Spring 2023

Ben and Jerry's: When Subsidiaries Fight Back

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Abstract:

Ben and Jerry's is a world-leader in the premium ice cream market, having a very well-established brand known for high quality ice cream and unique flavors. Additionally, they are known for a large emphasis on economic and social equity, standing fast in their values and being very outspoken about their stances on prominent current events. After being acquired by Unilever, a global consumer goods company, Ben and Jerry's came face to face with the reality that their company values will sometimes clash with their parent company's after putting out a statement regarding the Israeli-Palestinian conflict that Unilever quickly denounced. While navigating this conflict that eventually resulted in a private settlement out of court, Ben and Jerry's was forced to reconsider how to best maintain their own brand and mission, while simultaneously being a subsidiary.

Learning Objectives:

1. **Understand** how profit and values impact business decisions.
2. **Describe** the motivating factors behind acquisitions.
3. **Analyze** and anticipate how governance conflicts arise between parent companies and subsidiaries.

Ciara Baumert, Alexis Delos Reyes, Charles Floeder, Benjamin Lohrman, and Praveen Rao, students of the Jeffrey S. Raikes School of Computer Science and Management, prepared this case. This case was developed solely to serve as a tool for class discussion and is not intended to serve as an endorsement, source of primary data, or illustration of effective or ineffective management.

Introduction: Vermont, 1978

The year is 1978, and summer in Vermont is just beginning. After spending $5 on a Penn State course about making ice cream, Ben Cohen and Jerry Greenfield have opened their first scoop-shop, selling ice cream and various other items, such as soups and crêpes. However, competing against brands such as Häagen-Dazs within the premium ice cream market required Cohen and Greenfield to differentiate themselves in a new, unique way. By 1979, the two 20-year-old men had dropped all other food items from the menu and focused all their energy on making wild and unique flavors of ice cream while nurturing a brand focused around simplicity and a relatable, “down-home” feeling. Once 1987 rolled around, the two had expanded Ben and Jerry’s ice cream into 35 states with $30 million in sales (Fabry, 2018).

In the years since, Ben and Jerry’s has only continued to grow. In 2022, they were the leading ice cream brand in the United States by sales, with $911 million total (Wunsch, 2022). In the same year, Häagen-Dazs ranked second with $785 million. This continued growth has, without a doubt, turned Ben and Jerry’s into an ice cream empire that is recognized across the globe. However, it's necessary to look beyond the company's on-paper history to fully understand how Ben and Jerry's has so successfully differentiated itself and claimed its throne as the world-wide king of ice cream.

Success: “Ice Cream Can Change the World”

The Ben and Jerry’s brand is supported by two pillars. First, the firm prides itself on creating unique flavors with natural, easily recognizable ingredients. While Ben and Jerry’s carries a handful of ice cream staples, such as chocolate chip cookie dough and vanilla, the vast majority of the brand’s offerings consist of unique flavor combinations not available anywhere else (Ben and Jerry’s, n.d.).

Second, Ben and Jerry’s ensures economic and social good are at the core of every business decision. The firm is driven by three core values, which highlight human rights, justice for marginalized communities, and positive environmental impact. Additionally, the company mission has three parts: product, economic, and social. The firm’s product mission emphasizes “promoting business practices that respect the Earth and Environment,” its economic mission aims for “sustainable financial growth,” and its social mission calls for operating, “in a way that actively recognizes the central role that business plays in society” (Ben and Jerry’s, n.d.). Ben and Jerry’s prides itself on not simply making statements about current world issues, but actively taking a stance and acting on the statements they put out.

These values can be seen through observing Ben and Jerry’s actions throughout the years. Their product and economic missions are more core to their business operations, encompassing the quality of their ice cream and growth of their business. However, their social mission is where Ben and Jerry’s stands out. An example of their social mission in action is their strong corporate statement following the murder of George Floyd, titled “We Must Dismantle White Supremacy” and containing many calls to action for both politicians and the general public (Ben and Jerry’s, 2020).

The firm's intensive focus on product quality ensures that Ben and Jerry's ice cream is the highest quality possible, while the economic and social missions demonstrate to consumers that the corporation truly cares. Ben and Jerry's continuously leverages the idea that a deep connection can be formed between consumers and businesses based on action. As a result, the firm's actions work to advance social good while simultaneously fostering a high level of brand recognition (Marchese, 2020). The idea that "ice cream can change the world" has been foundational to the success Ben and Jerry's has experienced, but it became a point of contention when the firm was acquired by Unilever.

Unilever Acquisition: Selling Out without Selling Out

Unilever is a large consumer goods company that owns recognizable brands in several industries, including beauty, personal care, and nutrition (Unilever, n.d.). In April 2000, Unilever announced that it would be buying Ben and Jerry's for $326 million dollars, adding to its collection of subsidiaries (Beck & Branch, 2000). As Figure 1 shows, Ben and Jerry's would be a significant addition to Unilever's existing portfolio of ice cream brands. Its large market share within the United States alone is attractive, and Unilever would bring additional international expansion opportunities to the company.

