

Adrian Hall, Chris Jones, David Gidley, Leah Parrino

The Market Basket Fiasco





Background Legal Marketing Managerial **Financial Economics Ethics**

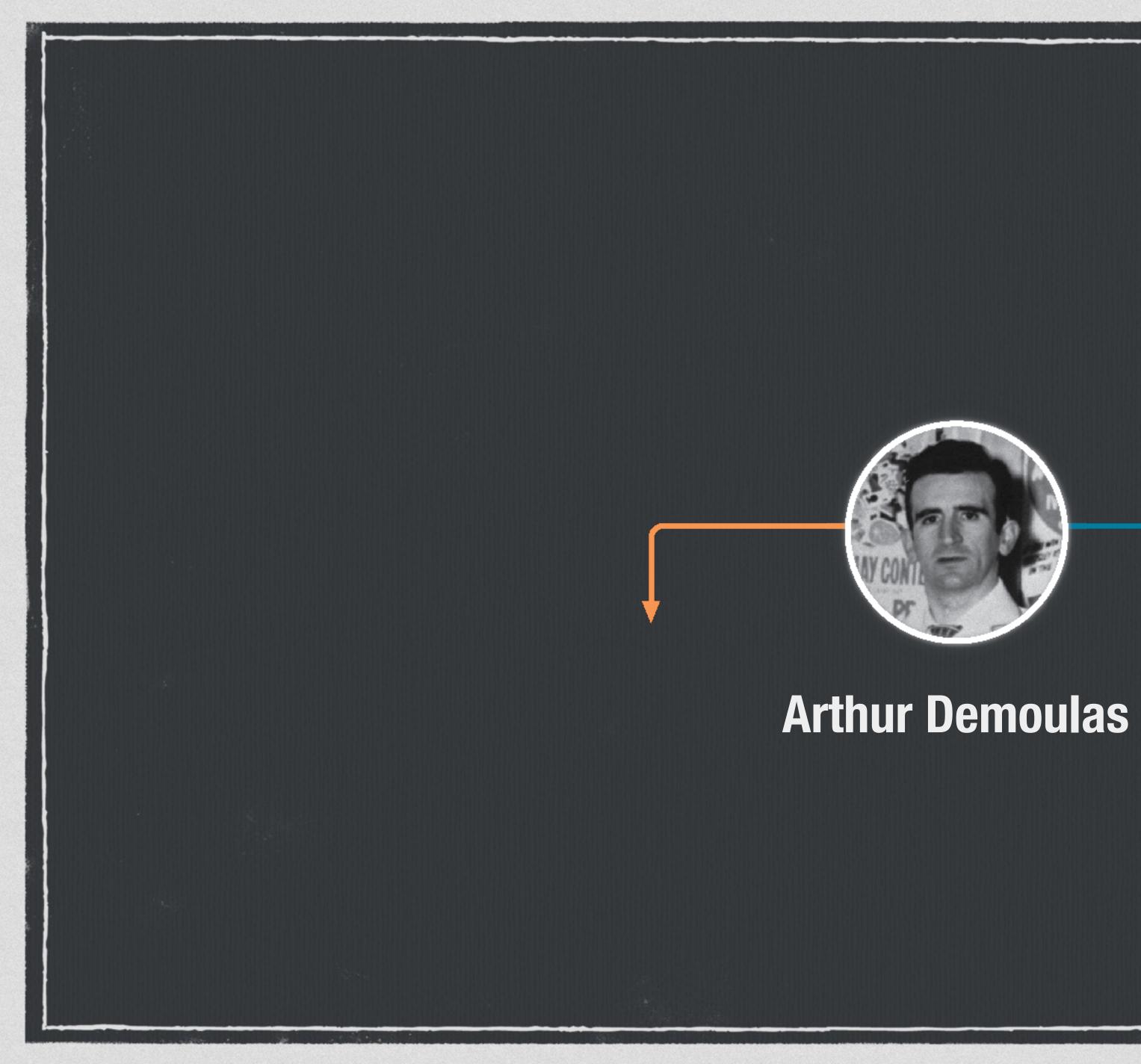
Overview



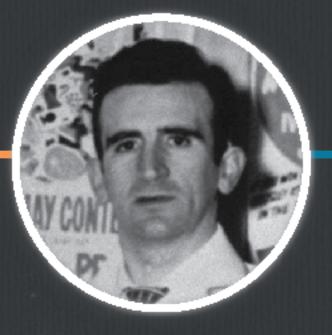
A Brief History

With graphics from "The Boston Globe"











