARY 25, 2021

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The challenge of staying authentic

April, 2000. Ice cream lovers are in an uproar. It's just been announced that multinational consumer goods conglomerate Unilever has officially purchased Ben & Jerry's, the indie darling of the ice cream world. Ben & Jerry's many fans feel betrayed - how could a company built on progressive, anti-corporate values sell themself to a faceless corporation? The press has picked up on the outrage and branded the company 'sell-outs'. Meanwhile, the eponymous Ben and Jerry haven't done anything to reassure their customers and fans; rather, their vocal disapproval of and resistance to the sale only stoked the outcry.

How had it come to this? How did a local ice cream company founded by two inexperienced hippies get sold to a multi-billion dollar corporation, angering fans around the world?

And how could the brand move forward?

Ben & Jerry's - the not-so-normal ice cream company

Since their founding in 1978, Ben & Jerry's has built a reputation as one of the most socially progressive brands in the country. The first shop was opened in a former gas station in the small college city of Burlington, Vermont but over the next two decades, Ben & Jerry's opened franchises, took on powerful corporations (and won), was honored by President Reagan, and started selling in Europe. The key ingredient to their success: strong values.

One of the brand's signature stories illustrates their folksy origins: founders

Ben Cohen and Jerry Greenfield initially planned to open a bagel bakery together but the start-up costs were too high. Instead, they signed up for a cheap correspondence course in ice-cream-making and the rest became history. Stories like this communicate the brand's personality: Ben & Jerry's are not a mega-powerful corporate brand, they're run by ordinary guys, just part of the local community. Instead of focusing myopically on profits, they cared about building the most ethical company (and making the most delicious ice cream) they could.

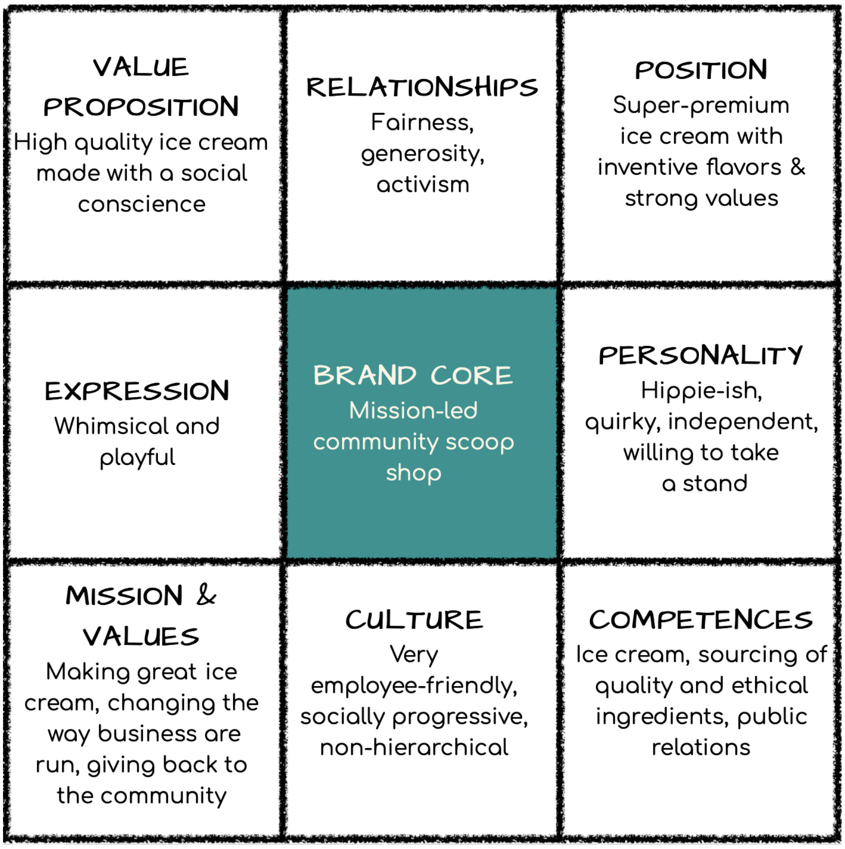
Ben & Jerry's produced super-premium ice cream (Häagen-Dazs was a primary competitor), initially sold in cones at their scoop shops but later also in pints at grocery stores and other retail outlets. Cohen had a poor sense of taste and smell so Greenfield tasked himself with creating strongly-flavored ice creams with rich texture and large mix-ins that even his partner could enjoy. While Ben & Jerry's offered many standard ice cream flavors, like vanilla and chocolate, they were known for more creative offerings. These often had silly or funny names like 'Chunky Monkey' or 'Ethan Almond' (after Ethan Allen, a local Revolutionary War hero). Importantly, while Ben & Jerry's was super-premium in terms of both price and quality, they did not brand themselves as a luxury ice cream.

