

## Case 3-1

### MRS. FIELDS' COOKIES

Creating something new, given the old and familiar, is an art rather than a science. The late, latter-day Da Vinci, Buckminster Fuller, has been credited with this ability. "Part of Fuller's genius," wrote Tom Richman,<sup>1</sup> "was his capacity to transform a technology from the merely new to the truly useful by creating a new form to take advantage of its characteristics." What Fuller's geodesic designs had done for plastic, observed Richman, the administrative management processes Debbi and Randy Fields developed for Mrs. Fields' Cookies did for information technology.

Fuller, who once suggested that a particularly awkward application of a new technology to an old process would be "like putting an outboard motor on a skyscraper," would very likely have approved of the Fields' creation — "a shape if not *the* shape, of business organizations to come," according to Richman.

[Information technology] gives top management a dimension of personal control over dispersed operations that small companies otherwise find impossible to achieve. It projects a founder's vision into parts of a company that have long ago outgrown his or her ability to reach in person.

In the [Fields'] structure . . . computers don't just speed up old administrative processes. They alter the process. Management . . . becomes less administration and more inspiration. The management hierarchy of the company *feels* almost flat.

Debbi Fields had created the business. Randy had devised a corporate structure fit

to be wed to an information system. They believed theirs was a case of putting an outboard motor, not on a skyscraper, but on a boat.

#### *The Company*

In 1988, Debbi Sivyver Fields, as president of Mrs. Fields' Inc. and Mrs. Fields' Cookies, controlled over 416 Mrs. Fields' Cookie outlets, 122 La Petite Boulangerie Stores, 129 Jessica's Cookies and Famous Chocolate units, 2 Jenessa's retail gift stores, Jenny's Swingset (a children's casual clothing store in Park City, Utah), Mrs. Fields' Dessert Store (a Los Angeles store that sold ice cream, cookies, cakes, and pies), Mrs. Fields' Candy Factory (in Park City), Mrs. Fields' Cookie College (for training store managers and assistant managers), and a macadamia nut processing plant in Hawaii. Mrs. Fields' Cookies operated 370 cookie stores in the United States, 10 in Canada, 6 in Hong Kong (through 50 percent ownership of Mrs. Field's Cookies Far East Ltd., a joint venture with a local company, Dairy Farm Ltd.), 7 in Japan, 6 in the United Kingdom, and 17 in Australia. The company employed 8,000 people, 140 in staff positions at the Park City corporate offices.

Mrs. Fields' Cookies, like many of Buckminster Fuller's designs, achieved elegance of function by marrying what might at first seem to be incongruous elements. Customers knew Mrs. Fields' Cookies as the upscale

Keri Ostrofsky prepared this case under the supervision of Professor James I. Cash as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

<sup>1</sup>Tom Richman, "Mrs. Fields' Secret Ingredient," *Inc.* (October 1987): 67-72.

brown, red, and white retail outlets that dispensed hot, fresh, chewy cookies like Grandmother used to bake. Few were aware that by 6:00 A.M. Utah time, a computer in Park City, high in the Uinta Mountains, would know of their purchase and every other purchase made at the more than 500 Mrs. Fields' Cookie stores in 25 states and five countries on four continents.

The cookies, of course, came first. Debbi Sivyver began baking cookies as a teenager. "Chocolate chip cookies were an easy project . . . just the thing to keep you busy on a rainy afternoon. . . . The Sivyver clan was always delighted to discover a plateful of chocolate chip cookies, and they weren't expensive to make."<sup>2</sup> Debbi perfected her recipe while a teenager, working first for the Oakland A's baseball club (retrieving foul balls on the third base line) and later for a local department store. These experiences fueled her enthusiasm and drive, and were a source of the fundamental philosophies she would later bring to the management of Mrs. Fields' Cookies.

At 19, Debbi married economist and Stanford University graduate Randy Fields, then 29. Finding her expertise in demand by her husband's clients, who often asked that she bake for their visits, Debbi convinced Randy that she should go into the cookie business. The couple borrowed \$50,000 and, in August 1977, within a year of being married, Debbi opened her first store, Mrs. Fields' Chocolate Chippery, in Palo Alto, California. Debbi sold \$50 worth of cookies on her first day in business, and \$75 worth on her second day, thereby winning a friendly bet made between Debbi and Randy regarding the total sales she would make each day.

More than a year passed before Debbi opened a second store in a high-traffic tour-

ist area of San Francisco. "With the first store, I had what I wanted," Debbi recalled. "As Randy had his thing to do every day, I had mine. When the people at Pier 39 shopping mall called and asked me to open a store there, I was immensely flattered . . . thanked the leasing agent profusely, and turned him down. . . . What I saw as a store, he perceived as a business—a business that could grow. The point wasn't to make money, the point was to bake great cookies, and we sacrificed for that principle." Her employees' desire for growth and greater opportunity finally convinced Debbi to open the second store.

### ***Explosive Growth***

The San Francisco store was followed by several others in northern California and, in 1980, by an outlet in Honolulu, Hawaii. Mrs. Fields' next expanded east to Salt Lake City, Utah. By 1981, the company had 14 stores. Seeking further opportunities for expansion, the Fields tried to attract shopping mall managers at a 1982 trade show in Las Vegas, but drew a lukewarm response. At the same trade show a year later, Debbi handed out cookie samples to conventioners from a booth arranged as a working prototype of a store, complete with oven and mixer. This brought her to the attention of the landlords, some of whom not only let Mrs. Fields' into their existing malls, but asked that stores be opened in future locations, as well. The cookie company's East Coast debut also came in 1983—Bloomingdale's invitation to open a Mrs. Fields' store in its New York location was considered a major milestone by Debbi and Randy.

