Dean's Executive Leadership Series - Pepperdine University / DELS
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Transcript of Interview with Robert Simpson, President and Chief
Operating Officer of Jelly Belly Candy Company

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##### Start #####

VO: The Graziadio School of Business and Management at Pepperdine University proudly presents the Dean's Executive Leadership Series. This podcast invites top business practitioners and thought leaders to share their view on the real world of business.

Rick Gibson: Hello and welcome, my name is Rick Gibson, I’m the Associate Vice President for Public Affairs here at Pepperdine University and I’m joined today by Dr. Linda Livingstone who is the Dean of the Graziadio School of Business and Management. Welcome Linda.

Dean Linda Livingstone: Thank you Rick, it’s good to be here.

Rick Gibson: So the series keeps rolling along, a lot of exciting speakers; tell us a little bit about Mr. Simpson.
Dean Linda Livingstone: Well Mr. Simpson is very interesting; he is the professional manager of a family-owned business that has been around for six generations since the late 1800’s and you will hear all about that experience as well as a little bit more about how they built the brand that is so well known, certainly influenced by President Reagan’s love of Jelly Bellies.

Rick Gibson: That’s right. Well it sounds like it’s going to be a terrific interview and so I’d like to invite our guests just to sit back and relax and enjoy this interview with Robert Simpson, President and Chief Operating Officer of the Jelly Belly Candy Company.

Dean Linda Livingstone: Well welcome to our podcast of our Dean’s Executive Leadership Series speaker Robert Simpson. He is the President and Chief Operating Officer of Jelly Belly Candy Company, which is a family-owned and -operated company in its sixth generation of candy makers and it’s headquartered in Fairfield, California, so we’re actually doing this podcast in the DELS from Santa Clara in northern California where we have our EMBA Program. And prior to being with Jelly Belly, Mr. Simpson was with Raley’s a supermarket chain and he had a 30-year career there. Native of Sacramento, California, so welcome, we appreciate you being with us today.

Robert Simpson: Thank you.

Dean Linda Livingstone: Well let’s start just a little bit about your background and what got you to Jelly Belly to begin with; after a 30-year career that’s a big transition to make, so tell us about that transition and how you chose to do that at that point in your life.

Robert Simpson: Well primarily, I was a beneficiary of good timing. I met the CEO and owner of Jelly Belly, I played with him in a golf tournament and we developed a friendship, and later on he talked to me about an opportunity to come on board with Jelly Belly; so my timing was perfect.

Dean Linda Livingstone: Well it also shows the value of networking in the right places and just good fortune and being in the right place at the right time.
Robert Simpson: Absolutely.

Dean Linda Livingstone: Well now Jelly Belly is a long time family-owned business. It was I guess founded in 1869 by two German brothers and was the Herman Goelitz Candy Company and is now in the sixth generation. Just talk a little bit about the evolution of that company and what it’s like being kind of a professional manager of such a sort of long-term family owned business.

Robert Simpson: Well the business was started by two brothers who immigrated from Austria back in the late 1860s and they learned to make candy and back in those days they referred to them as butter creams, a type of mellow cream candy that they learned to make, and during hard times both brothers stopped and started the business a couple of times back in 1898 again. They reconvened and started the business up again, subsequently they sort of went their separate ways and the next generation took over.

But the family moved many times over the years, both brothers starting up new enterprises across the country, one moved out west and that’s where Jelly Belly began; its roots back in Portland in the ‘50s and then moved to Oakland later in the 1960s I believe and that was where it stayed until and through the development of Jelly Belly. And Jelly Belly came on the scene, it was born in 1976, so it’s 32 years old now, and the evolution of Jelly Belly began or was born then but it really was heightened by the fact that the President of the United States, then Governor of California Ronald Reagan was a huge fan of the product and that’s really where the story begins.

Dean Linda Livingstone: Let’s talk a little bit about that piece of the story because it is really significant in the history and life of the company—that Jelly Belly is one of those just great brands where you know the name and you know the logo. How did President Reagan’s sort of interest and love of Jelly Belly Jelly Beans sort of help drive that and then how do you build off of that and maintain that even when that’s sort of no longer as much a piece of the brand?

