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THE FAMILY BIZ

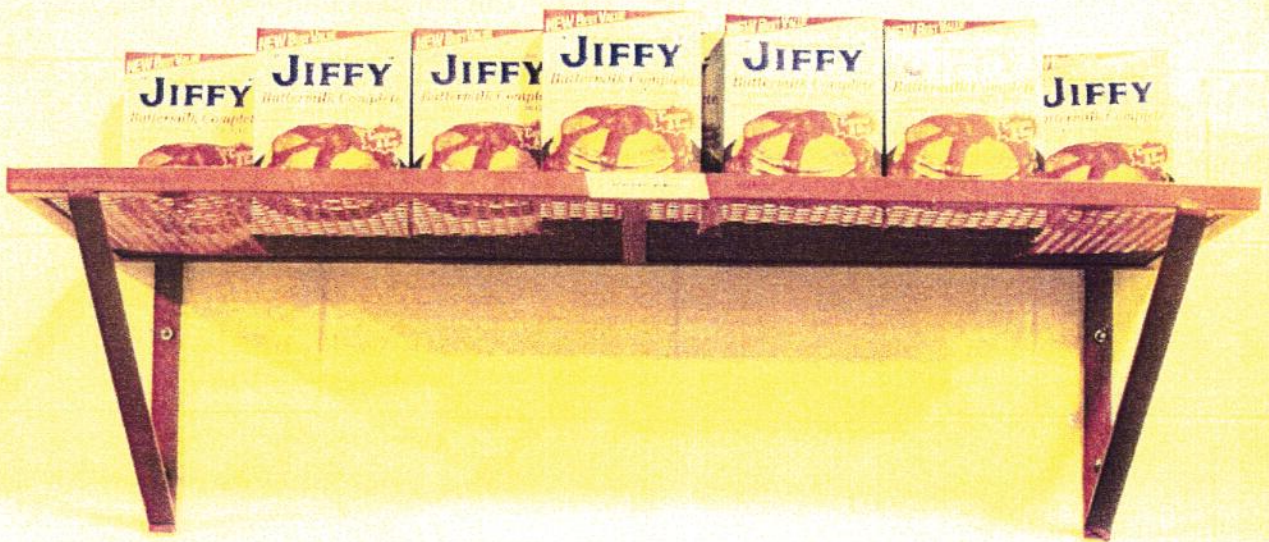
## JIFFY'S SECRET RECIPE

**Chelsea Milling has beaten its competition—the Pillsbury Dough Boy and Betty Crocker never laid a whisk on 'em—and plans to stay on top with two parts aw-shucks family business and one part professional management.**

**BY PAUL LUKAS ■ PHOTOGRAPHS BY DANIELA STALLINGER**

**Y**OU'RE IN THE SUPERMARKET, WITH THE USUAL BARRAGE OF BELLS AND WHISTLES competing for your attention. New-and-improved this, flavor-blasted that. It's all so assaulting, it becomes a blur. Then you turn your shopping cart into the baking aisle, and there they are—those simple little blue-and-white boxes, so perfectly designed that they resemble totems or trinkets. No screaming typography, no sensory overload. They seem not so much retro or anachronistic as *timeless*. Even the name feels iconic: Jiffy. ■ Jiffy muffin and biscuit mixes, produced by Chelsea Milling of Chelsea, Mich., have become so familiar, and the product itself is so ordinary, that it's easy to overlook how remarkable the brand's story really is. Data from the market research firm Information Resources show that Jiffy is the leader in the \$230 million muffin-mix category, with 30.6% of the market as measured by revenue and a whopping 55.3% share as measured by unit sales—a performance that's all the more impressive given that Chelsea Milling is a family-run operation competing with such corporate behemoths as General Mills and Pillsbury. Just how has Chelsea Milling beat the big boys at