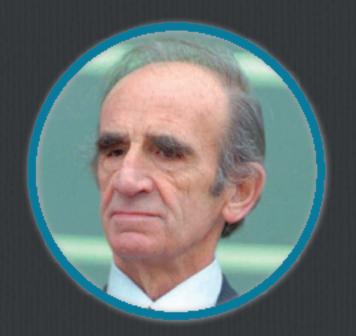
George Demoulas





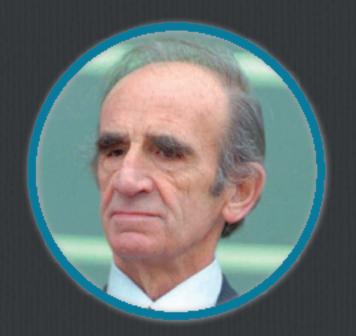


George Demoulas





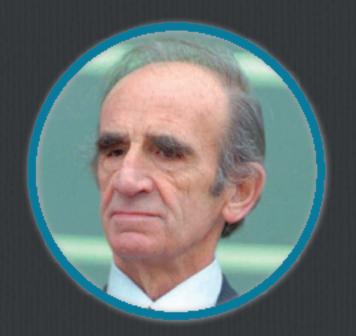
George Demoulas







Arthur S. Demoulas







Arthur S. Demoulas





Arthur T. Demoulas





Arthur S. Demoulas



Arthur T. Demoulas



The Summer of 2014



Third Parties / Beneficiaries

citizens were a third party in this situation

employee boycotts and customer refusal to go to Market Basket



- All Market Basket customers, employees, vendors, and any other concerned
- □ The role of third parties was prominently shown through the highly televised



Employee Protection / Labor Laws

- Market Basket is NOT unionized
- Business was doing so badly in their stores that they were not giving employees any hours, meaning they weren't being paid
- could be fired if they continued their actions against the company

Employees involved initially in the strike were fired and others were told they





Damages

Market Basket lost:

- Money from the lack of sales at their stores
- Employees who were dissatisfied with the company
- -The potential for increased profits by allowing Arthur S. to run the company
- Vendors who needed to seek other business



Alternate Dispute Resolution

□ Market Basket was able to settle this conflict by allowing Arthur T. to buy the remaining 50.5% of the company that he did not own

The company was valued at \$3 to \$3.5 billion dollars, and he bought the remaining shares which were worth \$1.5 billion



Ethical Concerns Within Legal Issues

- Demoulas
 - which would have saved employees' jobs and paychecks
- of the company at a much lower cost?

From the beginning, the company dealt with the unethical behavior of Mike

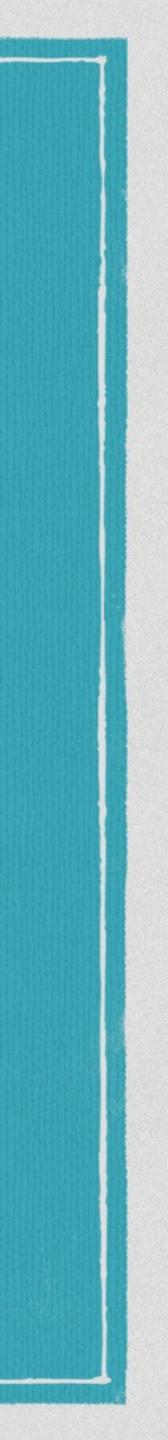
□ Arthur T. could have done more to prevent the boycotting from escalating —

□ Was this all just a plan implemented by Arthur T. to get control of the remainder