Robert Simpson: Right, well it was a very interesting time; Jelly Belly was just four years old when it became public information that those Jelly Beans sitting on the President’s desk were Jelly Belly jelly beans.
Dean Linda Livingstone: And aren’t you glad that became public information?

Robert Simpson: Yeah I highly recommend if that’s the way you wanna launch a brand. We had developed a very special relationship with Governor Reagan at the time and were supplying him with those and when he became elected as President, he decided that he wanted to make Jelly Belly his inaugural gift and it was all done behind closed doors because we were told at the time that you can’t benefit from the sale or the association of the President in your product.

Well the news media being as such had kind of found out through various meetings that Jelly Belly was in fact the product and so they camped outside our Oakland headquarters in back in the late 1980s and Herm Rowland, my boss, the owner of Jelly Belly was petrified to see film crews standing outside the door and eventually had to call the White House and talk to his contacts there to get permission to tell the press that in fact he was the one making the product and so that began a crazy time. Within two months we were 72 weeks behind in filling the orders, we went from four weeks to 72 weeks behind and so we had a year and a half worth of orders to produce and not the capacity to do it any sooner.

Dean Linda Livingstone: So how did you deal with that capacity issue because clearly in that kind of a product, just having the availability where people want it is really important to sort of continue to grow that; so what did you do at that time to address that issue and assure more?

Robert Simpson: That was a good piece of the family history because the two families, one was based in Chicago, Goelitz Confection, and Herm, and that was his cousin Bill Kelly who was running that operation. Well we needed capacity so he called his cousin and said, “We need some help, I need to teach you, we need to make Jelly Belly’s together and that’s where the two sides of the family were reunited, and capacity was always the issue, catching up.

I mean we were largely just order takers there, there was such a high demand for the product that it was everything and so ultimately we outgrew the Oakland facility very quickly, the Chicago operation did help address some of the capacity but we were still far behind and we moved or built a facility in Fairfield, California, a 100,000-square-foot facility that opened in ’86 and that’s where our company headquarters is today.
Dean Linda Livingstone: So how do you continue building the brand when the President's sort of stamp on it is no longer kind of what's influencing that brand and what are you doing today to build the brand?

Robert Simpson: Well the brand continues to grow and flourish and as you mentioned it's become an iconic brand, global brand that's highly recognized everywhere and it has to be about the product. There's something very unique and we differentiate ourselves from any other product out there, is the true-to-life flavor, it's the essence of what Jelly Belly is all about and it just brings a smile to everyone says, "Wow how do they do that, how do they get that flavor, it's exactly the way it should be?"

Dean Linda Livingstone: I love the cinnamon ones, personally, so they're quite good.

Robert Simpson: I'm a toasted marshmallow guy or a juicy pear guy and we use real ingredients wherever possible to do that and we do it-- and it's a manufacturing process and how we capture that, you know, true-to-life flavor and that's what has sustained us and helped grow the brand is it's all about the product. We call it, "It's all about the bean," and whatever we do, you know, it's a promise we make to the fans of Jelly Belly to not take any shortcuts, to continue to make the product that meets their expectations and it's a lot of fun.

Dean Linda Livingstone: So a part of that is innovation and you all are known as an innovative company. Do you have any particular processes or systems in place to help you maintain that innovative approach? Talk some about that.

Robert Simpson: Well innovation is the life blood of the candy industry and our company in particular and we're considered to be one of the leaders in the industry in that regard and we pride our self in that. It's a collaborative effort at Jelly Belly, it's kind of fun because they said, "Well who comes up with these crazy ideas?" Well it's not who, it's a collection of people and we all own a piece of that process. So very collaboratively we have more great ideas than we have resources to chase 'em down to see if they can come to fruition or go to market with.

Dean Linda Livingstone: Good problem to have.
Robert Simpson: It’s a great problem to have. So, you know, everyone from our suppliers, everyone, you know, our brokers, our distributors, certainly all of our employees, our sales folks in particular and our customers, all play a big role in what we ultimately work on and develop for the market.

