

Perry's Ice Cream Akron, NY:

Case Study in Sustainability



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THE COMPANY

Perry's Ice Cream is a family-owned business in its 4th generation of family leadership. Founded in 1918, it recently celebrated its 96th anniversary and is located in the Village of Akron, NY, outside of Buffalo. One of the two largest ice cream manufacturing plants in New York state with over 300 associates, Perry's makes about 500 ice cream items totaling over 12 million gallons per year. It continues to produce and distribute its own well-known Perry's brand as well as ice cream products that it private labels for dairy industry giants and nationally recognized retail grocery companies.



LIFE IS A BOWL OF PERRY'S®

Committing to Sustainability

Corporate responsibility and sustainability have been at the core of Perry's culture throughout its history. Perry's proudly serves its community through sponsorships, partnerships and by supporting local vendors and farmers. For example, even given its high production volume, 95% of the milk it uses comes from farms within 50 miles of Akron.

Perry's sustainability program was formalized and became a top business priority in 2011 under the vision and leadership of Gayle Perry Denning, director of sustainability and a corporate director, officer and shareholder. Perry's senior management is fully behind the sustainability program. Denning's vision was to engrain sustainability holistically into all aspects of the company's operations and firmly implant it into the culture for the long term. "I did not want sustainability just to be the flavor of the month and fade away after that," she says. With that in mind, she established Perry's Sustainability Cross Functional Team, representing leaders from every department and intended to engage all of Perry's workforce to achieve complete integration of sustainability both strategically and operationally companywide.

A Small Company's Agility

Perry's believes its smaller size and nimbleness as a privately owned company offer it some big advantages when implementing a successful companywide, fully integrated sustainability program:

- Decision-making happens quickly and can be followed by immediate implementation.
- Creating awareness across the organization and responsiveness to employee sustainability ideas are easier than they would be at a larger company with operations in widely dispersed locations.

Perry's annual comprehensive Sustainability Report can be found on the company's website on its corporate responsibility page that was established as part of the sustainability program.

perrysicecream.com/corporate-responsibility/

A Strategic Asset

Perry's sustainability program is considered a strategic asset. It has been a proactive advocate for sustainability for many years and has recognized its growing importance for the company's future competitiveness. This occurred when Perry's began receiving requests for information about its sustainability programs from its larger private label and retail customers, including regional, national and global companies, as well as inquiries from prospective customers evaluating Perry's as a potential producer of their private-label brands. Perry's was also well aware that the profile of its ice-cream consuming customer was rapidly changing to younger, well-educated families that were much more environmentally conscious and preferred to purchase products from companies that took sustainability and corporate responsibility seriously.

The production of ice cream has particular sustainability opportunities since nearly all the ingredients and production materials are natural resources. Perry's faces many challenges that are common at other companies:

- A single half-gallon of ice cream takes as much as 2.6 gallons of water to produce even though none of it remains in the end product. The sustainability program allowed the company to discover methods that have saved over 4% (2 million gallons) of total water usage.
- After conversion into the finished product, ice cream must be kept frozen at -18 degrees, which consumes significant power. The ice cream products are delivered by refrigerated/freezer trucks over long distances, requiring significant fuel both for the mileage and for the on-board freezers. Perry's has invested in fuel-efficient trucks that transport their products in a more sustainable manner.
- The ice cream production process results in dairy waste, but thanks to Perry's manufacturing team sustainability initiative, it is recycled into protein-based animal feed.

The program embraces the well-established triple bottom line¹, which measures sustainability based on social, environmental and financial factors. These measures often are referred to as People, Planet and Profit (though Perry's has replaced Profit with Performance in this lineup, since it is more inclusive). A focus on these factors has become part of its culture.

¹ The phrase "triple bottom line" was coined by John Elkington in his 1997 book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. [1][8] A Triple Bottom Line Investing group advocating and publicizing these principles was founded in 1998 by Robert J. Rubinstein.

Putting People First

Denning points to the work of the human resources team as an example of the close integration that's essential for sustainability program success. The well-being and long-term development of Perry's entire workforce are recognized as critical components in the program. Perry's is a major employer in the Village of Akron. It considers the Village an important stakeholder in its sustainability program. The company recognizes that a shrinking work force is less willing to work in a production environment — especially a cold one — and fewer people regard driving a truck as a satisfactory lifetime career. With that in mind, Perry's strives to keep its turnover as low as possible and realizes that sustaining its quality workforce for the long term is absolutely essential to its success.