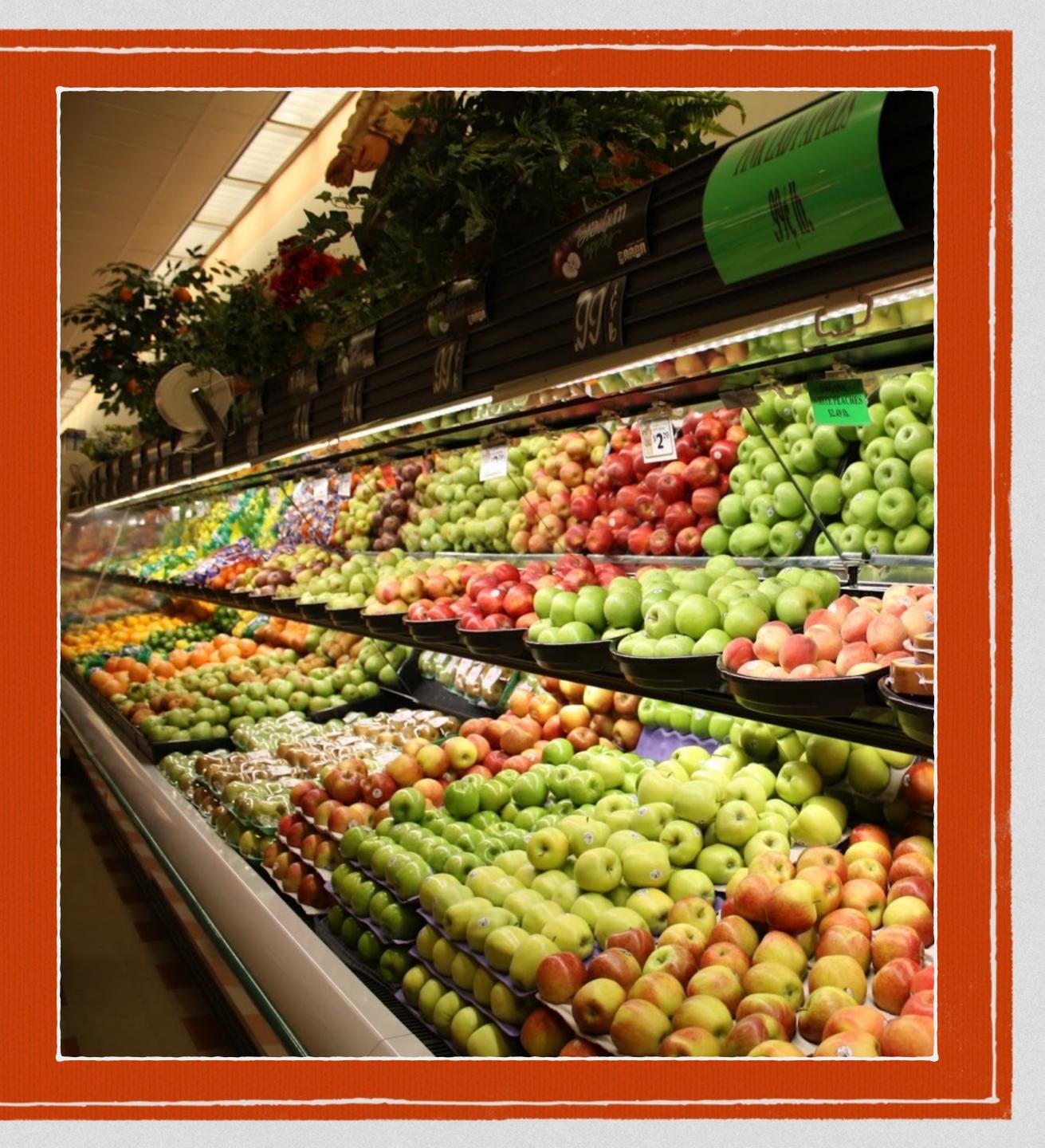


"As a private, for-profit company, the Demoulas family members certainly have the right to run the company any way they want to. Certainly, it's up to them if they want to raise prices, pick a new CEO, or boost their own dividends."

-John Chesto (Boston Business Journal)



Common Marketing Issues



Market Segmentation

- **Coupon clippers**
- **Positioning:**
 - > 71 Locations in Massachusetts, New Hampshire, and Maine
 - Lower Income areas >
 - >

Target Market: Lower Income Families, Families in general, 18 and above,

Place themselves in plazas that carry amenities that they don't offer



- **Skimming Based Pricing**
- Lowest prices that can be seen in most New England Super Markets
- Don't raise their prices after setting them
- Prices set for retention of customer loyalty
- Arthur T. is more concerned with keeping this customer satisfaction than he is about gaining larger profits

Pricing



Customer Relationships

- Market Basket
- customer loyalty that they have established.

Customers, being one of the largest stakeholder groups of Market Basket, are very devoted to the lower prices, friendly faces, and quality food provided by

Arthur T. Demoulas finds that their biggest help in sales is because of their



Free Marketing Opportunities

□ We Are Market Basket And We Need Your Help!

Social Media

Blogs >

Twitter >

Website >



Ethical Concerns Within Marketing

- Arthur S. wants to raise prices to keep normal revenues to match other stores in order for the company to do well.
- Arthur T. wants to drop prices and bring in more customers and keep the loyal customers in order to gain more revenue in the future.
- Both have the same goal, just different ways of getting there.



