

# MAN 4633 Homework 1

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Please read Chapter 1 of our class textbook, *Crafting & Executing Strategy* and complete #2 on the Assurance of Learning Exercises on page 15. Submit your assignment via Canvas by 1/12/21

2. Elements of the Hershey Company's strategy have evolved in meaningful ways since the company's founding as an American chocolate manufacturer in 1900. After reviewing the company's history at [www.thehersheycompany.com/about-hershey/our-story/hersheys-history.aspx](http://www.thehersheycompany.com/about-hershey/our-story/hersheys-history.aspx) and the links at the company's investor relations site ([https://www.thehersheycompany.com/en\\_us/investors.html](https://www.thehersheycompany.com/en_us/investors.html)), prepare a one- to two-page report that discusses how its strategy has evolved. Your report should also assess how well Hershey's strategy passes the three tests of a winning strategy.

## Hershey Company History and Strategy

Like any good company today, throughout its existence the Hershey company has focused on "creating human connections." Milton Hershey founded the Hershey Chocolate Company in Lancaster, Pennsylvania in February of 1894. Since then, they have grown to more than 18,000 employees today and their brand is instantly recognizable around the world.

After two apprenticeships and two failed starts for a business, Milton Hershey successfully opened the Lancaster Caramel Company in 1886 where he discovered that using fresh milk in caramels was a viable business strategy. At the 1893 World's Columbian Exposition in Chicago, he saw his first chocolate making machine and in 1900 decided to sell the Lancaster Caramel Company for one million dollars (32.7 million today) and focus on chocolate making. When people questioned this decision, he said "Caramels are just a fad, but chocolate is a permanent thing." In 1899, Hershey invented the *Hershey process* which was less sensitive to milk quality than other chocolate making methods. In 1900, he began selling the Hershey Bars we know and love today.

In 1903, Hershey opened his first factory in Derry Church, Pennsylvania and grew the surrounding area into Hershey, Pennsylvania as we know it today and created a park for town residents and factory employees that later became Hershey Park. Throughout the next two decades, Hershey created several new products including the Hershey's Kiss, Mr Goodbar, and more. In 1921, the part of the production line was automated so that Hershey's Kisses were wrapped by machine. In 1930s, when the country was in the throes of the Great Depression, factory workers attempted to unionize and attempts were thwarted until 1940 when workers successfully joined the Bakery, Confectionary, Tobacco Workers and Grain Millers' International Union. In

World War II the United States Army turned to the Hershey Company for a survival ration for soldiers in combat. Able to withstand wide variations in temperatures and climates, Hershey's Ration D bar was born.

In the early 2000s, there was talk of selling off different parts of the company, but local politicians and citizens protested the sale and eventually it was struck down in court and many board members and trustees were removed and replaced. Throughout the 2000s and the 2010s, the Hershey company continued and continues to expand by purchasing other food and candy companies in order to diversify their product line. In 2006, Hershey re-formulated their milk chocolate to use vegetable oil instead of cocoa butter and were forced by the FDA to stop using "milk chocolate" and "chocolate candy" because the products no longer met the legal definition of chocolate.

## Discussion on Business Strategies

1. **The Fit Test:** The Hershey Company shows good *external fit* when, early on, Milton Hershey was still operating the Lancaster Caramel Company, he saw that the market for caramels was not sustainable and moved to chocolate manufacturing. Today, we can see that that was a good move as the US chocolate industry accounts for over 60% of the candy industry at approximately \$21.1 billion. Hershey has a history of good *internal fit* as well by modernizing factories and automating them to keep up with demand such as automating the Hershey's Kiss wrapping process. By diversifying its product line into many different types of candy and foods such as Reese's, Krave Jerky, and Pirate's Booty, the Hershey Company shows good *dynamic fit* that will allow them to survive ebbs and flows in different markets.
2. **The Competitive Advantage Test:** While the Hershey Company is by no means the largest candy company in terms of revenue, they have a solid hold on a portion of the candy and snack food market and have ardent supporters. They've made themselves a staple and household name in the US while they have yet to reach the same recognition internationally.
3. **The Performance Test:** As mentioned earlier, the Hershey Company is not the largest candy company but with a revenue of \$7.8 billion is by no means a small company. Over the last five years, their stock value has nearly doubled from a low of \$83.32 per share to its current valuation of \$150.11 per share today. Hershey Company stock is worth more per share than any of the other top ten largest candy companies including Mondelez International and Nestle.