Dean Linda Livingstone: Do you have any particular criteria that you have in place that helps you decide which of those ideas you go after?

Robert Simpson: It has to be a wow thing, it has to be over the top, it has to just instantly resonate and be something that we know will be successful and it’s mostly business instincts over the years for a business that has, you know, survived through a lot of lean times. Prior to Jelly Belly I don’t think there were any more than 23, 24 employees and today we have 675 and so as we’ve grown, hopefully we’ve grown in a healthy way, always looking for the next market opportunities.

A great example of innovative products is Sports Beans, which we introduced about three years ago and it came to us from our cycling team that we sponsor because they were eating Jelly Bellies and the reason they eat Jelly Bellies is because they need sugar, they need carbohydrate and they need it in its simplest form. That’s what works and they talked to us about making larger beans so they could, you know, use them on their rides and their training and whatnot and that was really the evolution or the brainchild behind sport beans.

Dean Linda Livingstone: When I was reading about Sports Beans, I noticed that you had a nutrition expert that actually gave you some advice on that, it’s not something I necessarily would have equated with working with a candy company, so I thought that was sort of an interesting twist to innovation.

Robert Simpson: And credit to our company because we recognize that this is a sport fitness product and it was not a candy product and we were concerned about credibility. What’s a candy company like Jelly Belly doing making a nutritional product and so we reached out and UC Davis is just down the road from us, 23 minutes away, so Liz Applegate who is their Director of Sports Nutrition and runs that department is somebody that we contacted and hired to help us with the development of that.
Later she led us to working with UC Davis Sports Performance Laboratory and we clinically tested the product and of the competitive set that's out there and the carbohydrate fueling product lines, we discovered that we were one of only two companies that actually had tested the product, clinically tested it, and it does work as planned. And so we have a white paper, American College of Sports Medicine is going to be talking at that at their summit this June and we have done what we hoped to do and that's establish credibility for a product that does work and there is science behind it to prove it.

**Dean Linda Livingstone:** And that product is actually sold I understand sort of in different parts of stores or in different kinds of stores than your regular jelly beans are?

**Robert Simpson:** Right.

**Dean Linda Livingstone:** So in terms of your distribution channels and the way you market the product, what did you have to do differently or how did that sort of stretch you as a company to be able to do that, beyond just developing a new product which you're very used to doing? It's very different marketing channels, distribution channels, and so how is that played out what have you learned from that?

**Robert Simpson:** Well we've learned all those things and it is a different product, it's in a different category, you're dealing with different distribution channels totally than what we we're used to selling candy at. So we had to, you know, retool, sort, and go to market differently. We developed associations with distributors that were in the sports nutrition category, we sold it through our core distributors where it made sense and then largely what we did was we made it a strategic decision to only put the product in the nutritional aisle and not in the candy department — we're marketing it to an entirely different consumer for a different purpose.

**Dean Linda Livingstone:** So there was clear differentiation of the brands and that?

**Robert Simpson:** Yes we did not want to confuse it to. So the endorser brand is Jelly Belly, no doubt but Sports Beans is the brand.
Dean Linda Livingstone: You’ve done also in recent years other partnerships; I’ve read about a perfume collection that connects to your Jelly Beans and Cadbury Schweppes has a soda pop collection and you’ve done some movie linkage, Harry Potter is probably the most famous of all of those. What led you to those kinds of partnerships and how do you choose which of those to take advantage of? Again, you’ve got such a great brand name, I’m sure there’s lots of people that would like to partner with your brand name. So talk about some of those, maybe pick one or two that are most interesting and then how do you make those choices?

Robert Simpson: I think it’s the power of Jelly Belly that has attracted many licenses to us and for all those reasons, licensing-out opportunities, we hired an agency called “The Licensing Company” and we are in our third year of doing a lot of different product lines both consumables and non-consumables in about 14 different categories marketed all over the world and so everything from fashion wear and domestics and to, you know, Bundt cakes on the freezer side or freezer pops or jelly—anything with Jelly Belly flavors are very, very popular, drink mixes, things of that nature. And so that program is a brand extension primarily and it just helps us take the equity we have in our brand and do those extensions and we’re doing it globally.