Progressive values were at the core of the brand's identity. Ben and Jerry's ice cream was made with Fairtrade and organic ingredients and packaged in environmentally-friendly cartons. They openly opposed the use of bovine growth hormones, instead buying milk from local family farms. Early flavor names—Cherry Garcia, Phish Food—invoked figures beloved by the hippie movement.

These progressive values took the form of social activism as well. In the 1980s, the company began offering health-care benefits to same-sex partners of employees (Klein, 2020). They also established a charitable foundation and donated 7.5% of their pre-tax profits there each year. On their first anniversary, they set up the annual Free Cone Day to thank their customers for keeping them in business.

With strong values, community-minded and activism, and commitment to good ice cream, Ben & Jerry's built a powerful and consistent corporate identity over their first twenty years in business (**Exhibit 1**). However, all good things aside, the company was financially underperforming.

Ben & Jerry's Corporate Brand Identity Matrix - 1978-2000 (Urde, 2021)



The deal/no deal

Fairness was one of Ben & Jerry's core values. Cohen and Greenfield felt strongly that when the company did well, the stakeholders should all benefit. This manifested in, for example, Free Cone Day and a CEO pay ratio of 5:1. The shareholders, however, were not benefitting. Although Ben & Jerry's was now a household name and had begun selling internationally, growth was only ebbing and flowing and the stock price had plummeted from $34 in 1993 to $17 in 1999 (Caligiuri, 2014). By 1999, buyers were approaching the company.

Cohen and Greenfield, fearing that a buy-out would compromise their company's social mission, held out as long as they could—Cohen even tried and failed to bring in private investors to take the company private—but by April, 2000, Ben & Jerry's had multiple offers on the table and the board voted to sell to multinational British-Dutch $45 billion conglomerate Unilever (Hays, 2000).

Unilever - who are they?

The consumer goods giant Unilever has a long history of mergers and acquisitions. In fact, the company came to be through the merger of the Dutch company Margarine Unie, and the British soapmaker Lever Brothers back in 1929. Not long after the merger, the newly formed Unilever started to acquire all sorts of companies to increase its market shares. Thus, growth by acquisition has been a core business strategy since the early beginnings.

For many years, Unilever's corporate brand was kept in the shadows while the company let the individual product brands take center stage (**Exhibit 2**). The company distributed and sold products globally in a number of product categories such as food, beverages, hair, and skincare, and home care. Some well-known product brands are Dove, Lipton Tea, and Magnum Ice Cream. After all, when most consumers go shopping they look for the specific product and are not too interested in who is the owner.

This strategy slowly started to change in the late 1990s. In 1995 Unilever took major steps in developing the corporate brand. The corporation published its first code of business principles that continue to play an important role in protecting the brand and its reputation—these included guidelines on how the brand ensures compliance with regulations and laws to prevent harm to people and the environment.

In 1999 Unilever also announced that the company was to slim down - a lot. From 1,600 product brands to roughly 400 high-growth product brands. Unilever was strategizing, but they were also on the hunt for new lucrative brands to add to their new brand portfolio. In an article for The Guardian in 1999, brand consultant Andrew Seth comments on the shocking announcement saying "'People are moving around a lot more and living in different places. Brand communication is completely different from what it used to be.'" (Doward & Islam, 1999). Not many months after the pruning announcement, Unilever enters negotiations with the attempt to become the owner of Ben & Jerry's.