The company measures and has improved Unit Per Work Hour (UPH), which contributes to a healthy work/life balance for the distribution warehouse workforce, particularly in peak season. It's one excellent example of People, Planet and Performance coming together on the triple bottom line.

In addition, Perry's Sustainability Program encompasses proactive employee education opportunities, proactive safety programs and employee collaboration in annual business planning. In conjunction with its sustainability effort, the company uses its Culture Engagement Survey to be sure it is in sync with the thinking of its workforce. Perry's team members are "raving fans" of the company's sustainability program and their ability to play an important part in it. In fact, the culture surveys reveal that the sustainability program is the highest-rated company initiative. Perry's shares the sustainability metrics and measurements in its regular employee communications throughout the year so that all can chart their progress and see the outcomes with pride. It also includes sustainability accomplishments and compliance in employee evaluations.

Perry's relies on a robust communication program to embed sustainability into the fabric of the company. Sustainability activities and measures are prominently included each month in the company's internal newsletter (*The Inside Scoop*). In addition to being posted on the company's website, the annual Sustainability Report is distributed externally to customers, suppliers, banks, external partners, universities and through social media.

Denning considers Perry's extensive ongoing sustainability education programs to be a major factor in embedding sustainability deep into its culture. The company conducts numerous internal education programs featuring Perry's team members and outside experts, as well as collaborative internal workshops on very focused topics. In addition, it has formed a consortium of educational partners made up of local colleges and high schools in which Perry's team members participate both as students and as teachers.



Community Involvement

Perry's has a long history of community involvement. Each year, it selects four major charitable organizations as beneficiaries of the company's Community Returns Program. In addition, Perry's and its team support many other charitable organizations on an ongoing basis and the company proactively encourages employees to be active in volunteer opportunities and highlights their involvement throughout its communications. Its sustainability program measures and manages its community involvement, training days, safety and wellness efforts and its turnover. The Cultural Engagement Survey reported that 90% of the workforce is proud to work at Perry's Ice Cream.

Perry's Sustainability Team has enrolled a number of critical partners from outside its four walls. Being a huge water user, the company received valuable technical advice and assistance directly from its own municipal utility, the Village of Akron Water System. Perry's has also partnered with the New York State Pollution Prevention Institute (NYSPPPI) and is a founding member of The Western New York Sustainable Business Roundtable, a network of companies and organizations that collaborate to create an environmentally thriving Buffalo/ Niagara region for current and future generations. Dairy industry trade associations such as the International Dairy Foods Association (IDFA) also offer significant resources as well as environmental and energy data.

Roberts Environmental Center — Claremont McKenna College, located in Claremont, CA, found Perry's Sustainability Report online. Roberts is a college for research and education in environmental studies, where students, faculty and practitioners collaborate to explore innovative market solutions to real environmental problems. As part of a student project, Roberts performed a case study of Perry's and issued an incredibly detailed five-volume report with findings, recommendations and comparisons to other companies recognized as global leaders in sustainability. Perry's uses these findings extensively in its ongoing Sustainability Reporting Program. Perry's also performs an annual vendor survey, which now incorporates questions about sustainability practices as it seeks suppliers that are like-minded and a good fit for Perry's brand as a wholesome product.

The Role of Finance

It goes without saying that the finance team is an essential member of the Perry's Sustainability Team, as measures and milestones are the bottom line, but this group's contribution goes much further. The finance team works with the information technology team (also led by a CPA and the former controller) in a very close partnership as the proactive information source that enables the company to measure the current profitability benefits of its sustainability efforts and then reliably forecast them as part of the company's annual operating plan and long-term strategic plan. These teams work in concert with the engineers, distribution, purchasing, production staff and human resources teams and external sources to convert and link the scientific measures to financial data and then, ultimately, to profitability.

Meaningful sustainability measures year to year are not easily determined in Perry's production and distribution businesses. With 500 unique SKUs, pinpointing the proper common unit of measure is a challenge. Product mixes and processes and units of measure vary, production changeovers are numerous and the distribution of the varied products to diverse customers is very complex. Adding new products and private label customers to the manufacturing process causes spikes in utilities consumption that often mask the savings realized by ongoing sustainability efforts in other areas. Those spikes do smooth out as the volume increases and throughput accelerates. Seasonality and weather patterns have a similar effect as shifts are added. Accurate data collection at various points of production and distribution is key and can be a challenge, as is capturing delivery mileage, route information and fuel consumption data. Perry's controller initially found that being able to identify solid sustainability measures was one thing, but having ones that were consistent, quantifiable and comparable was another.