Managerial Issues



Managerial Challenges

The biggest change will be the loss August 27th.

- > How many customers will stick to the grocery store they switched to?
- > Will vendors continue to stock Market Basket Locations or will they find the disagreements within the company to risky of behavior?
- > Will store managers be trust worthy to higher management after their actions during the protests?
- > Are relationships of employee to manager or customer to employee going to be different now that the stores are back open?

The biggest change will be the losses that were suffered from June 23rd to



Managerial Functions

- in by the board and Arthur S.
- employees and products
- jobs
- stand together to protest for ownership belonging to Arthur T.

Planning will have to happen between Arthur T. and the two managers brought

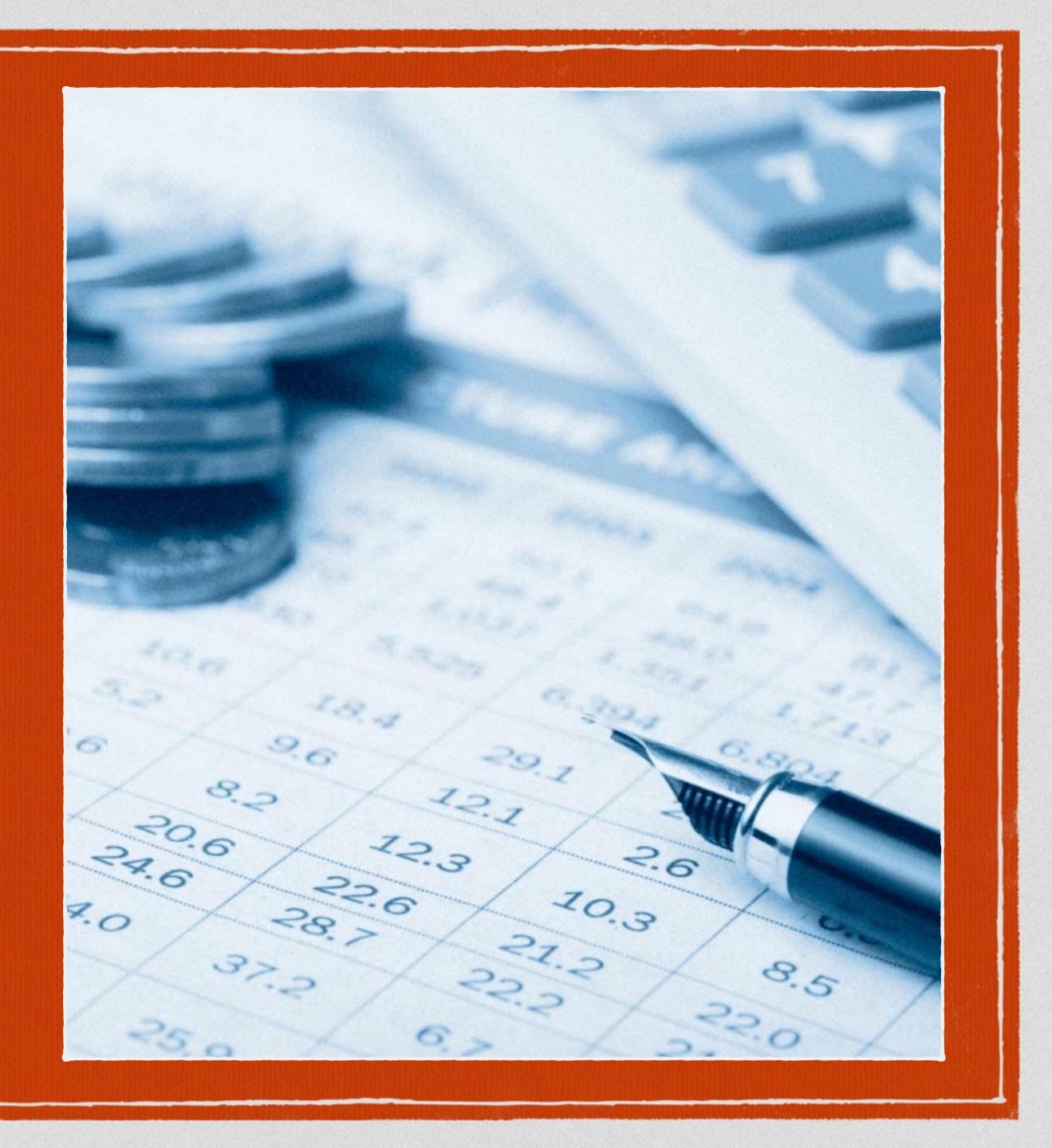
Organization will have to be resolved after all the shelves have been empty of

Regular schedules will have to be reworked if employees found other part time

Relationships will have to be reworked between all employees, even if they did



Financial Issues



Revenues

- □ At 10% of their normal revenue numbers.
- Approximately \$10 Million in daily revenue losses throughout the entire conflict.
- Projected revenue losses after the conflict.





