

RECIPE FOR SUCCESS



Steady rise is the plan for baking mix company

By CHRISTY DUAN
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When Howdy Holmes arrived in 1987 at Chelsea Milling Co., the maker of Jiffy mixes, the market was moving rapidly. The family business was not.



Chelsea Milling produces 950,000 retail boxes per day, up from 425,000 boxes per day 10 years ago.

So when Holmes became chief executive and president of the now 120-year-old company in 1995, he made it his mission to ensure that those little blue and white boxes wouldn't vanish from store shelves.

He had a plan to move the well-known - but stagnant - business into the 21st Century, even as it went up against competitors like Pillsbury and General Mills.

"It was an evolution - not revolution - from a sole proprietorship to professional management," said Holmes, 60, who raced cars for 20 years before returning to the family business in Chelsea.

"It was hardest for the people. It wasn't natural for them." His to-do list was long.

He set out to boost efficiency. He increased factory floor space, rolled out new packaging assembly lines, upgraded equipment and hired workers with experience in finance, food sales and production. He called frequent staff meetings.

The effort paid off: On average, Chelsea Milling produces 950,000 retail boxes per day, up from 425,000 boxes per day 10 years ago.

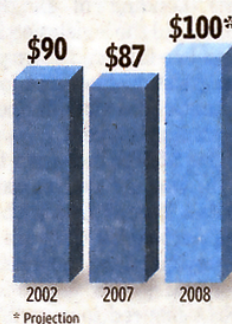
"Efficiency is an internal measurement," Holmes said recently. "You have to be efficient before you're effective." Just as he did more than a decade ago, Holmes is embarking on yet another evolution.

In addition to its mixes, Chelsea Milling is branching out, providing products to prisons, food services and private labels. It is also exporting products to 28 countries.

To support its growth, the company recently added 20 full-time employees this year, bringing its total staff to 350. Jiffy's 21 mixes, which include blueberry muffin, fudge brownie, pie crust and multipurpose baking mixes, make up 67% of the market for value mixes, Holmes said.

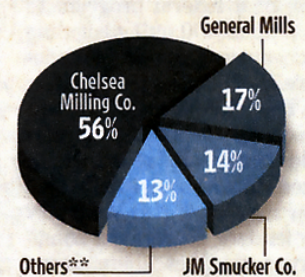
But, unlike competitors - which often have multimillion-dollar advertising budgets - Jiffy doesn't use TV commercials or ads to sell its goods.

Chelsea Milling Co.
Estimated sales in millions



Source: Chelsea Milling Co.

Muffin mix market
Market share for muffin mix firms



** OTHERS: Continental (4%), private label (4%), Aurora Foods (2%), a variety of smaller companies (3%)

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In this undated photo, an employee who works in the Jiffy Mix Plant in Chelsea. The company now employs 350.

"We have a reputation," said Holmes, who grew up in the Chelsea mill and is the fourth generation of the Holmes family to run the business. "We rely on word-of-mouth, which is really the best advertising available. But it's risky because we need to provide a consistent product."

Jiffy mixes - which cost \$1 or less - are 28% to 53% cheaper per ounce than competitors' products. Holmes said the company has kept prices low by doing minimal advertising and making its products in-house. Only its iconic boxes are made off-site - by its own print business, CNS, in Marshall.

"Eighty-nine percent of items in the baking aisle are value products," Holmes said. "It tells you something. People appreciate value." Still, the firm has challenges. Jiffy has struggled since the early 1990s as consumers have



Howdy Holmes left a career of racing Indy cars to run the family business.

opted for fast food and other convenience items instead of cooking at home.

In recent months, the company has battled the rising cost of flour as wheat prices neared a 10-year high in the spring. "Since 1991, retail sales have been flat to declining," he said. "We've spent 67 years as a retail company, but the future's not in home baking." Holmes said Chelsea Milling posted 2007 sales of about \$87 million, which included retail and private-label sales. That compares with sales of about \$90 million in 2002, which only included retail sales.

Holmes said the privately-held company's projected sales for 2008 will be close

to \$100 million. That will include retail and private-label sales as well as its newer divisions such as institutional, food service and export sales.

"Providing to institutions as an alternative strategy to the consumer is a great idea," said Michael Bernacchi, professor of marketing at the University of Detroit Mercy. "You might not be able to get nose to nose with customers, but you can do that with institutions. They may even do better and succeed in a stronger way." Holmes said the sagging economy may actually help the business. Lower incomes could force consumers to start cooking at home again.

"It's very expensive to go out. Cooking at home is definitely less expensive. The mixes are quick and easy to put together for the family, and portions are reasonable," said Mary Pilon, 71, of Canton, who

has been using Jiffy for 30 years.

"Every time there's an economic slowdown or there's the R-word, retail sales go up," Holmes said.

"Eating out is more convenient, but it costs more per bite than buying products in the grocery store and cooking yourself."

For now, the 20-year Indy race car driver cautions that slow and steady wins the race. "Managing growth is the most difficult thing to do.

What's best for the long term is to penetrate the market at a slow but sure pace," Holmes said. "We like to under-commit and over-perform."