### ***International Expansion***

In 1982, Chuck Borash, a vice president at Mrs. Fields', suggested that international expansion be the next project. The challenge was irresistible, and, after some preliminary research, the company formed Mrs. Fields'

<sup>2</sup>Several quotations in this case are taken from Debbi Fields, *One Smart Cookie* (New York: Simon and Schuster, 1987).

International and targeted Japan, Hong Kong, and Australia.

The Fields searched for a Japanese partner, which they were told was a prerequisite to doing business in Japan. Prospective partners warned Debbi and Randy that the cookies would have to be changed to appeal to the Japanese palate, specifically, that the spices and physical scale of the cookies were wrong. When Debbi, Randy, and several other executives visited a potential partner in Japan, Debbi brought along ingredients to make cookies according to her recipe, a company trade secret. "Agreement was universal that these cookies were all wrong for the Japanese taste," Debbi recalled, "and yet in less than a minute, there wasn't a crumb to be seen." Although that was the end of the partnership, the actions of these executives convinced the Fields that they could sell cookies in Japan, and they opened several stores without a partner.

Adjustments were necessary in some countries, however. For example, it was decided that the practice of encouraging sampling when business was slow should be continued in the international stores. The store manager in Hong Kong, however, was unable to interest people in sampling cookies. When Debbi visited the store and tried offering samples herself, she encountered the same reaction. Observing that neighboring store window displays were very neatly organized, in contrast to her piled samples, Debbi rearranged the tray so that people could take one piece without touching the others, and the passersby became willing to sample. Overall, Mrs. Fields International looked to be a promising avenue for expansion.

### ***Products and Competition***

Mrs. Fields' cookies came in 14 varieties. An early move into brownies and muffins was followed, in 1988, by expansion into candies and ice cream. All baked products were made on premises in the individual stores

and were to be sold within a specified time. Cookies not sold within two hours, for example, were discarded (usually given to the local Red Cross or other charity).

Mrs. Fields' Cookies was part of the sweet snack industry, which included the packaged snacks segment (e.g., Frito-Lay's Grandma's Cookies; Nabisco's Fig Newtons, Vanilla Wafers, Chips Ahoy, and Oreos; and Keebler's Soft Batch). Competitors for impulse snack dollars included New York's David's Cookies, Atlanta's Original Great American Chocolate Chip Cookie Company, and the Nestlé Company's Original Cookie Co.

Specialty stores selling chocolates, ice cream, cinnamon rolls, and croissants constituted another segment of the sweet snack food industry. Shopping malls represented the largest source of spontaneous business for specialty stores, and some 80 percent of Mrs. Fields' outlets were in malls. Competition for the most favorable mall locations, which were typically next to large apparel stores rather than in areas with other foods stores, was fierce. "Customers," noted one industry observer, "are too busy filling up on traditional 'main meal' fare to think seriously about any edible specialty items. Even if they decide afterward to have them as a dessert, they won't have the patience to stand in line once again."<sup>3</sup> As most malls had few such locations, developers were selective about the stores they allowed outside the "food courts." Said one New York leasing director, "We can only accept operations with some sort of proven production record."<sup>4</sup>

### **Management Philosophy**

The second Mrs. Fields' store raised a host of new issues for Debbi, who recognized that she could not be in two places at one time, yet historically had resisted delegating authority.

<sup>3</sup>Chain Store Age Executive, September 1986, p. 66.

<sup>4</sup>Ibid., p. 62.



Management theory claims that it is wrong not to delegate authority to those who work for you. Okay, I'm wrong, but in my own defense, I have to say that my error came from caring too much. If that's a sin, it's surely a small one. Eventually, I was forced, kicking and screaming, to delegate authority because that was the only way the business could grow.

Debbi Fields had no formal business school training. She attributed her success to learning by doing, and imparted her standards to her employees through example. Whenever possible, she visited her stores and sold cookies behind the counter. On a visit to one store in early 1988, she and a data processing employee with no retail experience generated an additional \$600 in sales.

Debbi believed in having fun. "We combine intense work with spontaneous wackiness that keeps everybody loose and relaxed in the middle of tension," she observed. She also believed in treating employees as though they were customers. "For all the things we say to be effective, the people in the stores have to believe in what they're doing. . . . If we can sell them on quality and caring, they will sell the customers. . . . If we make them understand how important they are—by deeds, not just words—they will make their customers feel important in turn."

Store designs were closely controlled. Each store was made to look as inviting and accessible as possible, with products displayed so customers could see exactly what was available. Most stores had their ovens directly behind the sales counter so the aroma of baking cookies would fill the store. Each of the store elements was designed to impart to customers a "feel good" feeling.

The Fields had consistently refused to franchise their stores. The notion went against their ideals, as expressed by Debbi.

This business—every business—works in its own quirky ways, and Mrs. Fields' Cookies was not created specifically to make a profit. I can't imagine a franchisee buying into it for any other reason. And once the profit motive worked its way to a dominant position, it would be downhill. It's a feel-good product. It has to be sold in a feel-good way.