As a critical part of the Perry's Sustainability Team, finance functions much like the hub of a wheel, gathering and evaluating performance measures and milestones and reporting them consistently, reliably and regularly.

Departmental leaders across the company partner with finance to evaluate the impact of sustainability-related assets and work together in their very successful efforts to acquire grants and other financial resources for sustainability. The company has received significant funds for purchasing and installing power-conserving assets and for workforce education. Perry's has also enjoyed tax incentives from sustainability investments. Working together, these efforts play a critical role in evaluating and making decisions on critical sustainability investments throughout all areas of Perry's operations.

Substantial investment in more efficient field sales, warehousing equipment and process improvements have yielded significant savings in fuel and rework. As the program matured, the company identified many additional performance measures and their dramatic effects on costs. One example was the extent of the detrimental effects on consumption and costs caused by last-minute changes to the production schedule. Having spotted this problem, the company was able to cut production schedule changes by more than half over three years, yielding significant savings. Similarly, the company made substantial investments in its distribution warehouse, since errors in filling orders were costly in sustainability terms. It invested in hands-free voice order-picking technology that lowered mis-pick — or mistake — orders from 280 per week to only 8. In addition to reducing internal order filling and utility costs, the gain in efficiency saved substantial fuel since returned products didn't have to be picked up and the correct product delivered. It also helped reduce last-minute production changes and lowered disposal of returned product.

Significant investments in transportation had a notable effect on fuel usage. In 2012, the company replaced 18 semis (tractor trailers) with trucks that offered better fuel efficiency and emissions along with more efficient auxiliary on-board cooling units. In 2013, it installed skirting on its trailers that also resulted in significant fuel savings. Process improvements in transportation included key opportunities based on a renewed focus on route management, resulting in more efficient routing of trucks and the development of important measures such

as out-of-route miles, time spent on cruise control and better fuel purchasing practices. Perry's has also made significant investments in replacing its entire roofing and lighting with more effective products that will yield savings for decades to come.

As part of Perry's recycling initiatives, the company works with ReBox, a box reuse company, resulting in savings of over 120 tons. An investment in hand-held order input devices for the field sales force not only resulted in dramatic gains in billing and accounting efficiency but also in the elimination of over 140,000 three-part paper invoices annually and companywide reductions in paper usage. Finance's role is critical for assuring continuous improvement throughout every phase of the sustainability program that can only be accomplished through ongoing analysis and learning and working collaboratively with all stakeholders.

Challenges Faced

Although the effort has resulted in substantial benefits for all, including the company, its employees, shareholders, customers and the local community, Denning is open about the challenges along the way. In any successful company, inspiring busy leaders and subject-matter experts to dedicate time and attention to another company initiative can be an ongoing task. The food industry is heavily regulated and changes in regulation are frequent. Compliance demands can consume entire departments for significant periods. But Denning points out the program's significant early successes and consistently higher levels of performance. Each year becomes more of a *(good)* challenge to improve the prior one.



Recommendations for Success

As Denning looks to the future, the company's goal is not simply to sustain but also to thrive for another 96 years. She hopes to further engage the Village of Akron to work with Perry's and other large local manufacturers in coordinating power usage so that peak demand times are staggered. She looks to the future to gain a better understanding of measuring the company's carbon footprint and greenhouse gas emissions. Perry's is developing an advanced technical method for treating its large quantities of wastewater that could yield an even greater positive environmental impact.

Other companies embarking on formal sustainability programs often ask Denning for advice. She recommends making sustainability a part of the company culture. She explains that this requires three core elements.

- Integrate the program cross-functionally into all areas of the business through wide participation with empowered leadership.
- Be patient but persistent along the way.
- Encourage, advise and educate throughout the journey.

Perry's Ice Cream Sustainability Program — Facts and Figures:

- *Water savings: over 4% (2 million gallons) since 2010*
- *Solid waste reduction: 400 tons and trending higher in 2014*
- *Currently experiencing a 70% reduction in waste to landfill, 2014 over 2013*
- *Perry's recycles 7 times more material today than it did in 2010*
- *40% of electricity comes from renewable sources*
- *Box re-use program: 120 tons avoiding landfill*
- *Logged 2 million miles with only 1.5% out of route*
- *100% of all ice cream novelties are packaged in fully recyclable materials*
- *Upgraded 80% of the facilities lighting with 50% more efficient fixtures and bulbs*



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