

# Shake-up at the baking-mix company

*Former race-car driver Howdy Holmes saw value in his family company's retro approach to marketing. But he knew some changes had to be made—even though family members would resist his strategy.*

**BY THOMAS W. DURSO**



**A**SIDE FROM A URL and the government-mandated Nutrition Facts chart, there isn't much to indicate that the iconic box containing "JIFFY" baking mixes has changed since Mabel White Holmes created the first mix in 1930.

Howard Samuel "Howdy" Holmes, 59, Mabel's grandson and the president of the century-old Chelsea Milling Company, which manufactures the mixes, says the box has been altered about 60 times, but you'd be forgiven for thinking he is exaggerating. The blue-and-white color scheme, the low-concept fonts, the cheery phrase "America's Favorite" emblazoned on the front, the quotation marks that bracket

"JIFFY," Holmes's thank-you note on the back of the box—they all strongly suggest days gone by.

And in an era in which cooking has its own cable-television network, chefs are considered celebrities and "foodie" forums pervade the Internet, somehow Chelsea Milling has managed to succeed without airing a single TV commercial, running a single print ad or conducting a single viral campaign. In fact, notes Holmes, the box is Chelsea's sole advertising vehicle.

"If a company doesn't advertise in a traditional sort of way—no coupons or newspaper ads or freestanding inserts—and the only thing people look for is the little blue-and-white box, you'd be absolutely out of your mind to change that," he explains. "We've corrected some of the misspelled words and massaged it a little bit to make it a more appealing little box. That's fair game. But you'd have to be clueless to change it from what people look for."

The barely changed packaging and eschewing of paid advertising serve another important function: They help Chelsea to keep costs down, which in turn creates value. Let the other players pour money into Madison Avenue, says Holmes. Chelsea is content to go its own way.

"Why be like everybody else?" Holmes asks rhetorically. "Let's not forget that there's a cost to do that. That cost is a significant advantage to Chelsea Milling Company—or a disadvantage to others. When you compare the alternatives to 'JIFFY' mix and look at the cost to consumers, wholesalers or retailers on a per-ounce basis, we have the best value. And it's because we don't put in a percentage of cost or



**Doris Goodson works in Chelsea Milling's packaging plant.**

expense for freestanding inserts, celebrity endorsements, advertising, television or coupons. That's a big advantage. In essence, we *are* advertising: It's the [products'] word-of-mouth, which is the best form of advertising there is."

**C**HELSEA MILLING'S "JIFFY" boxes aren't the only part of the company with a distinctly throwback feel. A real person, not a voicemail system, answers the phone at the company's Chelsea, Mich., headquarters. Callers on hold hear 1950s doo-wop music, straight out of a *Happy Days* episode. Holmes answers his own line and keeps his own schedule.

As with the boxes of mix, though, the company's quaint packaging—and surely Holmes's own folksy charm can be considered part of that—obscures some shrewd business thinking within it. Manufacturing upgrades and a professionalization of Chelsea's human resources, especially among senior leadership, have kept the company from going as stale as week-old corn bread. Those changes, though, didn't come easily: As a company that trades on value, Chelsea Milling had to work hard to adapt to changing times while remaining true to its character.

In 1968 Holmes was a senior at Eastern Michigan University and a salesman for Chelsea Milling when a racetrack was built near his home. Holmes had retained a boyhood dream to race cars, and the opportunity to take private driving lessons at the new track was too strong to resist. He left the family business and over the next 20 years raced cars professionally, launched his own marketing and advertising business, and dabbled in racing journalism, PR, broadcasting and promotions. Because auto racing was such an obscure sport in the U.S., materials to learn from were scarce. So Holmes ended up having to teach himself a great

deal about racing's business side, an invaluable experience that he says "couldn't have prepared me any better for my return to Chelsea Milling Company."

Holmes had always intended to come back to the company, though he admits he was surprised that it took two decades for him to scratch the racing itch. By 1983, though, "it was time to move on," and he developed a five-year exit plan that was meticulously calculated to account for the wildly divergent paces of the world he was leaving and the one he was returning to. His father, Howard Sumner Holmes, had been running the company for decades.

