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Dan Dillon, CEO of Welch Foods

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Abstract

Welch Foods saw its purpose as building long-term value in the cooperative and releasing that value back to the grower-owners over time and to provide a reliable market for their grapes through excellence in product quality, customer service, market responsiveness and consumer satisfaction. Welch's processed 50 percent of Concord grapes and 80 percent of Niagara grapes produced in the United States into juices, jellies, jams and other products. The objective of this executive interview is to introduce Dan Dillon and Welch Foods and describe challenges faced by a producer-owned cooperative in the 21st century. The interview was conducted at the 2003 Farmer Cooperatives program in Kansas City.

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Executive Overview

Dan Dillon, President and CEO of Welch Foods, on Leading a Branded Packaged Goods Company

Welch Foods saw its purpose as building long-term value in the cooperative and releasing that value back to the grower-owners over time and to provide a reliable market for their grapes through excellence in product quality, customer service, market responsiveness and consumer satisfaction. Welch's processed 50 percent of Concord grapes and 80 percent of Niagara grapes produced in the United States into juices, jellies, jams and other products.

Welch Foods (www.welchs.com) is a national farmer-owned food cooperative, with sales in all 50 states and more than 40 countries. Welch's, which had sales in 2003 of $579 million, is the world's leading marketer of Concord and Niagara grape-based products, including grape juice and jelly. The company produces a variety of other fruit-based products, including 100% juices, juice cocktails and drinks in the following forms: bottled, refrigerated, single-serve, and frozen and shelf-stable concentrates. In addition, Welch's produces a number of fruit spread products under both the Welch's and BAMA brand names.

Dan joined Welch's in 1981 as vice president of marketing, became senior vice president in 1991, chief operating officer in 1994, and chief executive officer in 1995. During his 23 years with Welch's, Dan has been responsible for establishing the company's new products program, key to Welch's business turnaround, growing the company from a declining $200 million in 1981 to $600 million in fiscal year 2003. He re-energized the Welch's brand by broadening the product line, increasing advertising support, and successfully penetrating new channels of distribution. In the early 1990's, Dan led Welch's acquisition efforts, overseeing several acquisitions, including Cascadian Farm, a leading organic food company – later sold to General Mills, and Welch's acquisition of BAMA Foods in 1994. BAMA is a leading marketer of jams and jellies in the Southeast.

Prior to Welch's, Dan was director of marketing and sales at Anderson Clayton Foods (1978-1981); and for eleven years, he held increasingly responsible sales positions (1967-1972) and marketing positions (1972-1978) at General Mills. He was product manager of such businesses as Wheaties and Hamburger Helper. For two years, he was marketing manager in the new business development division of General Mills, working on acquisitions and strategic alliances such as General Mills' alliance with the French Dairy Cooperative Sodima for the marketing of Yoplait Yogurt in the U.S.

Dan is a graduate of Florida State University -- B.S. in 1965 and MBA in 1967. He currently serves on several Boards of Directors including:

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Philanthropic:	The Genesis Fund (for specialized care and treatment of children born with birth defects, mental retardation and genetic abnormalities)
Professional:	Grocery Manufacturers of America National Food Processors Association The Advertising Council, Inc.
For Profit:	Welch Foods, Inc. Welch's Japan L. Knife & Son Michael Foods, Inc. (1998 – 2003)

Dan and Sherry, his wife of 40 years, live in Carlisle, Massachusetts. They have three grown children and are the proud grandparents of four grandchildren. Dan is an avid skier, golfer, fly fisherman and mountain biker.

Dan Dillon, president and chief executive officer of Welch Foods described the challenges and rewards of operating a cooperatively-organized branded packaged goods company in an interview which was done October 30, 2003 as part of the Farmer Cooperatives conference in Kansas City. A case study and teaching note on Welch Foods and the grape-based foods industry is available from the contact author upon request.

Executive Interview

What is your vision for World Foods and could you please describe the process you used in developing that vision?

We spent some time with senior management in the beginning trying to establish two things, vision and mission. Our vision flows from our mission. We believe that the most important thing in their mind as farmers is to have a secure market for the crop they grow. That's the number one element of our mission. The second element of our mission is to improve the earnings on the crop that we receive from them. We have, since the beginning, always taken all of their quality grapes and we have tried over time to improve the quality of the grapes that we take. The third element of the mission is to grow the demand for the Concord and Niagara grapes that we use from our members. We think that we have done a great job in executing that mission leading us to a vision of what we think Welch's can be.

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Could you talk a little bit about how the vision and the performance resulting from the vision influenced your leadership at Welch Food?

We consider the most important thing that we have is the Welch's brand name. And that brand name has been developed over 136 years now, as standing for the best quality juices and primarily grape based, but juices and grape based products. We want our brand to stand for excellence in fruit based. Once we have established that the key to our success is in branding then we want everything that we do to support that. We want our advertising, we want our packaging, we want the new products that we introduce, we want the manufacturing, the quality of the packaging of the materials we use to all support our ethos, our reputation as excellence in fruit based products

Your governing system is unique in the cooperative world. Could you please describe that and give us a little bit of history about how Welch came to develop that kind of governing system?

