

## Let's Go Get a Graeter's!

Only a tiny fraction of family-owned businesses are still growing four generations after their founding, but happily for lovers of premium-quality ice cream, Graeter's is one of them.

Now a nearly \$50 million firm with national distribution, Graeter's was founded in Cincinnati in 1870 by Louis Charles Graeter and his wife, Regina Graeter. The young couple made ice cream and chocolate candies in the back room of their shop, sold them in the front room, and lived upstairs. Ice cream was a special treat in this era before refrigeration, and the Graeters started from scratch every day to make theirs from the freshest, finest ingredients. Even after freezers were invented, the Graeters continued to make ice cream in small batches to preserve the quality, texture, and rich flavor.

After her husband's death, Regina's entrepreneurial leadership became the driving force behind Graeter's expansion from 1920 until well into the 1950s. At a time when few women owned or operated a business, Regina opened 20 new Graeter's stores in the Cincinnati area and added manufacturing capacity to support this ambitious—and successful—growth strategy. Her sons and grandchildren followed her into the business and continued to open ice-cream shops all around Ohio and beyond. Today, three of Regina's great-grandsons run Graeter's with the same attention to quality that made the firm famous. In her honor, the street in front of the company's ultramodern Cincinnati factory is named Regina Graeter Way.

### The Scoop on Graeter's Success

Graeter's fourth-generation owners are Richard Graeter II (CEO), Robert (Bob) Graeter (vice president of operations), and Chip Graeter (vice president of retail operations). They grew up in the business, learning through hands-on experience how to do everything from packing a pint of ice cream to locking up the store at night. They also absorbed the family's dedication to product quality, a key reason for the company's enduring success. "Our family has always been contented to make a little less profit in order to ensure our long-term survival," explains the CEO.

Throughout its history, Graeter's has used a unique, time-consuming manufacturing process to produce its signature ice creams in small batches. "Our competition is making thousands and thousands of gallons a day," says Chip Graeter. "We are making hundreds of gallons a day at the most. All of our ice cream is packed by hand, so it's a very

laborious process." Graeter's "French pot" manufacturing method ensures that very little air gets into the product.

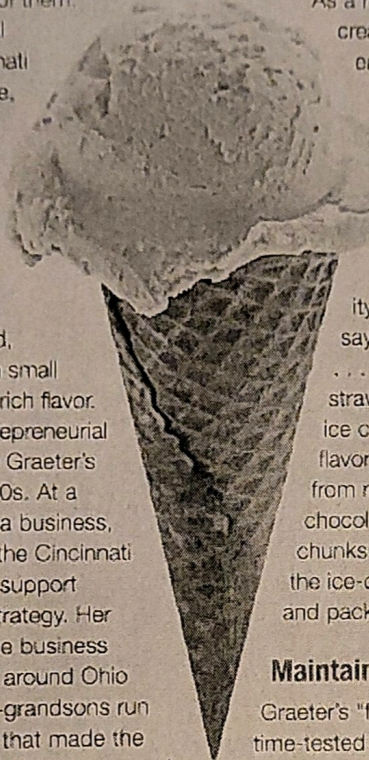
As a result, the company's ice cream is dense and creamy, not light and fluffy—so dense, in fact, that each pint weighs nearly a pound.

Another success factor is the use of simple, fresh ingredients like high-grade chocolate, choice seasonal fruits, and farm-fresh cream. Graeter's imports some ingredients, such as vanilla from Madagascar, and buys other ingredients from U.S. producers known for their quality. "We use a really great grade of chocolate," says Bob Graeter. "We don't cut corners on that . . . Specially selected great black raspberries, strawberries, blueberries, and cherries go into our ice cream because we feel that we want to provide flavor not from artificial or unnatural ingredients but from really quality, ripe, rich fruits." Instead of tiny chocolate chips, Graeter's products contain giant chunks formed when liquid chocolate is poured into the ice-cream base just before the mixture is frozen and packed into pints.