In fact we’re finding out that the popularity of Jelly Belly in the Asian markets. Japan in particular is just way over the top, the consumer reaction to some of the things that are being produced for the market, and we’re just getting started with that. Even though it’s three years, it takes a lot of development work up front. But so that’s important.

As far as the other brands, Cadbury Schweppes you mentioned, anything that we can do co-branded where we can take advantage of the strength in the equity of other brands and use our endorser brand in connection with the two has been a very powerful way to— the consumers have really adapted to that style. One thing I can tell you because we’re launching in next month is a partnership with Cold Stone Creamery and we’re making— everybody that knows Cold Stone well they reached out to us and we’re launching five of their base flavors that we’ve done. We’ve knocked and it’s just remarkable what we’ve done and so again you have that power of the dual co-brands that we can leverage.

Dean Linda Livingstone: So the Harry Potter series has been enormously successful and you all replicated or I’m not sure replicated is the right word there, Bertie Bott Cap Candy that they talk about in
the show. So were you approached to do that and how did that play out for you because that’s such a huge name and that series has been so successful?

Robert Simpson: We were hired as a contract manufacturer; I think Hasbro had the license from Warner Bros and Cap Candy, in particular, we had a contract manufacturing arrangement with-- to do the developmental work on the product. And it was a lot of fun, first of all to challenge our self as a company to knock off those flavors and there were some really weird flavors. I mean, there were things like sardine and black pepper which weren’t any problems but then there were some very imaginative and creative flavors that they had us do like vomit and earwax and booger and things that were actually mentioned as original Bertie Bott flavors in the book and so you have to use your imagination and I’m not gonna tell you that we used it naturally.

Dean Linda Livingstone: Now we actually had some of them and it was interesting, I will say.

Robert Simpson: I think more than anything its fun and just what you’re doing right now is just that people laugh and it brings a smile to their face and that’s what we’re all about.

Dean Linda Livingstone: You talked a little bit about China and you also are beginning to do some manufacturing overseas, so beyond, talk a bit about the decision to take your manufacturing overseas and how that’s playing out, why you made that choice and then also talk just about the markets overseas, but start with kind of the manufacturing decision.

Robert Simpson: I think that we’ve been toying with the idea of doing offshore manufacture and setting off shore because of the restrictions that we have, shipping finished goods from here overseas is not going to be a successful business model with the duties and tariffs certainly. We’ve been very successful with growing our brand on an international basis; we’re in 38 countries right now and there are many emerging markets where our product fits but the price is prohibitive in some of those markets so we can’t be price competitive and so the decision is to manufacture, set up manufacturing.

If you’re gonna be a global brand and a player you need to be in the market. So the question is where do we go and we chose Thailand for a number of reasons; we’re in a duty free zone in Rayong, which is
about 70 kilometers from Bangkok and the building is 95% complete. In fact, over the next three months, we’re installing equipment right now, manufacturing equipment right now, and we’ll be bringing that plant online so it’s a very busy time for us and a very exciting time for us right now.

The reason to do that, Thailand, one thing you can own the dirt, you can own the building; it’s the fourth largest sugar producing country in the world and we can have access to GMO-free corn syrup. Over there it’s Tapioca syrup, so we can make GMO-free products, which is very much in demand in many of the Western European markets, customers like Marks and Spencer, etc, clearly need those type of standards and so we have the capability of doing that, we don’t have that capability here in the US. So those are some of the driving forces, it’s centrally located there’s tremendous incentives that the Thai Government has offered; but they’re our employees, this is not-- we’re not contracting with somebody to do this on our behalf.

Dean Linda Livingstone: It’s your plant.

Robert Simpson: This is a Jelly Belly property, our building and our employees, trained to our standards and nothing will leave that facility unless it meets those standards.

Dean Linda Livingstone: So from sort of beginning to think about doing the manufacturing overseas to actually opening the plant, what’s that window of time that it’s taken to get to that point? Probably longer because you’re doing it yourself as opposed to contracting it.

Robert Simpson: Five years.

