



The University of Vermont
SCHOOL OF BUSINESS ADMINISTRATION

1st ANNUAL

FAMILY ENTERPRISE CASE COMPETITION
(FECC)

9 – 12 January 2013

Ruma's Fruit and Gift Basket:
Will Dad Ever Retire?

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Ruma's Fruit and Gift Basket: Will Dad Ever Retire?

In January 2012, Andrea Ruma was trying to figure out how to have “the succession conversation” with her father Jim. Jim was seventy-two years old but still going strong in running the family business. Andrea assumed that he would soon have to slow down, and she assumed that she was expected to take over the business. But, she was not sure because they never really discussed it. Andrea was the youngest of Jim and Mary Ann’s three children, but her sister Kate had her own acupuncture business and her brother Mark had health issues. So Andrea was seen as becoming the manager.

In truth, at times she was not even really certain what the business actually was because her father had nothing written down. Everything was kept in his head. Andrea had determined that there were at least five different businesses under one roof; but when she asked to see the financials by business, her mother, who kept the books, always said don’t worry about the numbers. To complicate the situation, the company was located in Chelsea, Massachusetts, while Andrea lived in Los Angeles, California. After several years teaching middle school in East LA for a parochial school in a rough neighborhood, her father Jim convinced her to come home and get involved with the family business. She agreed; but not wanting to leave her eventual husband Mike in California, she began commuting between the two coasts to get involved in the company. As part of the agreement with her parents, she would come home for the six weeks before Christmas, which was an intense time for the company as it did almost all its gift basket business in those six weeks. For three years she had worked this way; but as she got more involved with the company, she was trying to sort out what her future with the company was.

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She was not sure where the company was going, and she was not certain where she stood. She was tired of the commute and she wanted some insight and answers. Every week for the last year, Andrea had tried to engage her father in a serious discussion about the business and succession. She even tried scaring her father by invoking the name of her great grandfather Giacomo, who had founded the business in 1900. Giacomo had been crossing the street one day when he was hit and killed by a bus. Andrea related:

I told my father that he was fated to pull a Giacomo – go out one day and get hit by a bus. If that happened, I said, no one will know the deals and discounts you have given to the various customers. Nothing is written down. Dad, I implored, you can't pass down handshakes.

Company History

In 1900, Sicilian immigrant Giacomo Ruma founded what would eventually become Ruma's Fruit & Produce and then Ruma's Fruit & Gift Basket World. As a fruit and vegetable peddler, Giacomo owned his own pushcart in Haymarket Square in Boston. Each morning Giacomo



arrived at 3 AM to purchase his inventory for the day. Alongside vendors of fresh crabs and other fresh fish, Giacomo would peddle green beans, tomatoes, apples, oranges, potatoes and more. In the evenings, he would prepare the pushcart for the next day's work, cleaning off the fruits and vegetables to be presentable and making any repairs on his pushcart.

Giacomo Ruma offered his customers some of the best fruit and produce in the area and because of his dedication to keeping prices fair and offering a variety of produce, the people of the neighborhoods were loyal to him and his pushcart. What we today would call an 'old fashioned work ethic' was simply part of Giacomo's personality.

Giacomo had originally started the business with his two brothers, but they had a falling out. So Giacomo ran his business and his brothers started their own. Giacomo ran the business until he was killed in the accident in the 1940's and the business was taken over by son Dominic.

The Second Generation

Under Dominic's leadership the business evolved from a push cart to become a wholesale produce delivery company supplying small markets, restaurants and sub shops throughout the local Boston area. Dominic moved the business to Chelsea, an industrial city just outside of Boston, where he acquired a large warehouse. At that time, Chelsea was the produce center of greater Boston.

According to Jim,

In 1955 my father had one truck he did it all by himself. He had three Parone's restaurants. They were big seafood places, when you came to Boston you went to Parone's. He had Park Square, Washington Street and Stuart Street, and they were big but not huge. He had Jacob Wirth, and Phil and Mike's little sandwich shops, and Carl White's little store. But then he lost Parone's and that was pretty much like the end of his whole business. He had all his eggs in one basket; knocked us right on our tail. We were just going from day to day. I was fifteen years old then and I would go out on Saturdays. I would go out and try to get new accounts. When I got out of high school I went to prep school and college. I'd come home and sell during vacations from college but the business just sort of bumped along through the 1960's.

Jim Joins Dominic

In 1968 after two years in the Navy, Jim started his own nursery business. But Dominic put pressure on Jim to come into the produce business, so Jim joined his father Dominic full time.