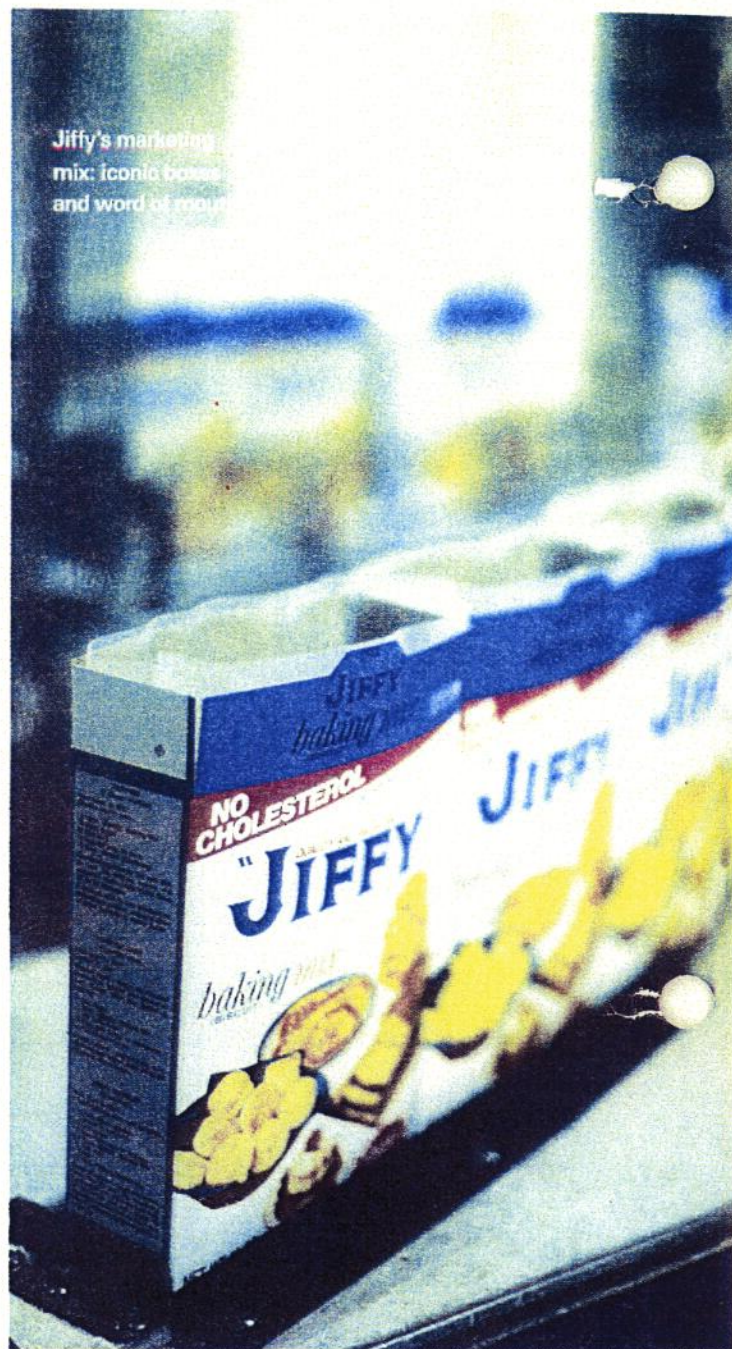
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their own game for more than 70 years? Well, it helps if you don't play by the same rules. Jiffy doesn't spend a dime on marketing—but can turn on one—and keeps prices low. It also helps that the current CEO, Howdy S. Holmes, realized a while back that bringing outsiders into the old family operation was the key to building a modern company.

**M**ABEL HOLMES WASN'T THINKING ABOUT BUSINESS models or marketplaces on the day in 1930 when she noticed that one of the neighborhood children, a boy being raised by a single father, was eating a sorry-looking homemade biscuit for lunch. Dry and hard, it was more like a hockey puck. Realizing that finding the time to make biscuits from scratch was a challenge for a single parent—especially for fathers, who rarely cooked in those days—Mabel decided to come up with a ready-to-make mix that would be “so simple, even a man can do it.” The result was Jiffy, America's first prepared baking mix.

The Holmes family had been in the wholesale flour business since 1802, so Jiffy was just a side project at first. Mabel's husband, Howard Samuel Holmes, ran the operation until his death in 1936. The business then passed to Howard and Mabel's twin sons, Dudley and Howard Sumner; the latter ultimately asserted control and expanded the brand over the next several decades. A pie-crust mix was added in 1940 and a corn-muffin mix in 1950, but it wasn't until the 1960s that Chelsea Milling finally abandoned flour wholesaling and devoted itself exclusively to Jiffy. Today the brand line features 17 products, including mixes for pizza crust, brownies, pancakes, biscuits, and frosting.