Franchises typically controlled standards by specifying actions and quantifying details for the franchisees to follow. Because Debbi regarded each outlet as an extension of her original Palo Alto store, where each sale reflected her own personal philosophy of making the customer happy, she viewed franchising as a loss of control over the end product and loss of touch with the customer.

Even in partly owned stores, such as those in Hong Kong, Debbi and Randy played a major role. For example, Mrs. Fields' provided product and technical knowledge for the Hong Kong stores, for which Dairy Farms Ltd. provided real estate and on-site management.

### *Financing Strategy*

Although the Fields had always managed to find bank financing when they needed it, each experience had been more unpleasant than the last. Consequently, when expansion pressed them to find additional capital, Debbi and Randy decided to go public, pay off the banks, and use the rest of the money to finance growth. Their initial offering, made on the London Exchange in 1986, was not very successful. English institutional buyers did not know the company (there was only one store in London) and doubted that growth could be sustained without franchising. The stock settled, and then began to rise slowly. In 1987, Randy announced that future growth would be funded by cash flow and debt, not by further public offerings.

Accounting was straightforward. Expenses incurred in a store were charged to

the store. Conversely, no corporate expenses were allocated to stores. "When you do that," explained Randy, "you lose track of what corporate is doing." Each store operated as a profit center, with average store revenue of \$250,000 per year.

In 1987, Mrs. Fields' Inc. had after-tax profits of \$17.6 million on revenue of \$113.9 million, a 34 percent increase from 1986 revenue, and a 9.3 percent increase from 1986 net income (see Exhibit 1). In 1988, a write-off of \$19.9 million on revenues of \$133.1 million for store and plant closings left Mrs. Fields' with an after-tax loss of \$18.5 million.

### Organization

The Fields believed that "the less hierarchy, the better. . . . that with hierarchy, the larger an organization, the more managers turn to managing people and less to managing key business processes." Thus, employees had titles and job responsibilities, but there was no official organization chart. Communication took place between people as needed, regardless of title or position.

**Staff.** Field sales staff included store clerks, store management, and district and regional managers. At year end 1987, 105 district sales managers (DSMs) reported to 17 regional directors of operations (RDOs), who reported to four senior regional directors.

One regional director described her job and the company's management philosophy as follows:

I manage six district managers, each of whom manages six stores. I also manage a store myself, so I know what my district managers need to know. To do this, I print out about 300 pages of reports a day. My district managers get about 50 pages a day. Daily, I work with my controller in Park City to discuss any accounting differences in my stores.

My store managers are on average 20 to 25 years old and have one to two years of college

education. I believe we are split 50/50 between males and females. The turnover of store managers is about 100 percent per year, although many work in that job 12 to 14 months. When they leave, they usually return to college. I think our turnover is above average for this kind of business, however.

My store managers are compensated in two ways. First, they receive a salary which is competitive with other retail food store managers in this area. Second, they are eligible for a monthly bonus if they meet their sales forecasts. They receive 1.25 percent of sales, and if they exceed their quota, they receive 10 percent of all revenue above the goal. The company does not limit the amount of bonus, in fact, one store manager made an additional 90 percent of his salary, I believe.

Quotas, which determined the amount of bonus a store manager could make, were set by the district sales manager. They were based on year-to-year trends. The DSM considered each store separately, looking at past trends, the maturity of the market served by the store, and future projections of how the store could grow. The DSMs then forecast how much or how little additional sales could be made at that store and set the quota. They were set on volumes.

Mrs. Fields' "promote from within" policy reflected the high value the company placed on loyalty. Rewarding loyalty extended even to suppliers. In 1987, Mrs. Fields' purchased approximately \$6.6 million worth of chocolate from the same supplier it had used on its first day of business, when a company salesman had treated Debbi as if she were his only customer.

The financial side of the stores' business was handled at headquarters. Local marketing decisions were made by the regional and district managers. The average number of stores under the supervision of a DSM decreased from 5.3 to 4.2 in 1987.

**Corporate.** At corporate headquarters, responsibility for store management fell to

**EXHIBIT 1** Mrs. Fields' Cookies

<i>Financial Information</i> (U.S. \$000)				
<i>Statement of Operations</i>	1988	1987	1986	1985
Revenues	\$133,143	\$113,908	\$84,751	\$72,562
Cost of goods sold	42,049	32,739	19,961	19,165
Selling, G&A costs	74,525	50,643	39,442	38,477
Depreciation and amortization	9,133	5,903	4,505	3,498
Losses from closed stores	19,900	5,397	1,375	577
Income (loss) before interest and taxation	\$(12,464)	\$ 19,226	\$19,468	\$10,845
Net interest	6,039	1,540	2,333	4,088
Taxation	0	0	1,000	347
Net income (loss)	\$(18,503)	\$ 17,686	\$16,135	\$ 6,410
Dividends paid	0	10,453	4,500	0
Earnings (net loss) retained by company	\$(18,503)	\$ 7,233	\$11,635	\$ 6,410
<i>Consolidated Balance Sheet</i>				
Assets				
Property and equipment at cost less depreciation	82,827	82,033	51,496	37,838
Leasehold developments at cost less depreciation	10,672	11,429	5,529	2,809
Other <sup>a</sup>	1,273	863		
Current assets				
Inventories	6,640	7,779	4,406	3,198
Accounts receivable	3,816	3,585	3,222	1,522
Prepaid expenses and miscellaneous	8,937	9,363	4,761	2,105
Due from affiliates	5,000	0	740	0
Cash	3,971	6,059	1,543	2,257
	<u>\$123,136</u>	<u>\$121,111</u>	<u>\$71,697</u>	<u>\$49,729</u>
<i>Liabilities and Shareholders' Equity</i>				
Current liabilities				
Accounts payable, due to affiliates and accrued expenses	18,762	24,963	11,295	7,006
Income taxes	550	184	514	63
Long-term debt	69,732	42,734	13,187	20,100
Shareholders' equity and retained earnings	34,092	53,230	46,701	22,560
	<u>\$123,136</u>	<u>\$121,111</u>	<u>\$71,697</u>	<u>\$49,729</u>