Jim helped his father Dominic to aggressively expand the business with new hotel, restaurant, and college accounts. Jim would get the orders out with the trucks in the morning and then put on a coat and tie and go out on sales calls in the afternoon to get new customers.

Jim's sales efforts paid off, and after just two years they were selling in a week what Dominic had been selling in a year by himself. They were selling fruit and produce to almost every college in the city of Boston, and they had added frozen foods and foreign exports as well. They also expanded to export to Bermuda by air: every day by air and then every other week by boat. That business thrived through the 70's and into the mid 80's.

But their success came at a cost. There was tension between father and son. One source of tension between them, for example, was that Dominic disliked credit and credit cards and he had a cash only policy. Jim, however, favored credit and used it to increase sales. Dominic did not like the changes that Jim was bringing to the business while Jim felt that his father had an "old school" business philosophy that was holding the business back. The result was constant tension between them as they fought over these changes. It was clear to the family that the management and the path to transition of the business from Dominic to Jim was a rocky one.

As Jim recalled,

I think he was jealous because we went from zero to big; two trailer trucks and nine straight trucks; we were selling to everybody. He couldn't conceive of what we were doing. It was just beyond him. He'd say you have to get more sub shops. I'd say dad, sub shops buy a bag of onions, a case of tomatoes and a case of lettuce, whenever they buy, it's just three things. My way trucks were going out with pallets of stuff to Tufts and all the colleges. He really couldn't handle it.

Succession to Jim

In the mid-eighties Dominic and Jim began the succession process, and they structured a buy-out and payment plan for the business. Dominic then “retired”. While he had no clear responsibilities or job requirements, he maintained a desk in the office and continued to “work” in the business. It was clear to Jim that Dominic did not want to let go. This arrangement continued until Dominic’s health issues drove the succession process to a conclusion and Dominic actually retired.

After this, things seemed to be running smoothly within the family until 1988 when Dominic’s wife, the matriarch of the family, passed away. With her passing, a moderating force was gone and underlying family tensions over the business bubbled up when Jim’s siblings brought a lawsuit against him. There were accusations from both sides. The siblings contested the structure of the buy-out and payments to Dominic while Jim believed that his siblings had taken advantage of an elderly grieving man.

As Jim put it, “None of them had ever even set foot in the building or worked a day in their life in the business but now they felt entitled to reap the benefits of ownership and have a stake in the business.”

The net result was that the lawsuit was settled with Jim buying the business from the family members. After the buyout, all relationships with his siblings were severed. Jim gained unquestioned ownership and control of the business.

Jim Takes Control

Under Jim’s watch in the late eighties, the first of a series of business stresses came when J. Bildner & Sons, a client with a chain of grocery stores went bankrupt. Jim stated, “Bildner’s really knocked us for a loop. When they went bankrupt we were struggling. We had to pay all

the bills and we had no money from those people, so that knocked us back. We almost never recovered from that.”

Ruma’s did however manage to continue but there were changes in the industry. The produce market had many new competitors and sales outlets, and produce had become a price sensitive commodity. Ruma’s continued but they were under significant pressures as the produce market become more competitive and commodity driven.

Jim recalled, “We did dig out with thanks to the college accounts but everything was going to bids. They were very low margins. So I saw what was happening, that everything was going to bids and so I sort of said to myself that when Harvard University goes to bid we’re getting out. We did a lot with Harvard but with bids, you’re dealing with no margins.”

In the early 90’s Ruma’s phased out the wholesale produce business and rented most of the building space to another produce wholesaler. Along with the rental space, they also turned the majority of their accounts over to their new tenant. With the sale of the wholesale business Jim managed to keep two small parts of Ruma’s produce operations. Jim kept the small mail order fruit basket business and the “filler” operation. Both of these businesses had been started opportunistically.

Andrea related the story, “Jim received a call from a customer who asked if he would pack up some fruit and send it off as a gift to one of his clients. The next thing you know we have a gift basket business. Jim just figured that if one person wanted a fruit basket others did as well, and he ramped the whole thing up. It’s been a great business for the family.”

Mary Ann added, “When I came in 1993-94 some days we would sell two baskets a day. Then we started marketing with a catalog and we would sell 10-12 baskets a day and sometimes 20. We just kept at it. And now it’s very different.”

Jim also had fallen into the specialty on-call “filler” delivery service providing fast order deliveries of produce to grocery stores. Because of his network of clients, Jim had received a frantic call from a large chain store manager who was out of tomatoes and could not get refilled from the corporate warehouse for several days. He needed help and Jim jumped in. Jim decided this might be a good business because these were small higher margin orders that required fast delivery to assure that the grocery store shelves remained stocked between regular deliveries.