"The racing world is fast-paced in all aspects, but Chelsea Milling Company, being a sole proprietorship, had a family business infrastructure," Holmes says. "It has a great brand name, which everybody was very thankful for, on one hand. On the other hand, not a lot of innovation had taken place. They're 180 degrees apart. The reacclimation for me was a significant challenge. I had to learn how to be aggressive and assertive in racing; returning to Chelsea Milling Company, those lessons didn't work, frankly. I had to reinvent myself along with trying to serve the company and add value by making changes which were in the best interests of the company going forward."

Holmes may talk about shedding his racing-fostered aggressiveness, but in the next breath he admits that, while his business card read "vice president of sales and administration," in his mind he was returning to Chelsea as chief executive officer. While Holmes says he was "very, very respectful of [Howard's] accomplishments and his position," he notes that as a driver and as the head of his own business, he was used to doing things his way. And he had a clear idea of what needed to be done to add value to Chelsea Milling Company.

"My intent," says Holmes, "was to take this wonderful family business with a great brand name and tradition in an evolutionary process from a sole proprietorship to the early stages of professional management without letting go of some of the very solid family principles and values."

Holmes breaks businesses down into facilities, systems and people. When he rejoined Chelsea Milling, he recalls, in his assessment all three areas at the company were in dire need of modernization. "In all of those areas we took an evolutionary approach," he recalls. "Things like accounting systems, telecommunication, computer stuff, preventative maintenance, training—all of that stuff had to start from scratch."

**Most of the internal tension raised by Howdy's assuming of additional responsibilities came from family members, a non-family director says.**



**Howdy Holmes (in front) raced cars professionally for 20 years.**

The company's rank and file looked at Holmes's proposed changes with skepticism, he says, in part because they were less aware of changing market conditions than he was and in part because they viewed him as little more than a clueless race-car driver. He says he overcame resistance through "patience and lots of handholding and talking."

In Holmes's view, Chelsea's people needed more of a say in business decisions. He met with small groups of employees to explain his plans and the reasoning behind them, and to discuss how those plans would affect the business and those who worked there.

"That was the most difficult part, because most everybody had been in a sole proprietorship around here, where participation wasn't an option," he recalls. "You had this huge gap of understanding of how different infrastructures work, thanks to the practice of not being involved."

Holmes took his time preparing the company for the changes he eventually implemented. He estimates that he spent from two to five years in "constant meetings." He says he needed so long because such communication was completely new to the organization. Among other tactics, he brought in business psychologists to help him present his thoughts. "You don't start hiring outsiders—professional people, moving toward a professionally run company—without letting people know what's coming down the road," he says. No employees lost their jobs, he notes; the professional managers he brought in were filling positions that hadn't existed at the company before.

That doesn't mean the moves were universally applauded. Howard Holmes believed that the decision to bring in professional staff would lead to an unnecessary payroll expansion, according to Dudley Holmes Jr., Howdy's cousin, who handled purchasing at Chelsea Milling for 34 years before retiring in 2003.

"Howard's famous phrase was, 'What the heck is he [a potential new hire] gonna do all day?'" recalls Dudley. "Howdy brought some people on just because he didn't have another choice. It wasn't going to get done."

Determined to make all of Chelsea Milling's systems current, Howdy Holmes authorized the upgrading of computer and mechanical systems. Facilities were repainted and employee benefits improved. Holmes also brought in non-family members to sit on Chelsea's board of directors



**Howdy at the racetrack with his father, Howard, who died in 2001.**

and formalized the board selection process, a move that "to some appeared to be unnecessary and ridiculous," he says. The company had held board meetings in the decades prior, but they were irregularly scheduled and informal in nature. They also carried little weight, since Howard Holmes was the sole decision maker.

"It was the most difficult for my dad, because at that point he had 50-some odd years operating one way," Howdy recalls. "It was a formal step toward a [new] decision-making process, and he had had complete reign of that era. He could see there was going to be some sharing of decision making."

Indeed, Holmes's ambitious agenda was unfolding while his father, who died in 2001, was still in charge. Broaching the topic of succession with Howard was very difficult, Howdy recalls.

"I didn't want to be combative in any way with my father for two reasons," he says. "I respected what he'd done at Chelsea Milling Company and I loved him, but most sig-

nificantly, how do you discuss with an individual that it may be best to let somebody else take the reins? That's not an easy thing to do."

Did Holmes initiate that discussion with his father? "I tried to," he says with a laugh. "I think in his heart he probably knew it was the right thing to do—that at some point in time, somebody else was going to be in charge. But I can't imagine for the life of me that he ever enjoyed it one iota. If I was in his shoes, I probably would have felt the same way. I had sort of tacit permission."