<sup>a</sup>Other assets include costs of developing computer software for sale or license to third parties.



store controllers, who reported to Debbi through a vice president of operations. The controllers, each of whom managed between 35 and 75 stores, reviewed daily computer reports summarizing sales overall and by product type for each store; monitored unusual conditions, problems, and trends, as well as cash underages and overages; and contacted field managers for explanations. Within 24 hours of the store controllers' review, Debbi saw the same reports at an aggregate level.

**MIS.** The objective of being able to run each store essentially as Debbi ran the original Palo Alto store guided the implementation of information technology at Mrs. Fields'. The strategic goal of the MIS area, according to Randy Fields, was "to put as much decision making and intelligence into the store level PC as is necessary to free the manager to do those things that uniquely people do." Randy believed that it was "de-meaning for people to do what machines can do." Store managers, he felt had better things to do than paperwork—such as selling cookies.

Director of MIS Paul Quinn reported directly to Randy Fields and was responsible for implementing his vision. Quinn's 11-person organization was responsible for development, support, and operations for the store personal computers and financial and sales systems, and for managing the firm's telecommunications equipment, a Rolm Private Branch Exchange (PBX), and a voice-mail system. The MIS organization chart is shown in Exhibit 2.

With respect to systems development at Mrs. Fields', Quinn explained:

Anyone can come to me or any of my people and ask for anything. We do an ad hoc cost/benefit analysis and justify a system on one of three criteria:

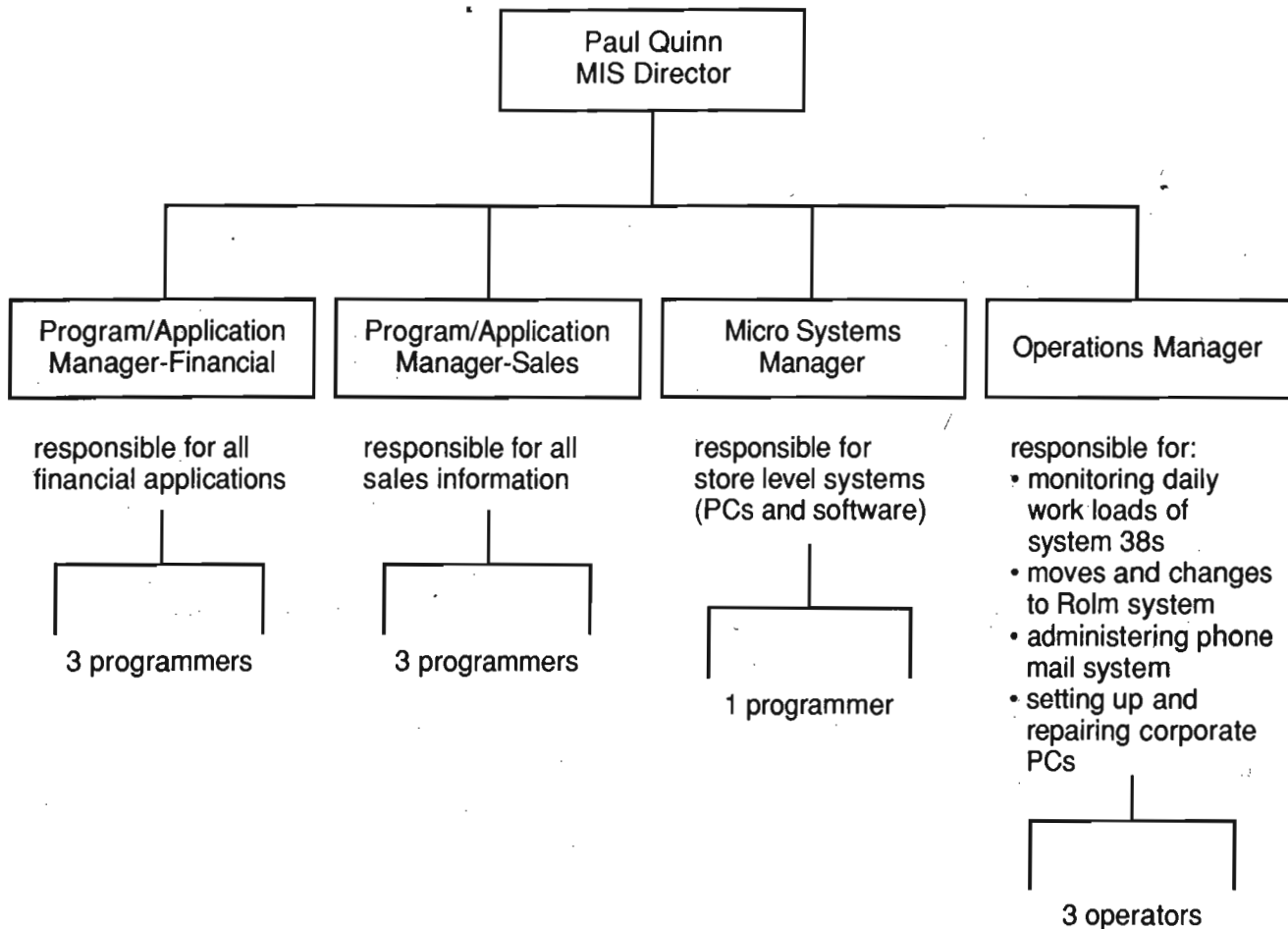
- Potential payback (will it cut costs and/or save money?).