This acquisition was not against the wishes of the company, as Ben and Jerry's board of directors unanimously voted for it. Though it is unclear as to why, one possible explanation is Unilever's ability to help with operational challenges, such as product distribution (Page & Katz, 2012). However, because the Ben and Jerry's brand is built on a history of activism, this acquisition raised a key question: would the firm be able to continue its social emphasis under new ownership? Becoming a subsidiary of such a large company began to look a lot like selling out. However, in hopes of preserving its brand integrity, Ben and Jerry's negotiated some major stipulations in the acquisition contract.

According to these negotiations, Unilever would be required to continue the charitable aspects of Ben and Jerry's mission. Doing so included donating 7.5% of the corporation's pre-tax profits to charity and acquiring milk from farmers for above-market prices. Additionally, Ben and Jerry's would maintain an independent board of directors with the chief goal of maintaining brand integrity. This agreement would give Ben and Jerry's control over its economic, social, and environmental missions, while Unilever would primarily focus on finances and operations control (Beck & Branch, 2000). In the wake of its acquisition, Ben and Jerry's has fought numerous battles with its newfound parent company, often resulting from this unusual set of negotiations.

Tensions Rise: Opposition Between Unilever and Ben and Jerry's

In July 2021, Ben and Jerry's declared that it would terminate ice cream sales within the Occupied Palestinian Territory (OPT), as defined by the United Nations. The firm stated that continuing sales within an illegally occupied territory was inconsistent with its values, so the licensing agreement with the brand's regional distributor would not be renewed. Ben and Jerry's emphasized that it would stay in Israel through a different arrangement, but sales would not continue in Israeli-occupied West Bank or Gaza (Ben and Jerry's, 2021).

Unilever quickly denounced this boycott, declaring that it disagreed with its subsidiary's decision on the matter. However, the corporation stated that it was unable to override its subsidiary's decision due to the agreement that Ben and Jerry's would maintain an independent board of directors; ending sales in the OPT was a matter of brand integrity for Ben and Jerry's.

In addition to Unilever's condemnation of the decision to end sales in the OPT, Ben and Jerry's was the target of broader public backlash via social media posts. One such post instructed potential customers, "Never buy Ben and Jerry's ice cream unless you hate Israel and love terrorism" (*A Values Driven Business in Conflict*, n.d.).

The disagreement regarding ice cream sales in the OPT came to a head when Unilever sold the Israeli portion of Ben and Jerry's to a local licensee, allowing the parent company to independently maintain sales in the region. Ben and Jerry's subsequently sued Unilever, stating that Unilever had not received the necessary approval from the ice cream giant's independent board of directors (Gewirtz, 2022). The resulting lawsuit was privately resolved, and Ben and Jerry's ice cream continued to be sold throughout Israel, including the OPT. It should be noted that, despite the continuation of sales, this conflict had massive financial implications for Unilever. By the end of 2021, the corporation had already taken on losses of nearly $30 million and saw its stock price drop by nearly $10 per share.

The Future: Maintaining Brand Integrity Under Unilever

It is abundantly clear that Ben and Jerry's refuses to make concessions regarding its mission and values, even when this dedication strains relationships with the firm's business partners. Interestingly, Unilever seemed unconcerned with this characteristic when acquiring Ben and Jerry's, going so far as to open themselves to lawsuits if Ben and Jerry's ever determined that Unilever was not living up to the ice cream company's social mission.

While this is incredibly noble on paper, such an arrangement can have very real, tangible consequences on both public relations and finances. The public backlash towards Unilever following its battle with Ben and Jerry's over sales in the OPT was palpable, and the corporation faced accusations of antisemitism and of supporting terrorism. Additionally, several states have enacted laws penalizing companies that partake in boycotts of Israel or its claimed territories, and a number of senators have encouraged the SEC to investigate Unilever for misleading shareholders.

Though Unilever has historically supported the values-backed mission of Ben and Jerry's, the firm was forced to confront the fact that its subsidiary's values are not always supported by the public or political communities. When a firm's actions are put in the spotlight, the results are not always profitable.

Ben and Jerry's was also faced with its own reality: Unilever may not always support the brand's missions. Despite the ice cream giant's ability to sue if Unilever failed to uphold the firm's social mission, there's no guarantee that Ben and Jerry's will win. In the case of ice cream sales in the OPT, the lawsuit was settled in a manner that permits continued Ben and Jerry's sales in the region. Ben and Jerry's sued its parent company, but its product is still being sold in a manner inconsistent with the firm's values.

Whether additional conflicts will arise between Ben and Jerry's and its parent company is yet to be seen, but an important precedent has been set: when the two firms have conflicting values or goals, Unilever will likely face public backlash and bear the brunt of any financial repercussions. While Ben and Jerry's remains a substantial asset to its parent company, Unilever has been forced to contend with the reality that Ben and Jerry's will not waver from its mission or morals.