The deal

Out of several possible buyers, Unilever was, as Cohen, Greenfield, and their board saw it, the least of the evils. Unilever recognized that some degree of Ben & Jerry's value was in their corporate social responsibility and they were willing to agree to a number of pre-deal terms (Hays, 2000):

1. Ben & Jerry's will retain their name

2. Ben & Jerry's will not change how they make ice cream

3. Ben & Jerry's headquarters will remain in Vermont for at least five years

4. Unilever will not downsize any Ben & Jerry's employees for two years

5. Unilever will continue to donate 7.5% of pre-tax profits to the Ben & Jerry's Foundation

6. Unilever will also make a $5 million donation to the Ben & Jerry's Foundation, as well as pay $5 million in employee bonuses and pledge another $5 million to minority-owned small businesses.

7. Ben & Jerry's will have an external board, independent of Unilever, to guide their social mission.

But even with Unilever's commitment to upholding many of Ben & Jerry's core values, customers saw the acquisition as Ben & Jerry's selling their principles to the highest bidder. "After going on the tour, I was feeling all loyal, thinking, `Oh man, wow, these guys are great,'" one customer said. "'But now I know [about the acquisition], I might as well just buy someone else.'" (Gram, 2000). Some skeptics later referred to the day as "4/11", a reference to the 9/11 attacks (Page & Katz, 2012).

Unilever didn't help themselves when hours after the Ben & Jerry's deal was announced, they announced they'd acquired another brand: meal replacement brand SlimFast. In this light, their purchase of Ben & Jerry's looked purely strategic and self-serving: fatten customers up with ice cream and then sell them diet products.

Ben & Jerry's reputation as an authentically socially responsible company was in danger. They'd gone from anti-corporate outsiders with firm commitments to social responsibility to just another brand owned by one of the largest conglomerates in the world and in doing so, had alienated their customers and derided by the media.

The outcry against Ben & Jerry's was now Unilever's problem. This was not a problem Unilever had faced before—the many other brands in their portfolio had been launched by them or acquired without controversy. Acquiring Ben & Jerry's had been a step towards building a more socially responsible Unilever corporate brand but despite Unilever's pre-deal commitments, the media and customers viewed Unilever as an evil faceless corporation.

Those pre-deal commitments forced Unilever's hand somewhat: Ben & Jerry's would need to retain some of their autonomy, at least in the near future. On the other hand, Ben & Jerry's had struggled, stagnated, and underperformed as an independent brand; the board voted to sell because the company needed better management. Unilever's challenge was to balance the Ben & Jerry's brand identity that had led to their success with the need for effective management and Unilever's needs as the parent company.

Assume the role of a member of the executive board at Unilever, tasked with making sure this acquisition isn't a $326 million mistake. Answer the following question:

How should Unilever manage Ben & Jerry's to maintain authenticity and viability?

Exhibit 1 - Ben & Jerry's Corporate Brand Identity Matrix - 1978-2000 (Ben & Jerry's, 2020; Urde, 2021)

Value proposition *High-quality ice cream made with a social conscience*	**Relationships** *Fairness, generosity, activism*	**Position** *Super-premium ice cream with inventive flavors and strong values*
Expression *Whimsical and playful*	**Brand core** *Mission-led community scoop shop*	**Personality** *Hippie-ish, quirky, independent, willing to take a stand*
Mission and values *Making great ice cream, changing the way businesses are run, giving back to the community*	**Culture** *Very employee-friendly, socially progressive, non-hierarchical*	**Competence** *Ice cream, sourcing of quality and ethical ingredients, public relations*

Exhibit 2 - Unilever Corporate Brand Identity Matrix - ca 2000 (Unilever, 1999; Urde, 2021)

Value proposition *Budget-friendly brands, products, and services that make everyday life better*	**Relationships** *Multi-local multinational*	**Proposition** *Products and services for everyday life*
Expression *Diversity, professionalism*	**Brand core** *Meeting everyday needs of people everywhere*	**Personality** *The mother, protector, and spokesperson*
Mission and value *Commitment to exceptional standards and raising the quality of life*	**Culture** *Bureaucratic, global, high standards*	**Competence** *Founder of modern brand management, precision, and efficiency*

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