- Drive sales (will it generate new sales?).
- Strategic importance (will it put the company in a position to take advantage of something it could not otherwise do, like the interview system?).

"Strategic" in our industry means promoting sales and controlling labor and food costs. If you can do that you will be successful. I am in an enviable position as the MIS director here, because this company has more information than people can act upon. When someone wants a new report, I have usually already collected the information; it's just a matter of massaging and formatting.

Randy believed that keeping the staff small kept employees solving business problems rather than managing layers of people. He believed this kept jobs interesting and, moreover, that smaller groups of people make decisions faster and better. Randy felt that in order to avoid large groups, a company had to either limit business growth or leverage its people.

Randy saw information systems as a way to accommodate growth without expanding staff. He consistently encouraged the people working with the technology to think up new, creative applications. "Suppose you could not have any people working for you," he would say. "What must the computer do for you then? Don't be limited by what you think the computer can do." An accounts payable clerk, who routinely paid invoices that were regular and consistent, had wondered whether this redundant activity might be automated. This employee's initiative gave rise to the development of an expert system, which was designed to not only automate the routine elements of the activity, but also learn how to respond to exceptions by prompting the manager for input each time an exception was encountered. As the system learned, the exceptions became routine, and the system was able to respond to them automatically without further input from the manager.

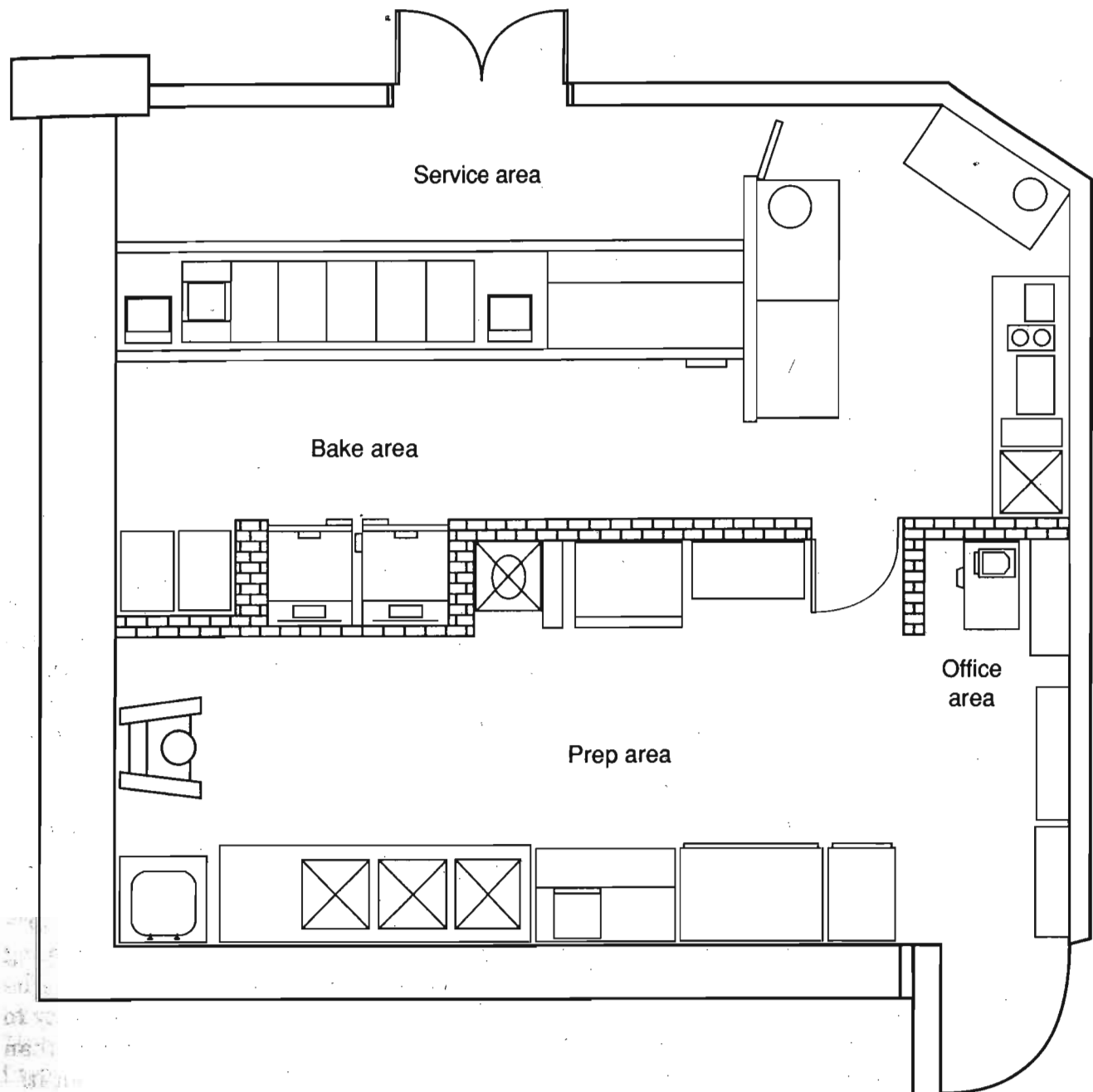
**EXHIBIT 2 Mrs. Fields' Cookies—MIS Organization****Cookie Store Operations**