Chelsea Milling is currently run by Howard Sumner Holmes' son—Mabel's grandson—Howdy S. Holmes, who's acutely aware of how his family and his company intertwine. As he's fond of saying, “I am standing on my father's shoulders, and he is standing on his father's shoulders.” But while Chelsea Milling is clearly smaller than its competitors (the privately held firm won't disclose hard data, although Holmes allows that annual sales are “upwards of \$75 million”), he scoffs at the suggestion that he's trying to keep up with the



Jiffy's marketing mix: iconic boxes and word of mouth.

## Jiffy was born when Mabel Holmes wanted to make a biscuit mix “so simple, even a man can do it.”

Betty Crockers and the Duncan Hineses of the world. Strictly speaking, he says, “they are trying to keep up with us.”

A key reason for that is that Chelsea Milling is privately held, which gives it the freedom to be fast on its feet. If Holmes wants to increase Jiffy's prices, he can just do it. “We're not tied to analysts' expectations on gross profit margins,” he says, “so we can make pricing decisions based solely on what makes sense, not on shareholder demands.” The firm is also a lean operation that dispenses with corporate bureaucracy in favor of efficiency. “In a larger company,” says Holmes, “the decision-making process is considerably more complicated. Here, it's done by three or four people, not three or four departments.” Most of Chelsea Milling's 350 employees are in manufacturing. The company mills and

stores its own flour, and everything except the printing of the little boxes is done on-site.

But the biggest distinction between Chelsea Milling and its rivals lies in marketing. If you can't recall seeing any Jiffy advertising, it's because there has never been any—no TV commercials, no print ads, not so much as a coupon. The brand's success is based entirely on repeat customers and word of mouth. It's a nearly unthinkable strategy in the modern, media-saturated environment, and Holmes readily admits it probably wouldn't work for a brand being launched today. But Jiffy has built up so many generations' worth of good will ... American kitchens that it can get away with it.

“Our approach is to give people the best value, which is a



combination of two things," says Holmes, launching into one of his Jiffy mantras. "That's the highest-quality ingredients with the best price. And the only way you can do that is if you take out the 30% to 52% of the end cost that's passed on to consumers by removing advertising, marketing, merchandising, and so forth." Because Jiffy mixes aren't saddled with those costs, they typically sell for a third to a half less, on a per-ounce basis, than their competitors' (all of which, perhaps tellingly, declined repeated requests for comment for this story).

That pricing advantage has given Jiffy a huge boost over the years, creating an enthusiasm for the brand that runs as deep in the retailing community as it does among consumers. "In our stores Jiffy does three times the sales of the next closest item," says Gary Rhodes, a spokesman for Kroger, the nation's top grocer. "And customers, we find, are very loyal to Jiffy—it's very strong in all our divisions." Perhaps most impressive, Rhodes notes, even Kroger's private-label brands can't compete with Jiffy because "we can't match them on the cost." And while Chelsea Milling, like everyone else, has to pay slotting fees to certain grocers to guarantee shelf space (the brand's small box size makes multiple shelf facings a must), it does so by providing free or discounted product, not by paying cash, a barter that helps preserve the firm's cash flow.

**I**T WAS HOWARD SUMNER HOLMES WHO MADE Jiffy a household name, but it's Howdy Holmes who has charted a long-term strategy for the brand. Howdy, now 53, is an interesting case. Unlike so many people who take over their family businesses, he spent most of his adult life working outside the family operation. And the major item on his résumé couldn't

be more different from the low-profile, small-town ambiance of Chelsea Milling: He was a racecar driver, and a successful one—his 1979 Indianapolis 500 Rookie of the Year plaque hangs on his office wall. "I always knew at some point I would work here," he says. "But I also realized it was important for me to go out in the world and do some other things." Okay, but isn't the transition from racing to muffins a bit of a stretch? "Actually, when you turn on your TV, you see a race but what you don't see is the preparation and the huge industry behind it. There's marketing things, engineering things, huge organizational things, relationship dy-

namics—it was perfect training for a manufacturing facility."