### Maintaining the Core of Success

Graeter's "fanatical devotion to product quality" and its time-tested recipes have not changed over the years. The current generation of owners is maintaining this core of the company's success while mixing in a generous dash of innovation. "If you just preserve the core," Bob Graeter says, "ultimately you stagnate. And if you are constantly stimulating progress and looking for new ideas, well, then you risk losing what was important.... Part of your secret to long-term success is knowing what your core is and holding to that. Once you know what you're really all about and what is most important to you, you can change everything else."

One of those "important" things is giving back to the community and its families via local charities and other initiatives. "Community involvement is just part of being a good corporate citizen," observes Richard Graeter. When Graeter's celebrated a recent new store opening, for example, it made a cash donation to the neighborhood public library. It is also a major sponsor of The Cure Starts Now Foundation, a research foundation seeking a cure for pediatric brain cancer. In line with its focus on natural goodness, Graeter's has been doing its part to preserve the environment by recycling and by boosting production efficiency to conserve water, energy, and other resources.



## Graeter's Looks to the Future

Even though Graeter's recipes reflect its 19th-century heritage, the company is clearly a 21st-century operation. It has more than 200,000 Facebook "likes," connects with brand fans on Twitter, and invites customers to subscribe to its email newsletter. The company sells its products online and ships orders via United Parcel Service to ice-cream lovers across the continental United States. Its newly opened production facility uses state-of-the-art refrigeration, storage, and sanitation—yet the ice cream is still mixed by hand rather than by automated equipment. With an eye toward future growth, Graeter's is refining its information system to provide managers with all the details they need to make timely decisions in today's fast-paced business environment.

Graeter's competition ranges from small, local businesses to international giants such as Unilever, which owns Ben & Jerry's, and Nestle, which owns Haagen-Dazs. Throughout

the economic ups and downs of recent years, Graeter's has continued to expand, and its ice creams are now distributed through 6,200 stores in 46 states. Oprah Winfrey and other celebrities have praised its products in public. But the owners are just as proud of their hometown success. "Graeter's in Cincinnati is synonymous with ice cream," says Bob Graeter. "People will say, 'Let's go get a Graeter's.'"<sup>14</sup>

### Questions

1. How have Graeter's owners used the four factors of production to build the business over time?
2. Which of Graeter's stakeholders are most affected by the family's decision to take a long-term view of the business rather than aiming for short-term profit? Explain your answer.
3. Knowing that Graeter's competes with multinational corporations as well as small businesses, would you recommend that Graeter's expand by licensing its brand to a company in another country? Why or why not?

## Building a Business Plan

A *business plan* is a carefully constructed guide for a person starting a business. The purpose of a well-prepared business plan is to show how practical and attainable the entrepreneur's goals are. It also serves as a concise document that potential investors can examine to see if they would like to invest or assist in financing a new venture. A business plan should include the following 12 components:

- Introduction
- Executive summary
- Benefits to the community
- Company and industry
- Management team
- Manufacturing and operations plan
- Labor force
- Marketing plan
- Financial plan
- Exit strategy
- Critical risks and assumptions
- Appendix

A brief description of each of these sections is provided in Chapter 5. This is the first of seven exercises that appear at the ends of each of the seven major parts in this textbook. The goal of these exercises is to help you work through the preceding components to create your own business plan. For example, in the exercise for this part, you will make decisions and complete the research that will help you to develop the

introduction for your business plan and the benefits to the community that your business will provide. In the exercises for Parts 2 through 6, you will add more components to your plan and eventually build a plan that actually could be used to start a business. The flowchart shown in Figure 3-4 gives an overview of the steps you will be taking to prepare your business plan.

### The First Step: Choosing Your Business

One of the first steps for starting your own business is to decide what type of business you want to start. Take some time to think about this decision. Before proceeding, answer the following questions:

- Why did you choose this type of business?
- Why do you think this business will be successful?
- Would you enjoy owning and operating this type of business?

**Warning:** Do not rush this step. This step often requires much thought, but it is well worth the time and effort. As an added bonus, you are more likely to develop a quality business plan if you really want to open this type of business.

Now that you have decided on a specific type of business, it is time to begin the planning process. The goal for this part is to complete the introduction and benefits-to-the-community components of your business plan.

Before you begin, it is important to note that the business plan is not a document that is written and then set aside.