Howdy's younger brother, Bill, was among those who saw his return to Chelsea Milling and his taking control of the company from their father as unexpectedly aggressive. Bill Holmes, 52, declined to comment for this story, but he told the *Wall Street Journal* in 1997, "I was quite surprised and disappointed I had not been either asked about it or consulted in any way."

Bill Holmes, who had been with the company since 1981, left the company for a career as an airline pilot, though he remains on Chelsea Milling's board of directors. Howdy emphasizes that their disagreements are at least ten years in the past, and he says their relationship is much better than it was when Bill worked for the company. But Howdy says he still can't understand why his brother reacted so negatively to the changes he was proposing. "I honestly didn't understand it, simply because it was so obvious to most," he says. "But yet he's still my brother. You have to acknowledge all points of view. When they're family members, you sort of have a responsibility to be patient. Factually, I totally was dumbfounded with that point of view. As for every other professional person, when they looked at what this business needed, if one person is saying everything's fine and the rest are saying you need to change, that kind of says it all."

Today Chelsea Milling's board, which Howdy Holmes chairs, consists of eight directors, evenly divided between family and non-family. Jack Kennedy, one of the directors, is Chelsea Milling's general manager and was its first non-family vice president. He came to the company in 1995 as director of manufacturing operations, became vice president in 2002 and was named to the board a year later.

According to Kennedy, Chelsea Milling was in a state of transition even upon his arrival, seven years after Howdy Holmes had returned. Most of the internal tension raised by Howdy's assuming of additional responsibilities came, Kennedy says, not from longtime rank-and-file employees but from family members.

"For the family members, it's always difficult to separate rights and privileges, to separate things that you earn because of your abilities [from those] that you have a right to because of your position in a family," Kennedy says. "For someone like myself, coming in from the outside with different expectations on how things are handled, it took

a little bit of diplomacy to stay in line with that and try to work toward change within that kind of atmosphere. Things are better now."

**T**ODAY, 20 YEARS AFTER Howdy Holmes returned to the mill his great-grandfather acquired in the early 1900s, Chelsea Milling makes 19 different "JIFFY" mixes and produces 1.6 million boxes a day. Beyond the lack of advertising, the company controls costs through vertical integration; it mills its own grain and produces its own boxes, industry analysts note.

Dudley Holmes attributes much of the company's success to his cousin's willingness to put in the time necessary to get an accurate picture of its strengths and weaknesses. "Howdy put his nose to the grindstone and started learning what was going on," Dudley says, "and he decided we needed new machines and needed smarter people and went about that process. It worked out very well."

Howdy Holmes declines to disclose revenues but notes that according to the most recent sales data to which he has access, Chelsea owns a 56% market share in the muffin mix segment, the largest category of baking products sold in supermarkets. Eighty-six percent of that category is considered "value products," sold for less than a dollar a box, and in this subsegment, Chelsea's market share is 67%, he says.

Richard George, Ph.D., a professor of food marketing at St. Joseph's University in Philadelphia, says such market dominance is rare for a company with no national advertising presence. He praises Chelsea Milling for positioning itself as being steeped in "authenticity" and "nostalgia" but cautions against failing to look forward.

"Nobody's baking anymore," George warns. He cites a recent *USA Today* article that reported "the biggest growth rates are at restaurants with takeout services. [JIFFY] is] a great baby-boomer product, but baby boomers are going into retirement homes that don't have kitchens. The baking aisle's not getting any bigger."

Howdy has an 18-year-old son, and Bill has three college-age daughters. None of them works at Chelsea Milling. Howdy and Bill's sister, Kathryn, has been employed at the company for 27 years in a sales capacity; currently she's based on the West Coast, where she serves as Howdy's "eyes and ears," someone he says he trusts to "do some checking out if you need to" in such areas as retail audits.

Will a younger-generation be groomed to take the reins one day? "They are all of the age that it's too soon to tell," Howdy Holmes says. "All of them do understand one thing: If they want to participate, they have to be qualified. To some people, ownership equals leadership. I'm not part of that group. Leadership is something you have to earn." **FB**

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**Under Howdy's father, Howard Holmes, board meetings carried little weight, since Howard was the sole decision maker.**