Dean Linda Livingstone: So it’s a long process.

Robert Simpson: It’s been a long process and we’ve learned a lot about Thai Government, Board of Investment Opportunities, we have all the way from applying for that. Luckily for us we’ve found a good friend, Mariani Fruit Company, which is located in Vacaville, the neighbor of ours, close to Fairfield had
ventured out years ago and had set up shop there and so that’s what started the discussion. So again it’s relationships.

Dean Linda Livingstone: Hence doors that were open there already.

Robert Simpson: Right, and they were very good. Mark Mariani said, “Let me tell you about what we learned and share with you what not to do,” and that really helped guide us and it helped make our decision that that was the right place to go.

Dean Linda Livingstone: So you mentioned that you’ve been extremely popular in China, what do you think drives that popularity, I mean obviously it’s a wonderful product and people love it but coming into a market like that that probably wasn’t really familiar with it Jelly Beans as much?

Robert Simpson: The reason that we’re so confident in our ability to enter new markets with a product that doesn’t exist, I mean and years ago it was-- I’ll use Germany as an example, they didn’t know what a jelly bean was, it was part of the western world had not reached them, there was no confectionary product that was even closely similar to it. In Canada, certainly, and in the UK, certainly, but not Germany and so-- but it’s that unique flavor profile and that taste and just that mouth feel that really resonated even with people that didn’t know the brand or the candy and so it was a challenge to us and we’ve grown that business over the years and we’ll be able to sustain that business and grow it further with our plant in Thailand.

Dean Linda Livingstone: Have you developed flavors for Asia or China different than here or what do they like that you don’t?

Robert Simpson: We’re looking forward to it.

Dean Linda Livingstone: You haven’t done it yet.
Robert Simpson: Yeah, no we’re looking forward to it. I mean years ago when we were in Australia, you know, they said, “Oh you gotta do a Vegemite bean,” and we did and it tasted just like it but nobody bought it.

Dean Linda Livingstone: It wasn’t such a good idea.

Robert Simpson: That’s our market research, we don’t really get too much involved; but we know that there are certain flavor profiles that work in certain markets whether it’s tropical flavors or whatever, fruit flavors that really do well and there’s some flavors that don’t do well. In some Asian countries root beer and licorice, they just don’t appreciate that at all. So we’re going to, you know, analyze it on a market by market basis and then we’ll develop flavors specifically for that market but there’s a good-- we make 50 flavors so there’s a good core group of choices that we think will work in any market.

Dean Linda Livingstone: What’s the most popular flavor or the top two or three?

Robert Simpson: Take a guess.

Dean Linda Livingstone: I read some stuff, let’s see, seems like cherry was close to the top somewhere.

Robert Simpson: Yeah cherry regained the number one position last year but prior to that.

Dean Linda Livingstone: I did pretty good.

Robert Simpson: You did excellent.

Dean Linda Livingstone: I probably cheated a little bit, reading some background information.
Robert Simpson: Prior to that buttered popcorn believe it or not was the number one flavor for three years in a row. Now that’s an interesting-- we were the first ones to ever attempt to do something like that, so you can imagine buttered popcorn <inaudible>.

Dean Linda Livingstone: Do you have any sense of what drove that flavor being so successful?

Robert Simpson: You know, the people that love it, absolutely love it and there’s a good part of people who do not like it but it’s kind of a love it or hate it kind of thing but there’s a lot of people who really love it and they’re addicted to it.

Dean Linda Livingstone: So they just buy a lot of it.

Robert Simpson: Go figure.

Dean Linda Livingstone: Well, you know, the markets out there, take full advantage of it, that’s sure. We talked a lot about the company, I would like to talk just for a few minutes before we close our discussion about your leadership style and how you go about doing what you do. It sounds like you love what you do and have a great passion for it, but the people that are listening to this will be business school students, alumni, our MBA programs, out in the business world, many of whom aspire to be in the kind of position that you’re in so, you know, share with us a little bit about kind of your philosophy of leadership. How you approach your job that might be interesting for someone else that’s interested in those kinds of roles?

