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Kraft Chief Has History of Success

By [WILLIAM NEUMAN](#)

When Irene B. Rosenfeld, the chief executive of Kraft, was studying marketing at Cornell in the late 1970s, she was determined to get as many people as possible to respond to a survey she mailed out as part of her Ph.D. research on how consumers choose products.

So she attached a crisp \$1 bill to the surveys, to entice people to fill them out and mail them back.

Ms. Rosenfeld now has a much bigger budget, but she is still working hard to convince people to go along with her plans.

Kraft has just had its \$16.7 billion offer for [Cadbury](#), the British candy company, rebuffed — but Ms. Rosenfeld appears determined to push the deal forward.

She flew to London last month to lay out her merger plans to Cadbury's chairman, Roger Carr. After the Cadbury board brushed off the overture, she decided to make the offer public on Monday in hopes of forcing the company's hand.

In public comments she has insisted the deal would benefit the shareholders of both companies. And when Cadbury insisted the offer undervalued the company, Ms. Rosenfeld said that the chocolate and gum maker had far less potential to grow on its own. .

“This announcement just shows how ambitious she is,” said Erin Swanson, an equity analyst at [Morningstar](#).

“She's not content with the status quo. She's striving for continuous improvement and looking to stir growth in what has been a more mature business.”

The events have set the stage for a bidding war, meaning Kraft might have to pay substantially more if it wants

to acquire Cadbury.

Anticipating that possibility, investors bid down Kraft shares, which dropped nearly 6 percent on Tuesday, closing at \$26.45. Cadbury shares, as measured in depository receipts, soared almost 40 percent, closing at \$51.88, a gain of \$14.42.

Analysts said that several other companies could also bid for Cadbury, including Nestlé and Hershey's.

The coming battle will certainly test Ms. Rosenfeld's leadership of the company she took over in 2006, vowing to revive sluggish sales of its brands, which include Oreo cookies, Oscar Mayer lunch meats and Velveeta cheese.

Analysts said that the company's results in the last two quarters were promising.

"There seems to have been some evidence that she has in fact started to turn things around," said Matt Arnold, a consumer analyst with Edward Jones, a retail brokerage firm based in St. Louis.

Ms. Rosenfeld has said she wanted to encourage innovation by giving managers at many different levels of the company more power to make decisions and try new things. Mr. Arnold said that appeared to have made the company more nimble and quicker to introduce new or expanded product lines.

He said Kraft had success with an expanded line of DiGiorno frozen pizzas, which the company now sells in single-serve packages and in a premium variety. It has also revamped its Maxwell House coffee blend and packaging and has begun selling Oreo Cakesters, a snack cake based on the cookie.

"They just found ways to cater to consumer wants a little more, and the bet paid off," Mr. Arnold said.

Ms. Rosenfeld also turned back earlier efforts at cost-cutting that hurt the quality of the company's products. For instance, she insisted on adding more cheese back into the mix for the company's signature Macaroni and Cheese, after it had been cut back to save money.

While the Cadbury deal would be by far her biggest move to date, Ms. Rosenfeld has not shied from buying and selling. She sold the underperforming Post cereals division to Ralcorp for \$1.7 billion in 2007, and in the same

year paid \$7 billion for the cookie unit of the French company Groupe Danone.

Several analysts said that a Cadbury acquisition could make sense for Kraft, which would greatly expand its confectionery business. Cadbury would also give it strong sales in emerging markets, like India, where the chocolate maker has strong sales and has seen impressive growth.

But they cautioned that those considerations could change if Kraft winds up paying significantly more.

Ms. Rosenfeld, who declined to be interviewed for this article, began working for Kraft in the early 1980s. She soon became a marketing manager with responsibility for Kool Aid and helped increase sales, in part by changing television ads aimed at children that featured a rock and roll soundtrack. She had similar success with Jell-O and was later made head of Kraft's Canadian and then North American divisions.

But she left the company abruptly in 2003. In 2004 she was hired to be chief executive of [PepsiCo's](#) Frito-Lay division. But two years later she returned to Kraft, this time as chief executive. She was named chairman in 2007 and now holds both posts.

Ms. Rosenfeld's thesis adviser at Cornell, Vithala R. Rao, still teaches marketing there, and said on Tuesday that he recalled the \$1 bills and the innovative way his former pupil conducted her thesis survey nearly three decades ago (she received her Ph.D. in 1980).

Mr. Rao said the trick worked, with the survey getting a higher response than might have been anticipated without the incentive.

Mr. Rao recalled that she "always exhibited initiative in doing things," adding that "she obviously has done extremely well."

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