Mrs. Fields' cookie stores were typically divided into two areas (see Exhibit 3). The ovens faced the retail area, fronted by an island of counter space used to fill and unload cookie sheets. Customers were drawn into the store by the openness of the design, and by the aroma of hot cookies fresh from the ovens plainly in view under the Lucite-covered display. The back room contained the mixers, a work space, a small office area with a personal computer, and sufficient storage space for ingredients. This was Mrs. Fields' at the level of the friendly, inviting retail outlets located in high-density shopping areas around the world.

But there was another level to Mrs. Fields'—the level of the sophisticated management information system that tracked the financial performance of each company-owned outlet and provided comprehensive scheduling of activities within stores, including marketing support, hourly sales projections, and even candidate interviewing for prospective employees.

Each store's personal computer accessed a sophisticated store management system designed by Randy and the MIS organization (see Appendix A). Menu-driven applications included day planning, time clocks, store accounting and inventory, interview scheduling, skill testing, and electronic mail (see Appendix B). One application dialed the



**EXHIBIT 3** Typical Mrs. Fields' Store Floorplan\*

\*This floorplan is approximately 600 sq. ft. Stores ranged from 400 sq. ft. to 1,250 sq. ft.

headquarters' computer, deposited the day's transactions, and retrieved any mail for store employees.

A store manager's day began in the back room at the personal computer. After entering workday characteristics, such as day of

the week, school day or holiday, weather conditions, etc., the manager answered a series of questions that caused the system to access a specific mathematical model for computing the day's schedule. The manager was subsequently advised how many cookies

to bake per hour and the projected sales per hour. The manager would enter the types of cookies to be made that day and the system would respond with the number of batches to mix and when to mix them. For example, the following mixing information

When to Mix	Length of Time	Number of Batches to Mix
8 a.m.	10 a.m.–3 p.m.	31
1 p.m.	3 p.m.–6 p.m.	7

would tell the manager: "At 8 a.m. mix 31 batches of cookies. Use the dough from 10 a.m. to 3 p.m. At that time the dough is no longer up to our standards, so discard any remaining dough. At 1 p.m. mix 7 batches of dough for use from 3 p.m. to 6 p.m."

As store sales were periodically entered throughout the day, either manually by the manager or by an automated cash register, the system would revise its projections and offer recommendations. For example, if the customer count was down, the system might suggest doing some sampling. If, on the other hand, the customer count was acceptable, but average sales were down, the system might recommend that more suggestive selling be done. Store managers could follow or disregard these suggestions.

From sales and inventory information stored in the computer, the information system computed projections, and prepared and (after being checked by the store manager) generated orders for supplies. A single corporate database tracked sales in each store and produced reports that were reviewed daily. Headquarters thus learned immediately when a store was not meeting its objectives and was able to respond quickly. Exhibit 4 shows a schematic diagram of the overall information system.

The information system had been explicitly designed to reflect the manager's perspective to foster the kind of symbiotic relationship described above, according to Debbi. "Asking store managers making salaries of \$20,000 to \$25,000 annually to meet an annual quota of a half-million dollars," she explained,