We have a unique board with a two-board governance structure. The first board is the board for the National Grape Cooperative which is a typical cooperative board of directors elected by the membership. It is one member, one vote in the geographic areas where the producers grow the grapes and we have a thirteen-member board. The second board which governs Welch Foods is a board of directors that would mirror the board of directors for any publicly traded package goods company. We have four growers from the National Grape Cooperative board that are elected to be on the Welch Foods board. We have two members of management. Currently we have the CEO (myself) and the CFO. We have four outside directors which are experts in management of package goods companies. These outside directors, all of whom have MBAs from leading business schools, include the CEO of Gorton's Seafood, the CFO of Bose Corporation, an individual with years of experience in marketing and communications, and an individual with a great deal of experience as a director.

These individuals have got the background experience to provide the strategic guidance to the package goods company. That's the uniqueness. The other part that's unique about it is the balance of governance. Our board is structured so that we have four growers, four outside directors, and two members of management, which provides the balance from the board that allows no constituency for the success of the package goods company to out weigh the rest. And it provides a necessity for everyone to cooperate. I'm very impressed with the caliber and quality of the board that we have. And I think the proof is in the performance.

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How does Welch Foods maintain its relevance in today's rapidly changing competitive marketplace?

That is really a key cornerstone issue for Welch Foods given its relative small size in an industry that is made up of billion dollar competitors. How do we maintain our relevance with the consumer with our customers and with our suppliers? How do we capture their attention? If we have a meeting with the top executive of these organizations, are they going to give us the time? That is the key issue and I think that the only way we can expect to do that as an organization is to have a product that they want. And that goes back to the branding, it goes back to the quality of the products that we make and our ability to be able to command a premium price for a premium quality product that the consumer is interested in. And that is how we maintain the relevance.

To put in perspective there are people that make grape juice and they make it from offshore or California grapes that are very nice tasting, but they do not taste like Concord grapes or Niagara white grapes. We have convinced the North American consumer that grape juice is supposed to taste like Concord grape juice. The difference in price between the Concord grape and the California grape is so significant that we have to maintain that consumer relevance of the taste of the Concord grape to be relevant in the market place.

Where do you see Welch Foods in the future?

I think Welch's can continue to survive as a 700 to 800 million-dollar company but I am not sure if Welch's can continue to prosper unless we are a material of a larger size. I do not know how for sure we get there. If the options are to grow the core that you have today, then we are doing that. Secondly, we have new products that allow us to grow. We try to have at least 25 percent of our volume every year come from new products. And the third and perhaps the most important is to grow through acquisitions and mergers. And I think for Welch's to really be a player in the future we need economies of size that come with acquisitions and mergers.

Dan, how do you describe your leadership style?

That's always a real tough question to address because you are almost describing your personality. My background experience has been in the food industry. I started with Winn Dixie bagging groceries at the grocery store and worked in their warehouse. Then I moved on to working as a salesman calling on grocery stores for General Mills, and then was transferred into the marketing department. I have worked in operations in several areas and I think it has developed my business perspective. I think that the sales experience in working as a bag boy in the grocery store has all developed my perspective on being an employee in a company. I think that the food industry is very much a family industry; everybody treats each other

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as if they were family, the first name kind of business. One of the first things I did when I became CEO is did away with coat and ties and went casual dress because I felt like that is who we were as a company. I also believe that we are a quality place and that means that everything we do should be quality including the benefits for our employees, the work environment that they have, and I believe that is conducive to a successful operation. I believe you hire good people, you give them responsibility and you give them the authority to make decisions.

How do you continue to be innovative? If you create the market place and a bigger competitor imitates you, have you really created differentiation? You have in the short run to keep yourself relevant, but what happens if you cannot create a barrier to entry?

I do not begrudge anybody from stealing our ideas and trying to imitate them. I think that many of the most successful products that we have were ideas that we have built off of some one else's ideas. I think the way you do it is through branding, marketing, packaging, graphics, and through the product you have inside it. One of the philosophies that some good companies have is they do not patent their new ideas because all they are doing is providing details for someone else to figure out how to get around the patent, and I think that that happens all the time. We do patent many of our ideas; we have had 15 patent applications over the past five years. I do that as much as a way of acknowledging the people that have worked on the project, as I do for the value of the patent itself. I think that it is a way of celebrating within our organization what we have developed.

Once you have an idea I think that you have to move quickly with it particularly if it is a product you are going to test in a test market where competitors can see it and duplicate it. It has to be appropriate. One of the criteria that we have for anything that we do is if it is not better done under the Welch's name, we should not be doing it. And we should make the Welch's name so strong that when we do something it would sell best under that name. If it is a grape based product, we are 100 percent confident that Welch's can do a great thing with this product then anybody else. So, we should focus very heavily on the grape based product. But we are trying, you'll notice today that our logo is a basket full of fruit, to expand our expertise out of just grape based and into fruit based, and we want to be the expert in fruit based products. So if it is a fruit based product the consumer will expect Welch's to do the best job of it. That has led us to fresh fruit, that has led us to mixed fruit juices, and things of that nature. We think there's lots of opportunity. That's what the consumer would like to see.

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