- Contractual obligated food purchases.
- Spoiled food waste.
- Extra expenses to recuperate inventory levels.
- company.

Expenses

New expenses brought on by Arthur T. purchasing remaining portion of the



Economic Issues



Vendor Finances

- Market basket signed contracts to receive steady influxes of corn and other products.
- Pleasant Valley Gardens could have went out of business without purchases from Market Basket.
- □ On average Market Basket purchased \$6 Million of Seafood weekly.
- □ Many companies were thinking of layoffs if boycott continued.



- Supply but no demand for the products.
- Shopping was limited during the strike.
- Price could not be lowered to bring people in.
- Other stores could have potentially raised prices with the influx of new customers they were receiving.

Supply & Demand



Impact throughout New England

Stores surrounding Market Basket saw declines in business.
 Gas prices in New England were impacted.

□ Unemployment numbers were impacted.



they walked out.

- 8 people were fired because they helped organize the walk out.
- Executives threatened to fire people that did not attend work throughout the conflict.

Labor vs. Management

Employees were not happy with having Arthur T. pushed out of the company so



Labor vs. Management Employees vs. Executives

- Employees were not happy with having Arthur T. pushed out of the company so they walked out.
- □ 8 people were fired because they helped organize the walk out.
- Executives threatened to fire people that did not attend work throughout the conflict.



- Market Baskets family history resulted in highly emotional decisions. □ Arthur S. and Arthur T. could not set aside their family dispute to mutually focus
- on the business.
- Making these emotional decisions affected almost all of New England.
- Both sides had valid business arguments, but the emotions of the employees and customers prevailed.

Business vs. Emotion



Final Thoughts



Final Thoughts

- Both sides ethically thought they were doing the right thing.
- Were the employees influenced by something or someone to boycott Market Basket?
- Was the board influenced by the employees decision to boycott the company?
 Could Arthur T be a utilitarian, while Arthur S followed more of a deontologist
- Could Arthur T be a utilitarian, while approach



Slide 4 – 10:

Slade, Hollie. "A Tale of Two Bad Guys." Forbes 29 Sept. 2014: 88-91. Print.

Dinardo, Bennie, James Abundis, and Patrick Garvin. "A Market Basket History." BostonGlobe.com. The Boston Globe, 22 July 2014. Web. 01 Oct. 2014. Slide 12:

"How Do Unions Work?" Union Plus. Union Privilege, n.d. Web. 28 Sept. 2014. Slide 13:

Fernandes, Deirdre. "Market Basket a Rare Case in Labor World." BostonGlobe.com. The Boston Globe, 12 Aug. 2014. Web. 27 Sept. 2014. Slide 15:

Slade, Hollie. "A Tale of Two Bad Guys." Forbes 29 Sept. 2014: 88-91. Print. Slide 19

"Locations." Market Basket Supermarkets of New England. N.p., n.d. Web. Slide 22

"Live News." Market Basket Supermarkets of New England. N.p., n.d. Web. Slide 22

Fox, Jeremy C. "Market Basket Employees Demand Return of Ousted CEO - The Boston Globe." BostonGlobe.com. Boston Globe, 14 July 2014. Web.

Slide 25

"The Market Basket Timeline from Ousted to Today." Market Basket Supermarkets of New England. N.p., n.d. Web. Slide 28

Ross, Casey, and Erin Ailworth. "No Decision from Market Basket Board on Demoulas Buyout Bid." BostonGlobe.com. 26 July 2014. Web. 20 Sept. 2014.