Jim described the business, “We kept the chain store deliveries for fill in, direct store deliveries where when Stop & Shop ran out of cherries they call us up and give us orders for cherries to deliver to certain stores or it could be Shaw’s, it could be Victory, could be Food Master. We get the order, buy the product and deliver it. We don’t inventory anything.”

Jim the Entrepreneur

With the changes in the industry and the business Jim looked for new opportunities. Andrea commented, “Jim is always looking for and willing to make a deal. It doesn’t matter what it is, if a customer asks Jim for something the answer is yes. He’s very entrepreneurial.”

One opportunity that Jim saw where others saw little was in pallets. Jim realized that most of the pallets that came with fruit deliveries and other bulk deliveries were discarded. Some of the pallets that Ruma’s would throw away would be picked up by someone who then in turn would sell them back to a pallet company. Jim asked,

What are we doing that for? We’ll just sell them ourselves. Now truckers would bring the pallets in to us and we would repair them and we ship them out. We started the wooden pallet company and that kept expanding and now we have eight people fixing pallets and we ship all over New England. So that’s working out. Just started it on a whim and we are doing very well now.

Jim was known for his entrepreneurial spirit, and Andrea credited Jim's entrepreneurial spirit and drive with getting the family involved with new opportunities. Some of the businesses worked, while others did not. Andrea talked about one failure.

Mike and I were getting married and I wanted two trees to adorn the aisle. So Jim bought 400, figuring he could sell the rest. They all rotted in the parking lot.

Others did work, such as the specialty business of selling fiddleheads and blueberries. Jim had access to suppliers with whom he had over time developed relationships with so he thought he would try selling them. There happened to be a market in Boston for them so it has remained a seasonal business for Ruma's.

Jim loved negotiating and making deals. He would spend hours on the phone trying to negotiate a supplier down on price. Andrea remarked, "Nothing makes him happier than to wheedle down the price of something. He got the Godiva chocolate supplier to take a nickel off the price – it made his day. He got off the phone and said this is child's play. This is really fun. He acts more like a trader than a wholesaler."

While Andrea appreciated her father's entrepreneurial "can do" attitude at times she also saw a downside to it. As Andrea stated,

It's great that Jim is always willing to make a deal but it gets difficult and can create problems because he doesn't always tell anyone else what he's doing. We'll get a call and a customer will say, well Jim said he'd do whatever it was, but nobody else except Jim knows about it. While it's great that Jim has the entrepreneurial spirit, and we've been fortunate enough to inherit that gene, it's difficult because the business is all Jim. With no strategic plan if something happens to Jim, we're in trouble.

Andrea

Jim was always very open and clear in his desire that he wanted Andrea to join the family business. He told her to get a business degree and join them. But the family business was not in Andrea's vision of the future. Andrea rebelled and went off to a liberal arts college. After graduation she had a calling and found a social mission as a tutor to prisoners. This experience crystallized her vision to become a teacher. For the next 10 years she was a teacher in a number of low income areas, five of them in the inner city of LA.

Jim and her mother Mary Ann always let her know about their desire for her to join them and her brother Mark in the business. As her mother would say, "Try it for a little while, then you'll know if you like it or not." She did think about it, but it was not for her.

In 2008 as Andrea was entering her 11th year as a teacher there was a turning point for her. Funding for the inner city schools was in question and she found herself looking for a job. Jim, ever the entrepreneur, jumped on the opportunity to tell Andrea all the things they could do in the business if she joined.

So Andrea thought,

I looked at the position at Ruma's as something unique that not a lot of others had the chance to do. When will I ever have a chance to try something so different from teaching? I didn't necessarily feel the pressure of "Who will inherit this if you don't go work there?" as is depicted at times in a family business scenario. I think I wanted answers: what happens if I am 50 years old, wondering what would have been if I had 'tried my hand' at Ruma's?

With the support of her family and Mike, she decided that although she had no business experience and no idea what she was getting into she joined the family business. Andrea was given responsibility for the gift basket business and came to realize that the gift basket industry

was in transition. She felt that Ruma's needed to change from its reliance on catalogs to developing sales and marketing more on-line. Andrea found that the greatest business area that required her attention was technology. She needed to devote a significant effort to web development and search engine optimization (SEO). This she felt was the key for expanding sales and profitability, which also allowed her to run the business from anywhere.

