

OPENING REMARKS Ideas and opinions

The Innovative Bagel

How the "roll with a hole" became an entrepreneurial bonanza.

BY MARVIN LENDER

MY FATHER and his sons were true entrepreneurs . . . in spite of the fact that we did not know what the word meant. Webster's Dictionary defines an entrepreneur as "one who organizes, manages, and assumes the risk of a business or enterprise." We realize now that we are perfect examples of this definition, although we did not know it at the time.

The growth and success of Lender's Bagel Bakery, a family business started in 1927, is truly the epitome of the American dream. The original bakery was founded by my late father, Harry Lender, only six months after arriving in America from Lublin, Poland. My brothers and I, in the early sixties, went on to create and then dominate an industry that continues to grow and expand at a pace unmatched by any other food product.

To better describe the magnitude and accelerated growth of our company, I would like to share a few statistics about Lenders. When I graduated from Syracuse University in 1963, our company was operating out of a garage behind our home that measured approximately 1,700 square feet. We had six employees, three of whom were the Lender brothers.

Our product line was a plain bagel, marketed fresh on a daily basis, sold primarily on the supermarket bread shelf, next to Continental White Bread,

Thomas' English Muffins, and a variety of doughnut items. Our daily production was in the hundreds of dozens and our dollar volume was under \$200,000 per year.

In 1984—21 years later—we employed 700 people, two of whom were the Lender brothers. We had four manufacturing facilities: three in the New Haven area and one—the largest, at 75,000 square feet—located in Buffalo, New York. We produced 130,000 bagels per hour collectively in all four facilities—24 hours a day, six days a week—for a total of 730 million bagels that year.

We are understandably proud of those figures, but I don't raise them in order to boast. They raise the central issue in our entrepreneurial story: namely, how did we manage that growth, which took our

product from the fresh bakery shelf to almost every supermarket frozen food case in the country and almost every U.S. military commissary around the world; and which enabled us, in 1984, to sell our company to one of the food giants of our time, Kraft Inc.?

THE SINGLE MOST IMPORTANT ingredient in our expansion went beyond the garage that my father left us for manufacturing. It was the product itself—the bagel—that provided the springboard for the quick development of our company.

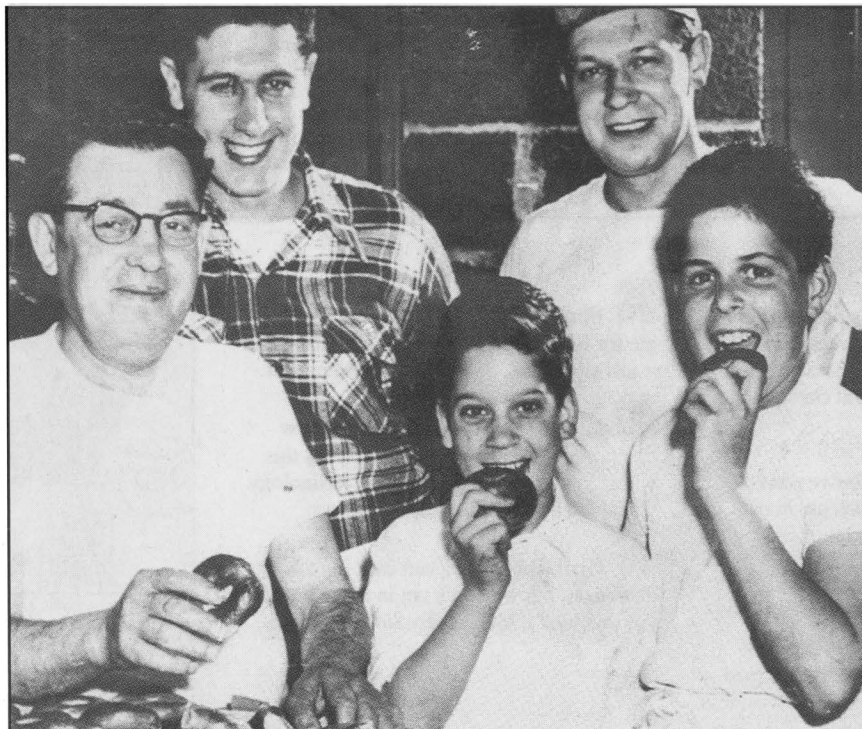
We were working with a basic food product falling into the bread and roll category, which inherently finds its way into so many homes in America. It was healthy and good tasting, had great value, and was appealing to all age groups.

Its weakness, however, was that it was perceived as an ethnic product with limited distribution based on its product characteristics and limited shelf life. Historically, bagels were sold in grocery stores and delicatessens. One could purchase them individually, but they had to be consumed within hours of baking. If not, they were more successful as the objects of jokes.

In the fifties our first major challenge was to extend our shelf life to up to three days. We added a preservative to our product and put six bagels in a polyethylene bag. This gave us greater exposure, took us out of the ethnic market, and helped to expand our distribution over the next 10 years.

We entered the world of frozen foods as a natural progression. We were taking a risk, not only to broaden our market further, but to introduce our product to those who had never seen or eaten a bagel. After experimenting with the freezing process and achieving very positive results, in the sixties, we made the monumental decision to change our marketing thrust and use frozen food as the vehicle for delivering our product to the consumer. The risk inherent in this decision was that our product might not have sold in the frozen food case.