Slide 29

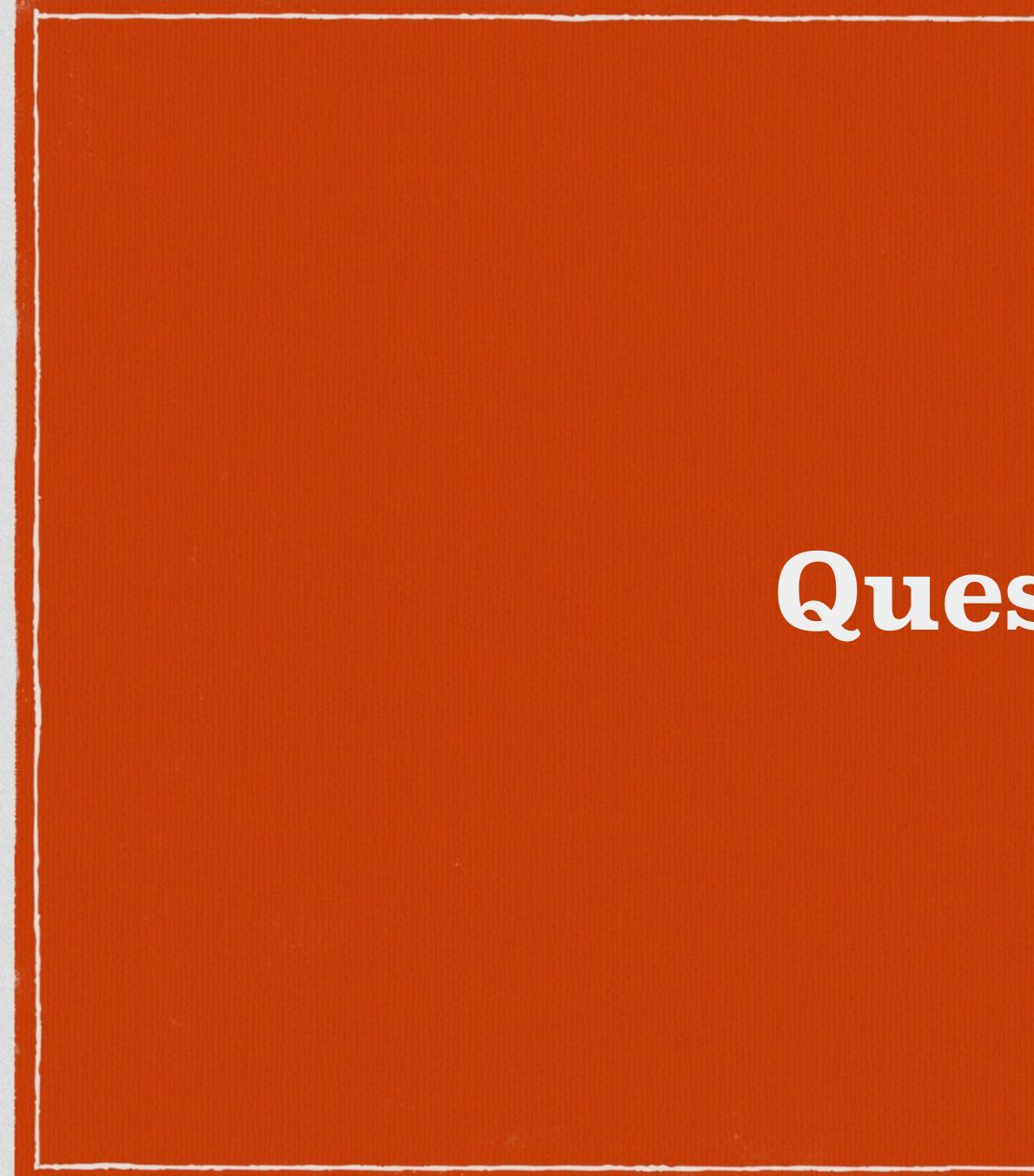
Slade, Hollie. "Inside The Billionaire Family Feud That Nearly Killed Market Basket." Forbes. Forbes Magazine, 9 Sept. 2014. Web. 21 Sept. 2014. Newsham, Jack. "Market Basket Vendors Hurt by Work Stoppage." BostonGlobe.com. 24 July 2014. Web. 20 Sept. 2014. Slide 31

Newsham, Jack. "Market Basket Vendors Hurt by Work Stoppage." BostonGlobe.com. 24 July 2014. Web. 20 Sept. 2014. Slide 32

Welker, Grant. "Market Basket Boycott Affecting Neighboring Stores, Too." Sentinel and Enterprise. 18 Aug. 2014. Web. 20 Sept. 2014. Slide 38

Rainbow, Catherine. "Principles and Theories." Principles and Theories. Biology 372 at Davidson College, 2002. Web. 01 Oct. 2014.





Questions?

