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**HERSHEY COMMUNITY ARCHIVES ORAL HISTORY PROGRAM**

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Narrator: John H. Dowd  
Date: December 4, 1991  
Interviewer: Monica Spiese  
Interview #: 91OH33  
Interview #: 2 of 2  
Transcribed: December 26, 1991  
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Spiese: Today is Wednesday, December 4, 1991. My name is Monica Spiese and I'm here with Jack Dowd for our second interview.

When we stopped last time, we were discussing the changes in responsibility that came when you were made VP in '76, and I had asked you about your management style. This time I think we'd like to start with a whole new position, I guess, was created in '79, and that was Vice President of New Business Development. Describe the circumstances surrounding that creation for us.

Dowd: This was shortly after we had completed our, I think our first strategic plan, and we realized that there was a gap, a rather large gap, between where we anticipated going with our existing products and where the corporation felt we should be at the end of five years. Clearly this needed some new development of new business. I had been working on strategic planning and marketing planning and had an extraordinarily well-qualified deputy in the marketing department, Gary McQuaid. So it was agreed that he would become the marketing vice president and I would assume the title of and the function of new business development.

New business development was a new--as you mentioned, a new function at Hershey Chocolate, and it had the advantage of permitting me to define it any way I wanted to, providing that Earl Spangler and the board and the management at Hershey Foods agreed. We agreed that there were two major thrusts in new business development. One was the development of new products within the corporation or from outside the corporation, and the other was acquisitions of companies. We developed a list of companies and had a plan for five years, having identified a number of companies, and we determined that we could increase the sales significantly over that time through the twin thrusts: development of new products and acquisitions of new companies.

We made our presentation in probably October or November of that following year to corporate management, and they agreed. It was accepted. I was dismayed to find out about three months later that all they had agreed to was the objective. They hadn't agreed to the means. And indeed, they decided at that point that acquisitions were going to be, I think they said, deferred. In fact, we

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never made a confectionery acquisition in the entire time I was there. So we had to fill the gap, and it was a significant gap, by saying, "We're just going to develop additional new products." And it just about doubled the task that we were required to meet in order to reach the total target. We just about had to double our new product objectives, which was a little disturbing, but that's the way things go in business sometimes. The corporation obviously had other applications for their funds. They had a number of other divisions that needed help, and we were doing pretty well. I guess they figured we could do it. And we did.

Spiese: Up to that point, who had been in charge of new business? Anyone?

Dowd: We worked basically with the existing division, and the existing division spent most of its time in terms of what we called line extensions. That is, if you have Hershey's Kisses, you could have Hershey's Kisses with almonds. That would be a line extension, still using the same name. An example would be Reese's Crunchy Peanut Butter Cups, which we had done several years before. That was developed in the marketing department and it was considered a new product. Gary McQuaid was handling new products up until that time, and Kit Kat was a new product which was acquired, licensed from another manufacturer. So we had several sources of new products, and we continued to look at other sources of new products.

Spiese: Was it the Hershey Foods Board of Directors who were not going to go ahead and approve?

Dowd: I don't really know. All I know is that the initial approval seemed to be for everything and then very shortly we were told that a big chunk of it, of the means, were not acceptable, but the objective would remain.

Spiese: Do you have any idea why?

Dowd: Why? I suspect it's because they had alternate allocations of funds and just had other things they could do with the money. And buying another company is not easy, either in terms of time or money. It requires a great deal of investigation. There are always skeletons in the closet. Hershey Foods had gone through several waves of this. They bought H. B. Reese Company and it was a runaway winner. They got their money back very quickly. They bought the San Giorgio Pasta Company, and that was reasonably successful, too.

I suspect any company that has two home runs like that would probably look upon themselves as infallible and say, "Now we know the secret. All we

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have to do is buy new companies." So they went ahead and bought several of them, the Cory Company in Chicago and Portion Control Company in Chicago. Those were unmitigated disasters, and I think they got a little gun shy at that point and they wanted to do the safe things, working with maybe buying a couple more pasta companies to expand their pasta line, but no major acquisitions. That could have been one of the reasons. They didn't confide in me. All I knew is I got the memo saying, "Go ahead with your objective, but you're going to have to do it with only one thrust instead of two."

Spiese: Was the licensing of Kit Kat from Rowntree, had that been acquired before you became--

Dowd: That had been handled under Gary McQuaid right from the beginning, as a matter of fact.

Spiese: But that would have been before 1979.

Dowd: Way back. Yes.

Spiese: Okay. Were there any acquisitions in the works at the time you retired at all? If none took place during your tenure--

Dowd: None were in the works, but we had done some preliminary studies and we looked at both confectionery companies and grocery companies. We identified several of them. [There had been] considerable heated discussion about which one should be the first in the group, and we had agreement within the Chocolate Company on which confectionery companies and which grocery companies to go after. When we reached Corporate, though, we found that that was the end of it.

Spiese: Did market research fall under the new business heading?

Dowd: Yes, marketing research and, I believe, packaging development, as I can remember at this time. I think so. Marketing research. I guess. No, I'm not sure that packaging development did anymore. Marketing research definitely did, because strategic planning was still one of my concerns and we needed a great deal of marketing research for new product development.

Spiese: Okay. I think we probably discussed marketing research a little bit last time, but just in case it wasn't complete, could you please explain to us what is involved with market research?