Cohen and Greenfield never could have foreseen that their mission-driven brand of creative ice cream flavors would end up in the headlines over its values, nor could they have predicted such a contentious relationship with the brand's future parent company. As the dust settles on this conflict, one thing is certain: the relationship between Ben and Jerry's and Unilever is unlikely to emerge unscathed.

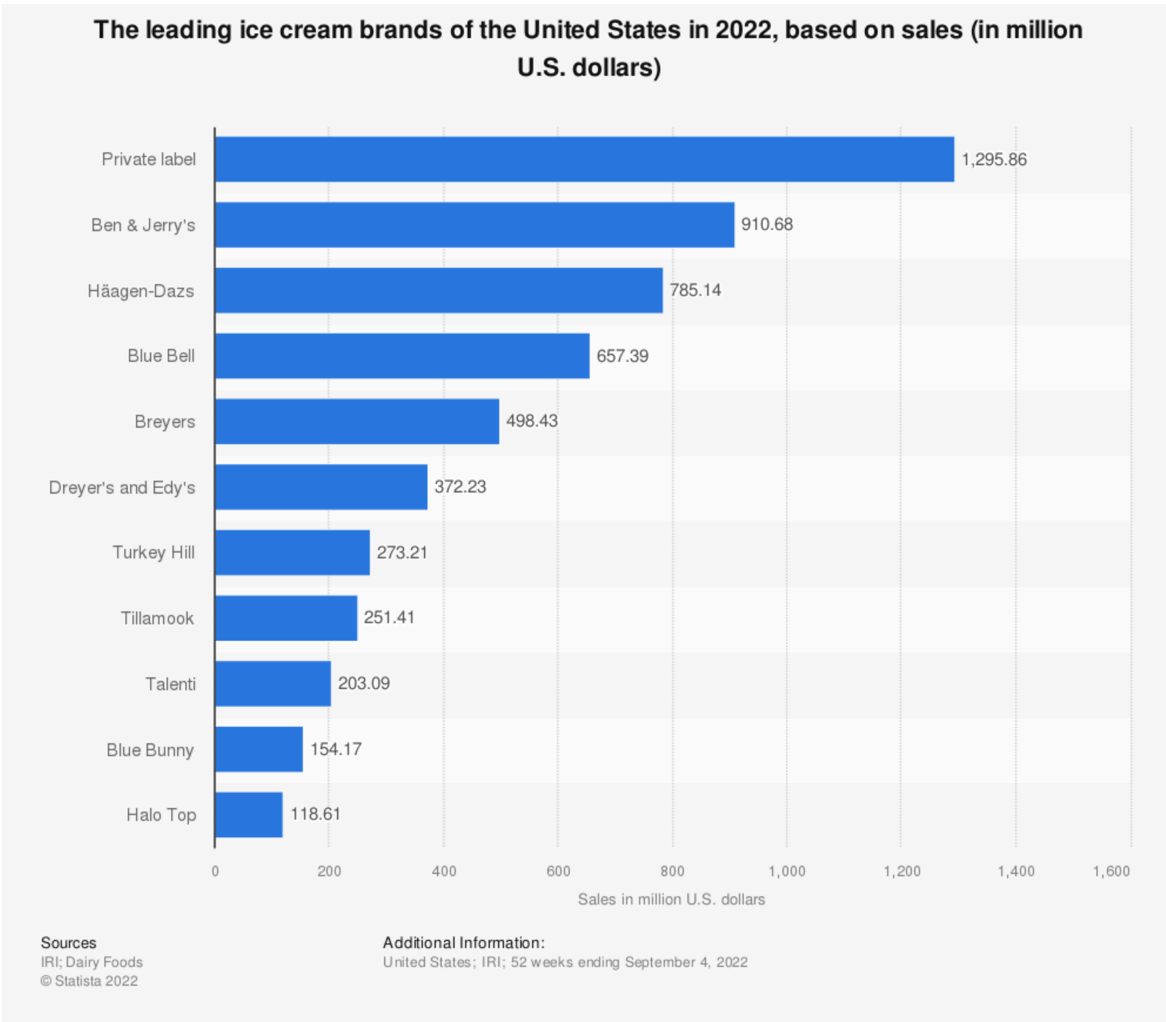
Discussion Questions

1. Unilever's decision to allow Ben and Jerry's to maintain an independent board of directors during its acquisition is decidedly unique. Why do so few parent companies allow their subsidiaries to independently preserve their mission?
2. What core competencies do Ben and Jerry's possess? How has the brand leveraged these core competencies to secure such a significant portion of the ice cream market?
3. In what ways do the interests of Ben and Jerry's conflict with those of Unilever? In what ways do they align? What makes Ben and Jerry's an attractive subsidiary?
4. Suppose you were one of Unilever's advisors when the firm was considering acquiring Ben and Jerry's. Would you have been in favor of the acquisition? Would you have allowed the firm to maintain an independent board of directors? Would you have enforced any additional stipulations in the acquisition agreement? Why or why not?

Figures

Figure 1

Horizontal bar graph indicating the total sales within the United States of several ice cream brands in the year 2022 (Wunsch, 2022).



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