BUT WITH COMMITMENT to our product, we did the following innovative things. We removed the preservatives from our formulation required for most baking products on the fresh bakery shelf, and we were one of the first companies to put all nutritional labeling on our bag. We did this be-



The Lender bagel empire began as a small family business in New Haven, Connecticut. Marvin Lender, shown with his father, brothers, and nephew, is on the lower right.

fore it was a federal regulation, since we saw it as a marketing advantage. These were further enhancements of the health aspect associated with our product, for although we promoted it not as a health food, we showed it was a healthy one.

Since frozen meant convenience, we pre-sliced our product and encouraged people to take them conveniently from the freezer to the toaster. Expanding our product to other flavors not only brought us more customers—lovers of onion, poppy, sesame, pumpernickel, and raisin 'n' honey—but in addition gave us more space in the frozen case, allowing us to build a bagel department. Lender's then gave birth to bagelettes (miniature bagels), creating an additional way the product could be used for hors d'oeuvres or for children's snacks.

The frozen food world caused us to rethink our packaging. We had to compete with the high quality of packaging in the frozen food case. Our graphics and message were upgraded constantly. We merchandised on the package itself, with very innovative serving suggestions; and we had tie-ins and cross-couponing with other major manufacturers.

Another message we always tried to convey on our package was the image of a family-owned company and, therefore, personalization. There was, and still is, the Sam, Murray, and Marvin—or "Lender Brothers"—campaign. People could relate to us as more than just a bagel company. We were an established family business that you could trust when buying our product.

As a result of growing so quickly, however, not all our decisions were correct. We had to discipline ourselves not to expand outside of our own bagel category. We tried frozen bialys, frozen rye and pumpernickel bread, and even pizza bagels. Each of these items failed. All were premature based on where the development of the bagel category was at that time. So each time we came right back and did what we did best, and that was bagels.

Our expansion remained within the branded retail product line, establishing one of the food industry's best consumer loyalties in a short period of time. We con-

tinued to find ways of marketing our product, including private label (store brands), in-store bakeries in the supermarket, and a real thrust

When we sold to Kraft Foods, my brother and I stayed on to manage the company through September 1986 to assist in the critical

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into the food-service business, including restaurants, hotels, airlines, schools, and hospitals.

MARKET GROWTH IS one part of our story, but only a part. I could discuss our commitment to research and development, which led to technological achievements with our product; our manufacturing process bringing us to levels of achievement others might not have attempted; the development of machinery that made us the first automated bagel company; or the people within our company who were part of a family and their own personal commitment to seeing our business grow. One could write a book on the advertising and P.R. program that we started 20 years ago, and staying with those programs based on our commitment to expanding the bagel market—even through the lean years, when we logically should have backed off.

Like most small companies, we were undercapitalized through most of our growth years. We constantly went on the line with lending institutions and always pumped our dollars back into our business for expansion. When I think back to 1976 and the risk we took in acquiring a competitor in Buffalo, New York, perhaps we were either crazy or brilliant. I think, more realistically, that we were just very confident about where our business could go if we proceeded with the purchase.

transition period. During that time, the Sara Lee Company entered the bagel industry and now shares with Lender's some of the frozen bagel market. The total market has expanded dramatically, making the bagel truly a household word.

While all of that was happening with frozen bagels, the fresh bagel market has grown from 25 bagel shops in 1965 (most of which were in the New York City area), to a number that probably exceeds 700 bagel stores today, including bagel restaurants or free-standing bagel stores, producing sales in excess of \$400 million a year. Today, the total bagel market represents upwards of \$700 million. This growth has all occurred over the last 20 years.

I don't think it would be presumptuous of me to say that Lender's has had a great deal to do with

the growth of the bagel market—mainly because of our aggressiveness and commitment to growth, a belief in our product, and the dream to bagelize America.

MY PARTICIPATION IN that growing company was an experience that happens to very few people in their business careers and I feel very fortunate to have been a part of it. In the last 25 years, I've learned a great deal about myself as a businessman and as a person—recognizing that they are not mutually exclusive. In retrospect, I've also learned that there were things I should have done.

I might have taken more courses in business, for example, bringing more technical expertise to our company (as opposed to on-the-job training, which in our case meant learning the hard way). Also, I might have gone to work for a larger company first, allowing me to bring to Lender's different business techniques than existed in our small family-owned company.

On the other hand, like most successful entrepreneurs, I seized an opportunity provided by my father and maximized it to its greatest potential. My father demonstrated what the work ethic was all about; seven days a week, 12 to 14 hours a day were required, and I responded. My goal was not greed, but growth and a sense of accomplishment.

The right product, at the right time, lots of determination and *chutzpah*, and just enough luck allowed the sons of a Polish immigrant to be a part of the American dream.

MARVIN LENDER is vice chairman of LBB Associates, an investment company that owns S. Kinder bagel restaurants in New Haven and Hartford, Connecticut, and in New York City. Previously, Lender and his two brothers turned a small, local bakery into a nationwide distributor of frozen bagels. Today the Lender name is synonymous with bagels and the family's success is a model of entrepreneurship and innovation. Lender, a 1963 SU graduate, recently funded the Marvin K. Lender Laboratory, in the College for Human Development.