By the time Holmes decided to get out of racing and return to Chelsea in 1987, it was clear to him that the company was vulnerable. Much of what he saw was common to family operations: His father had run virtually every aspect of the business for decades, and the company had become too set in its ways. At one point, for example, the firm's devotion to low price points was so single-minded that Jiffy mixes went eight years without a price increase; that risked giving the impression that Jiffy was an austerity brand, suitable only for budget-squeezed college students and the low-income bracket. In addition, manufacturing, quality control, and accounting processes had become outdated, and there was no succession plan. "I felt our business model worked against growth," Holmes recalls. "You basically had one decision-maker at the top doing the job of four or five or six executives, with no delegation."

Holmes stepped in, launching a reorganization that effectively left him in control as his father took a less active role (the elder Holmes has since died), and began transforming Chelsea Milling "from a sole proprietorship into a professionally managed company"—another of his mantras. It was a difficult process, both structurally and emotionally, because family businesses are notoriously intractable and making changes inevitably leads to bruised feelings. Or, as Holmes puts it, "you don't run a business with your heart, and you don't make family decisions with your head. Therein lies the problem, because when the family is the business, their direct thoughts and feelings are in conflict." In Chelsea Milling's case, the most direct result of that conflict was that Holmes's brother, Bill, unhappy with what he considered the company's more corporate direction, left the firm and became an airline pilot, although he remains on the board of directors. (Howdy Holmes declines to discuss the situation, saying, "That's all in the past now." Efforts to contact Bill Holmes for this article were unsuccessful.)

The ruffled feathers were probably unavoidable, because while some of Holmes' moves were just basic updating—adding more muffin flavors, say—his biggest changes, enacted through the early and middle '90s, struck at the heart of Jiffy's family-oriented nature: He began bringing in outsiders. First, nonfamily members were appointed to the company's board. Then Holmes began recruiting managers from other companies, a major departure from his father's autocratic style. The current executive team hails from all over the American business map. CFO Douglas Tomney previously worked for the food-processing firm Curtice-Burns. Human resources director Patricia McGraw jumped over from Unisys. And general manager Jack Kennedy came from Ocean Spray.