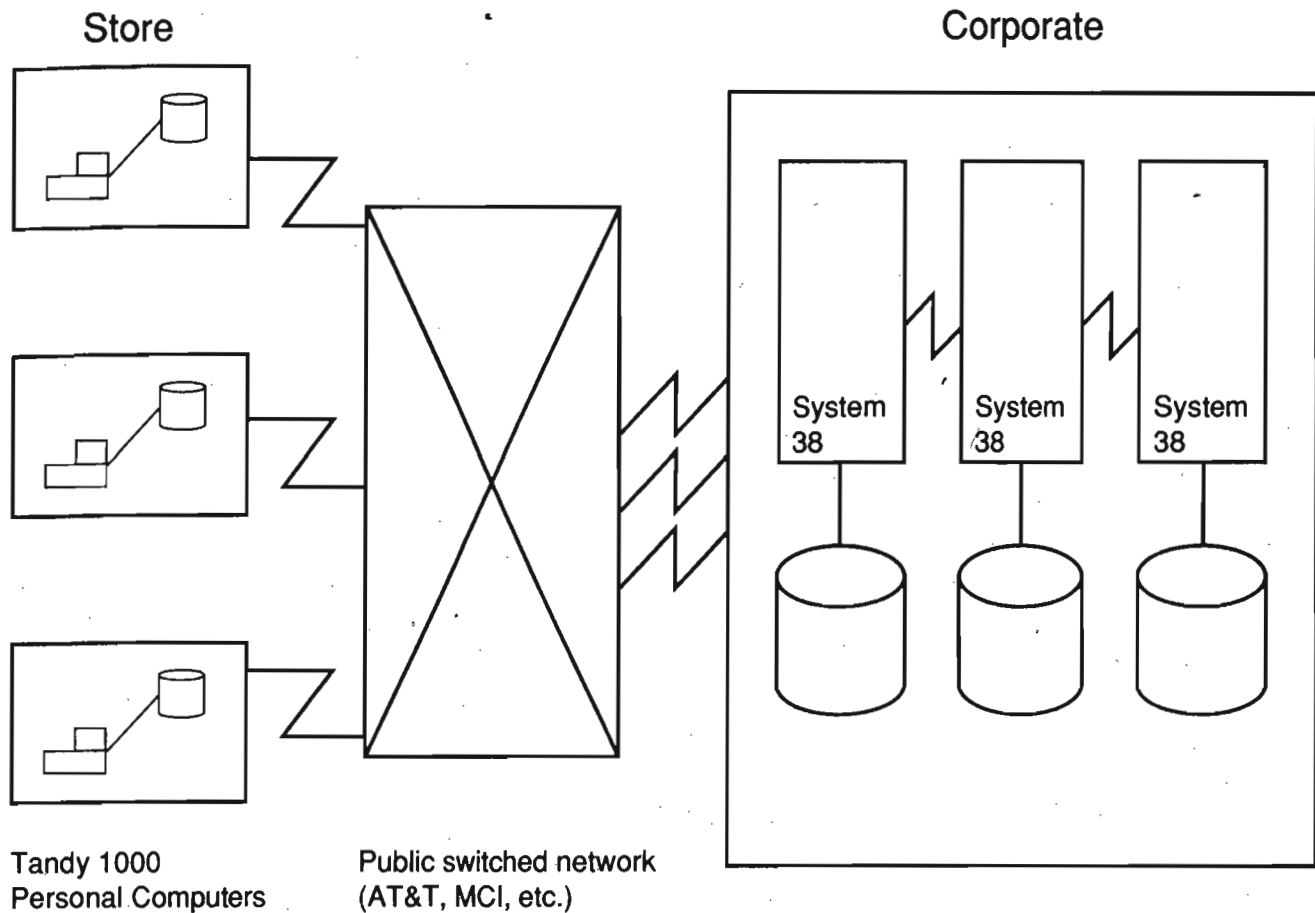
is like asking them to fly to the moon. They cannot really relate to those big numbers. But if you break it down to \$50 or \$60 an hour, the quotas become easy goals. Even if an hourly quota is missed by \$5 or \$6, our employees feel they can easily make it up the next hour.

The most efficient way for managers to communicate was via electronic mail, but they also called their phone mailbox in Park City for audio messages on a daily basis. Debbi, who had from the outset promised to respond within 48 hours to electronic and voice mail directed to her, sent messages through this network several times a week. Thus, the manager did not simply read memos from the president, but often personally heard her voice.

The information system helped Debbi maintain a degree of personal involvement with each store manager. "Even when she isn't there, she's there," wrote Richman, "in the standards built into the scheduling program, in the hourly goals, in the sampling and suggestive selling, on the phone. The technology has 'leveraged' Debbi's ability to project her influence into more stores than she could ever reach effectively without it."<sup>5</sup>

The information system also helped the manager make hiring decisions. After conducting initial interviews, the manager entered information from the handwritten applications into the computer, which compared it with stored information on pre-

<sup>5</sup>"Mrs. Fields' Secret Ingredient," p. 67.

**EXHIBIT 4 Mrs. Fields' Information Systems Diagram****Applications**

Electronic mail  
 Day planner  
 Skills test  
 Interview  
 Time clock  
 Labor scheduler

**Applications**

Personal records management  
 Sales management  
 Electronic mail  
 Accounting  
 Property management system  
 Systems development

vious applicants who had been hired. The system thus helped the manager to narrow the field to applicants who were "Mrs. Fields' kind of people," people who possessed attributes the company valued highly—e.g., honesty, values, punctuality, availability, education, experience, salesmanship, knowl-

edge, and attitude—and hence would fit into the corporate culture. Promising applicants were recalled for an interview conducted interactively with the computer. The applicants' answers were compared with those of existing employees and became part of the personnel database. The manager could



override the system's final recommendation on hiring by going to the personnel department. The manager could do this, or go anywhere else within Mrs. Fields' for that matter, electronically.

### **Diversification**

In April 1987, Mrs. Fields' Holdings Inc. acquired from Pepsico a 119 store French bakery/sandwich chain, La Petite Boulangerie (LPB). In the month following the acquisition, Randy reduced the subsidiary's administrative staff from 53 to 3, explaining: "We absorbed many of the overhead functions into our existing organization including accounting, finance, personnel, human resources, training, and development. We left two people in operations and one in R&D."

This was not Mrs. Fields' first acquisition. The company had acquired another retail cookie chain, the Famous Chocolate Chip Company, in 1984. The forerunner of Mrs. Fields' current MIS system had been designed to incorporate that chain's cookie stores into the Mrs. Fields' fold. But the LPB acquisition was different, primarily because of the size of the company, which Randy estimated would add \$45 million in revenue in 1987. LPB stores baked (from frozen dough) and served croissants, breads, and other baked goods as well as hot soups and sandwiches. "It was," according to Randy, "a logical extension for the bakery aspect of Mrs. Fields' Cookies."

The focus of the company's "expanded store" strategy was Mrs. Fields' Bakeries. "These," explained Randy, "are destination outlets combining full lines of both cookies and bakery products." La Petite Boulangerie provided the real estate and Mrs. Fields' the "feel good" element for these upscale, sit-down cafes. This was not mere expansion; this was a new concept for Mrs. Fields'. Debbi was involved with designing the new

combination stores, and planned to have existing senior managers work in them for a month or two in order to become familiar with their operation.