Robert Simpson: I don’t really give that a lot of thought or what style, I’m told, you know, different things, I do subscribe to a couple of principles that I learned when I was with Raley’s and Raley’s had taught me well; that was a family-owned and -operated business. It’s really all about your own personal relationships you have with each other I think that I enjoy interacting with people and helping them achieve beyond their accomplishment goals. That gives me the greatest sense of pleasure. I’m not the expert and I’ve always made a practice of hiring a lot of smart people that I’ve surrounded myself with, much smarter than I am. But it’s all about the team, it’s all about the business and it’s all about what we can get accomplished together and I think that the one thing that I do bring and I insist upon is working
together is not an option that’s what we do and we all win together and we all help each other accomplish those things. So I think just that’s more my style, I see, you know, communication is such a critical element and the foundation of leadership and I think the more that you can be specific about the objectives that you set out, I don’t mess a lot with people’s methods in our organization, we’re a flight organization I have 17 direct reports as an example and many people would think that’s way too many to manage to. But it demonstrates the strength that we have, they all know what’s expected and they all work very, very hard to deliver to those expectations and go beyond in many cases; they just need a little bit of direction from me, I largely stay out of their way and I root very, very hard for them. But one thing I do, do is I make sure that it’s a collaborative effort and we work across all disciplines in the company to achieve those goals.

Dean Linda Livingstone: I’m actually teaching a class this term and in our full time MBA program and it’s on teams and one of the things we’re spending a little bit of time talking about is top management teams. If you have 17 direct reports, you actually have a very large group and I don’t know if there’s a set of those that you maybe consider more of the top management team or not, but how do you go about selecting people into those roles that report to you? What do you look for in those people that you find to be successful and to make it that collaborative approach that is important to you?

Robert Simpson: Well I look for certain unique qualities that assuming skill sets or equal-- I’m always looking for someone that will fit into our organization and I can tell just how, you know, in interviewing processes to tell how sincere and how, you know, if they have a too big of an ego, if they have their own personal agenda, it just won’t work. They have to know that the owner of the company if he sees something on the floor, a mess, he stops and cleans it up and if something’s broken, he stops and fixes it and so there’s nothing beneath him that he won’t do and that applies to rest of our group. So our culture is very, very unique in many, many ways and it’s my job is to maintain that culture because it’s what’s made us successful. So I look for people that will fit in and you just get a sense for the type of personality, the type of work ethic, what drives certain individuals and whether they’re going to be a good addition to the team and work well with others.

Dean Linda Livingstone: Our mission in the business school at Pepperdine is to develop values-centered leaders and so we spend a lot of time helping people think through their values and how those influence what they do in an organization and the kind of leader that they’re going to be, you know, if you
had to kind of pick a couple of values that are most important to you in the roles you play in the organization and as a leader, what might those be?

**Robert Simpson:** Well I think honesty and just being true to yourself and making sure or ensuring that everything that you do is for the right reason and not for just your personal gain.

**Dean Linda Livingstone:** I think that's a wonderful way to conclude our discussion today and really appreciate you being with us and I know that our listeners will enjoy so much hearing your insights and learning a bit more about you and the way you lead at Jelly Belly, so thank you so much for being with us.

**Robert Simpson:** It's been a pleasure, thank you.

**Rick Gibson:** Well Linda that was certainly a lively interview.

**Dean Linda Livingstone:** Well as Robert Simpson told us, it's very difficult to talk about Jelly Beans without having a lot of fun in the process.

**Rick Gibson:** Yeah and a smile on your face; well that's terrific, tell us a little bit about the next speaker and I believe this is the last one in the series.

**Dean Linda Livingstone:** It is, we close out the series this year with Steve Lopez who is a columnist with the *LA Times*, so a bit different profile than many of our speakers but we know it will be a very interesting and I think another lively conversation as he looks at what's going on with the media and as it relates to business.

**Rick Gibson:** No doubt, well let me invite our listeners to find out more about the Deans Executive Leadership Series Podcasts by visiting our website at [bschool.pepperdine.edu](http://bschool.pepperdine.edu). Until next time, this is Rick Gibson, thank you for listening.
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