Holmes, sensitive to his family's her-

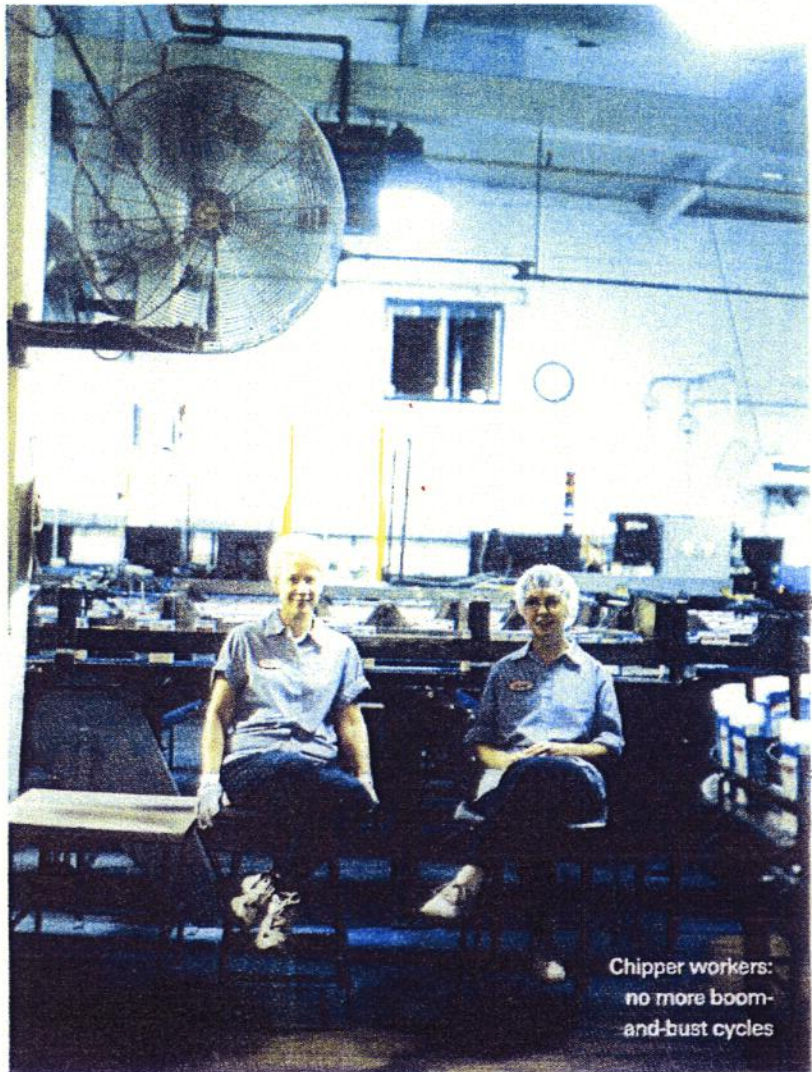




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itage and his father's reign, repeatedly stresses that he still respects the firm's old way of doing things and that he has made changes incrementally, not overnight. Kennedy, the general manager, says Holmes' patient but persistent approach allowed the newcomers to settle into their roles. "It's natural for a person coming in from an outside company to want to contribute right away, to want to do something heroic. But that is not what this organization wants—they want us to step back and spend our time worrying about relationships and culture and adapting. Then there will be plenty of time for contributions."

For Kennedy, that meant smoothing out a manufacturing schedule that relied too heavily on overtime (at one point plant employees had worked 41 straight days during a period that included Thanksgiving and Christmas). He also developed a preventive maintenance program—incredibly, the company's first—for Chelsea Milling's aging packaging equipment. The changes took place as the physical plant underwent other modernizations: increasing the number of production lines from 13 to 17, upgrading quality-control mechanisms from analog to electronic, and building a new 125,000-square-foot warehouse, capable of storing more than a million cases of



Chipper workers:  
no more boom-  
and-bust cycles

## “You don’t run a business with your heart, and you don’t make family decisions with your head.”

finished Jiffy products. The upshot is that production capacity has increased by about 40% since Holmes took over; the facility can now turn out 1.6 million boxes daily. That has not only put an end to the overtime-laden boom-bust production cycles that the company used to endure but has also provided room for further sales growth in the future.

And yet despite the modernizations and the influx of big-company talent, Chelsea Milling still has a small-town, throw-back feel. Yes, there are a few hints of corporate-style regimentation, mostly regarding the company's rah-rah motto: “The mission of Team Jiffy is to achieve 100% product integrity, with quality people caring about each other,” which is posted on so many of the manufacturing plant's walls that it's almost creepy. (And just in case anyone's missing the point, a pen clip imprinted with **QUALITY AND VALUE** peeks out from Howdy Holmes' shirt pocket.) But a walk through the factory floor, where scores of little blue boxes make their way like tin soldiers through filling, weighing, sealing, and packing stations, reveals a decidedly chipper workplace, with friendly employees who seem to be genuinely enjoying their jobs. They greet Holmes warmly, he appears to know virtually all of them by name, and none of it feels phony.

**D**ESPITE ALL HOWDY HOLMES HAS DONE TO MODERNIZE his company while retaining its aw-shucks feel, his biggest challenge may be external: The dry-mix game has slowly been contracting for about a decade, as modern life's increasingly busy pace continues to redefine the notion of a “convenience product.” What does that portend for Jiffy?

Holmes says one thing *not* in the offing is selling the brand, although he claims there have been several offers. (“We consider it very flattering, but no, thanks.”) With Jiffy sales growing despite the tightening market, and the company carrying no debt, Holmes feels Chelsea Milling is well positioned to make adjustments, several of which he's already considering. “Right now we're just in the retail market, but we are seriously looking at export. We are seriously looking at institutional. We are seriously looking at food service. All these are possibilities.”

Whatever direction his team chooses, they'll do it efficiently but methodically, just as they made their changes within the company. “I think people are going to continue to eat,” Holmes says with a wink, “so we're not in that big of a rush.” A canned answer? Confidence bordering on cockiness? Maybe, but maybe not—after all, you probably have a few boxes of Jiffy muffin mix in your cupboard right now. □