



The Market Basket Fiasco

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Overview

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Ethics

A Brief History

With graphics from "The Boston Globe"



Arthur Demoulas



George Demoulas



Mike Demoulas



George Demoulas



Mike Demoulas



George Demoulas



Mike Demoulas



Arthur S. Demoulas



Mike Demoulas



Arthur S. Demoulas



Arthur T. Demoulas



Arthur S. Demoulas



Arthur T. Demoulas

The Summer of 2014

Third Parties / Beneficiaries

- All Market Basket customers, employees, vendors, and any other concerned citizens were a third party in this situation
- The role of third parties was prominently shown through the highly televised employee boycotts and customer refusal to go to Market Basket



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
- Employees involved initially in the strike were fired and others were told they could be fired if they continued their actions against the company

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

- From the beginning, the company dealt with the unethical behavior of Mike Demoulas
- Arthur T. could have done more to prevent the boycotting from escalating— which would have saved employees' jobs and paychecks
- Was this all just a plan implemented by Arthur T. to get control of the remainder of the company at a much lower cost?

“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

- Target Market: Lower Income Families, Families in general, 18 and above, Coupon clippers
- Positioning:
 - > 71 Locations in Massachusetts, New Hampshire, and Maine
 - > Lower Income areas
 - > Place themselves in plazas that carry amenities that they don't offer

Pricing

- 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

Customer Relationships

- 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 Market Basket
- Arthur T. Demoulas finds that their biggest help in sales is because of their customer loyalty that they have established.

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 losses that were suffered from June 23rd to 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?

Managerial Functions

- Planning will have to happen between Arthur T. and the two managers brought in by the board and Arthur S.
- Organization will have to be resolved after all the shelves have been empty of employees and products
- Regular schedules will have to be reworked if employees found other part time jobs
- Relationships will have to be reworked between all employees, even if they did stand together to protest for ownership belonging to Arthur T.

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.

Expenses

- Contractual obligated food purchases.
- Spoiled food waste.
- Extra expenses to recuperate inventory levels.
- New expenses brought on by Arthur T. purchasing remaining portion of the company.

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 & Demand

- 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.

Impact throughout New England

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

Labor vs. Management

- 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.

~~Labor vs. Management~~

Employees vs. Executives

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Business vs. Emotion

- 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.

Final Thoughts

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- 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 approach

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Questions?