Randy was excited about the combination store approach. It presented an opportunity to carve out a niche in a highly fractionalized market, and the size of the operation constituted an investment barrier to competition. The Mrs. Fields' name was demographically well established, and Randy believed whatever they put it on would sell. Furthermore, a recent market analysis had suggested that enormous, demographically driven growth in the popularity of quality baked goods would not be significantly affected by fluctuations in the economy.

Randy wanted to pay for future expansion with profits, and he was convinced that the greater profits generated by the combination stores would enable them to open more new stores.

As you will see from the financial results, our strategy required a comprehensive rationalization of our real estate portfolio, including consolidating and closing a number of stores that either did not complement the bakery store concept or were performing poorly. This necessitated a real estate write-down of \$19.9 million, which we consider R&D expense related to opening our new combination stores. This program is now completed, with the cost fully provided for in the 1988 accounts. This has enabled us to establish both a broader and more solid base with greatly enhanced potential for generating future profits.

Corporate direction was clear. "Our bakery strategy," Randy explained,

is long-term, and is based on our operational experience and extensive market and consumer research. But it will take some time for the company to reach its full potential due to the significant expenditures inherent in the bakery store program and the sheer size of the market we intend to dominate.

These changes caught the attention of the financial press, which suggested that Mrs. Fields' faced the characteristic management dilemmas of a growing business. Its expansion, both domestically and abroad, had precipitated changes in organizational and financial structure. The company was in a state of flux. It was attempting to diversify, some claimed belatedly, into combination stores. Earlier it had begun to sell its proprietary information system. Finally, what Randy viewed as record revenues were reported by the press as record losses in 1988 (see Exhibit 1).

### Future Growth

What was a cookie company to do? Just a year earlier, explaining what he meant by "having a consistent vision," Randy Fields had said that he could have described as far back as 1978, when he first began to create it, the system that exists today. But he doesn't mean the machines or how they're wired together. "MIS in this company," he says,

has always had to serve two masters. First, control. Rapid growth without control equals disaster. We needed to keep improving control over our stores. And second, information that leads to control also leads to better decision making. To the extent that the information is then provided to the stores and field management level, the decisions that are made there are better, and they are more easily made.<sup>6</sup>

Had Mrs. Fields' lost control? Just a year earlier, the MIS director had remarked that he had more information available than people could act upon. Was the information system still that cornucopia? The Fields had accommodated past expansion by modifying their information system. Was that what was needed now Randy Fields wondered as he walked purposefully through corporate headquarters, one floor below the Main Street shopping mall in Park City.

<sup>6</sup>Ibid., p. 72.

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## Appendix A

### ***Mrs. Fields' Information Systems—Hardware***

Mrs. Fields' standard personal computer configuration was a Tandy 1000 (an MS-DOS system with 8086-based CPU) with one floppy disk drive, a 20-megabyte hard disk, and an internal 1200-bps modem used for communication with the Utah data center. Tandy computers were chosen because of a favorable service arrangement. Mrs. Fields' maintained a 24-hour service contract with Tandy, but most managers simply contacted the nearest Radio Shack if they had problems.

Software was the responsibility of the Micro Systems manager in Park City. The data center in Park City utilized three IBM System 38s, each equipped with six 9335 hard disks. Chosen for their database strengths,

the System 38s were dedicated, one to sales systems, one to financial systems, and one to applications development.

With all significant corporate data residing in one database, disaster planning was of critical importance. The company had experienced several system failures and had a simple disaster plan: if one of the System 38s failed, one of the remaining two would back it up for critical functions. Store PCs that had not transmitted their daily work would store the information locally and transmit later. If data had already been transmitted, but the nightly backup tapes had not been run, the information would be lost. Such problems hadn't occurred, though there had been recoverable disk failures.

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## Appendix B

### *Mrs. Fields' Information Systems—Applications*

Randy Fields' notion of having "a vision of what you want to accomplish with the technology" was reflected in the applications he had developed. The most frequently used applications are described below.

**Form Mail**, the menu-driven electronic mail application, was used mainly for brief messages between managers and staff. Managers decided when mail was transmitted to headquarters—whether immediately or when their daily paperwork was sent.

**Day Planner** was the first application a store manager used each morning. It produced a schedule for the day based on the minimum sales target (in dollars), the day of the week, and type of day (holiday, school day, etc.). This schedule was updated every time hourly sales information was entered into the system. (Manual entry by the manager was to be eliminated by cash registers custom designed to automatically feed the hourly sales into the personal computer.)

**Labor Scheduler** was an expert system that, given requirements for a specific day, scheduled staff to run a store.

**Skill Tests** was a set of computer-based multiple choice tests any employee could take to be considered for raises and promotions. The system indicated how many questions were answered correctly and provided tutorial sessions for questions answered incorrectly. Scores were sent to the personnel database when other information was transmitted to the corporate offices.

**Interview** helped store managers make hiring decisions. Managers entered information from applications filled out by candidates into the program, which made recommendations based on the historical demographics of people who had previously interviewed and worked for Mrs. Fields'. Prospective employees were called back to the store for an interactive interview with the computer application, which made a final recommendation for hiring.

**Time Clock** was a planned application that would enable employees to punch in and out via the Tandy computers. The automatic time card maintained by the system would facilitate the payroll process.

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