But at the same time Andrea also found that in addition to the business a significant amount of her attention was required to manage the family dynamics. The way it all seemed to evolve was that Jim would start a new business and Mary Ann would manage the books. Between the two of them the operations were tightly controlled. As a matter of fact, the businesses were so tightly controlled that even Andrea's brother Mark, who after working in the family business for almost 20 years, had never seen financial statements for the business; nor had Andrea. Whatever was happening financially was known only to Jim and Mary Ann. Like succession, the finances of the business were not a topic open for discussion. When Andrea would ask to see the financials, Mary Ann would simply tell her that there was nothing to worry about.

Succession

There was little discussion of succession and nothing in writing. Whatever the plan was or was not, it was in Jim's head. Jim owned the company in its entirety, had complete control, and he seemed to have little desire to change that equation. Andrea and the family believed that now that she had returned from California that she would eventually assume the lead role of running the business.

Mark had joined his dad in the business right out of high school and Ruma's was the only place he had ever worked. Like his father, Mark was a hard worker, focused, dedicated and persistent. The family business had provided great opportunity to Mark however he had a learning disability and had had a series of health issues that limited his career development and the likelihood that he would succeed his father in the business.

One of the greatest opportunities that Andrea hoped for from coming back home to the family business was that she would be able to develop a deeper relationship with her brother Mark. While Mark was intelligent and had many skills, communication was not one of his strongest. Andrea felt that being home would allow her a better opportunity to communicate with him and really get to know Mark now as an adult.

Shortly after her arrival back home, Mark's health had a turn for the worse. Andrea was relieved to be back at home to support him and her family in this time of need. One thing she learned about Mark at this time was just how strong he was. Mark had an extraordinarily positive outlook. When asked how he's doing he might not say much, but it was positive. Things with Mark almost always seemed good. Andrea knew that while Mark may be positive on the outside to the world, that things were not always good. She cared deeply for him and worried.

Andrea however had seen another side of the father-son relationship that unsettled her. Jim's nature was fast paced and he expected quick responses and had little patience. It seemed to Andrea that Jim could be at times short tempered with Mark and it frustrated Andrea.

Andrea was not comfortable with the "seat of the pants" management style of her father and she expressed a desire to develop and communicate a longer-term plan based on the needs and goals of the business and family. Andrea was concerned that if something happened with Jim that the business would not be prepared to continue without his presence. In addition to her concern regarding the future of the business Andrea was concerned as to how the business might impact the family. Andrea was concerned for the future financial well-being of her mother and brother.

Andrea's Dilemma

Andrea was 37 years old and was trying to figure out what she wanted to do with her life. She enjoyed the craziness of the business, as 100 things were going on at the same time. The

frenetic pace reminded her of her middle school classroom, with students being hyperactive. But she was comfortable in knowing that she was a good teacher. She was trained and had been evaluated yearly, so she knew what her strengths and weaknesses were. The challenge of running a business intrigued her. However, she felt she did not know how to run the businesses and was craving training and feedback, but knew no grooming would happen.

She also did not know whether the businesses were worth continuing or whether she was interested in running them. She said,

I cannot believe the gift basket business is doing anything better than break-even – but I don't know. The business that is probably doing the best is the pallet business, but do I want to uproot my husband to run a pallet business. The fiddlehead business is probably a winner, but is only seasonal; and I keep forgetting about our warehouse rental business. I'm told we are not in the red, but does that mean we're making a \$million or \$10,000?

Andrea felt she was beginning to look foolish in the number of times she had tried to engage her father in discussions. Even on a simple topic like estate planning, she was told it was all taken care of but had no idea what it was.

Andrea did not want to plan her life, but she did feel she needed to either commit to the business or to return to teaching. She felt she could not stay away from teaching much longer and still be able to get a job. But she needed training and information when neither was forthcoming. When she threatened her father that she would leave, his response was she could leave whenever she wanted.

The main tether that was preventing her from leaving the family business was her family – her mother and brother. She worried what would happen to Mark after Jim was no longer working. She also worried that her mother would not be financially well off because she did not know of any investments outside of Ruma's. She had no idea what was the value of these business activities because there really was not much of an organization to sell – it was mostly Jim's one

man show. On the other hand, Andrea also had to think about what was best for her husband. Was this business opportunity worth having him quit his job and move to Boston?

Andrea was feeling stressed in trying to juggle all these variables when she had no data. She was talking to as many people as she could to get advice on what steps she should take. Often in these discussions, she would start to cry.

I have always been taught not to put myself first, but maybe I have to. I need to figure out how to make Ruma's work for me rather than the other way around. Jim and Mark never had that choice, but I do. So I guess I do have control of what I do with my life.