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Dowd: When I talked about marketing research, I used to point out that we worked in a building that didn't have any windows. I couldn't even tell what people across the street were doing and thinking and wanting, let alone what people in Albuquerque and Dubuque wanted. It's important to find out, particularly if you're working with new products, not only what people want now, but what they are going to want in the future. I liken new product development to shooting ducks. You can't shoot where the duck is; you've got to shoot out front where he's going to be so that he sort of runs into the shotgun pellets instead of having them blast behind him. New product development is like that. It takes three to five years to successfully develop and nationally introduce a new product. So you can't meet today's needs; you have to anticipate what the needs are going to be three to five years down the road, and hopefully needs that will continue to exist beyond that point, because we traditionally don't get involved in one-shot introductions. We want to have a product that will last through for generations, if possible.

So the marketing research department was able to determine--for instance, looking at different ingredients, what were the most popular ingredients. We had discovered a long time ago that raisins were among the least popular confectionery ingredient. I personally like a product called Raisinettes. More to the point, Mr. Dearden, who was the chairman of the board, liked Raisinettes and suggested to us that we introduce a chocolate-covered raisin which would have real chocolate as opposed to the compound coating that the Raisinettes Company, at that time an independent company, now a division of Nestle or a brand of Nestle Company. He suggested we introduce this, this improved product.

I thought it was necessary to point out to him that raisins were the least popular ingredient, and his "suggestion" changed to a direction that we introduce chocolate-covered raisins. We gave it our best shot. We put it in a bag which was much more popular with people than a box. We had a very good formula of chocolate. We did a number of taste tests and we found that this was far better than the competition, and we priced it properly. Our sales department did an extraordinary job of getting distribution. But the sales languished. Consumers, predictably, didn't buy it to a large enough extent to keep it fresh on the shelves.

We worked at it for several months, and there was a drought in California that year and the grape crop was terrible and the price of raisins was going sky high. I wrote a letter to Bill Suhring saying, "The price is going to go sky high. We'll be unable to compete in the market. Besides, this was never a very good idea anyhow, and I think we've proven it by the fact that nothing's happening out in the field."

He very prudently rewrote my memo, emphasizing only the fact that there was the drought and the price of the raisins went up, and this offered a graceful reason for us to exit the market, which we did. We withdrew the product.

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Several months later, I was talking to several people in the sales department. Mr. Dearden was there. I was disagreeing with something they said, and Bill said to them, "You'd better not argue with Dowd, because when he gets disagreed with, he causes droughts." They didn't know what he was talking about, but I did, and I appreciated it.

Spiese: His way of acknowledging that you had been right.

Dowd: His graceful way of acknowledging that, like all of us, he probably had erred. His batting average was still pretty high.

Spiese: Yes, I think it is, probably. Can you think of any other examples where Hershey went against what market research would reveal and produced a product anyway?

Dowd: Oh, I think back, the initial ones, the one we've talked about, a very dramatic one was the one we talked about in our last session, when we introduced advertising. We introduced--we supported Reese's Peanut Butter Cups, Hershey's Milk Chocolate, Hershey's Almond, and Hershey's Instant with advertising. Hershey's Instant failed to respond to the advertising at all in the test markets and it was our recommendation that we not waste any more money on it at that time. We were overturned and we went back out and did it nationally. Not to our surprise, but maybe to the surprise of others, it exactly replicated the results of the test, and Instant failed just as badly nationally as it had in the test markets. And the other two equally replicated their test market results.

Spiese: When you do market research, do you take a segment of the public and do questionnaires, or was it mostly a sample of the product?

Dowd: You do a number of things. You may talk about concepts, first of all. You may ask people what they think about a candy-coated chocolate-covered raisin. Where would they eat them? On what occasion would they eat them? What kind of people do they think would eat them? Would your neighbors eat them? Would children eat them? Would adults eat them?

You might have an advertising campaign that you've written before the product was even finished, and you could test that against your target audiences. You could have focus group interviews which is a group of up to ten people, probably, and a moderator, who sit around a table in a room with a two-way mirror so that you can look at them from the other room, and you record--and could even film, but we never did; we just watched--their interaction and their comments. They were always told that, "There is a mirror here, it's a two-way mirror. That's so people can look at it from the other side and there may even be

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some people in there looking at us right now. Why don't we all wave at the mirror?" And they'd all wave at the mirror. Five minutes after they get their discussion started, they'd stop looking over and they'd forget we were there. And their comments are recorded. We can talk about any subject, for instance, snack foods or snack candies, and bring up the subject of candy-coated raisins. We didn't, but that's an example of what we could do.

Another type of focus group that we'd talk to would be children, because children are major consumers of candy. We could ask them to write their own advertisement for a candy bar and see what they think would be important factors of it. We could ask them about their eating habit, their candy-eating habit, what do their parents say. It's interesting when you ask parents how much candy their child eats, they'll say, "Well, I may give him half a candy bar every other day in his lunch pail, lunch box, and if he's really good at church I'll let him have another one Sunday afternoon." So that may be three candy bars a week.

Then you talk to the child and say, "How much candy do you eat?" And he'll say, "Well, my parent give me . . .", and you'll get the playback of what the parents said, "and then I sell my sandwiches and I get two candy bars for that." And you find an inordinate consumption of candy.

You also find out that the products that-- chocolate, for example, is not the product that kids buy. What they buy is the biggest piece of candy they can get for the amount of money that they have, and that usually is sugar candy. It usually is an off brand. It's usually something dramatic--like a nauseating name, like Garbage Pails was one of the candies that was very popular with kids for a while. Things that would gross out their parents, they like that a lot. They think of chocolate as one of their perks for being a kid. That's what they get from their parents, and their parents buy that. The kids buy other kinds of candy.

So the behavior of the audience, whether it's women (who are the major purchasers and the gatekeepers in most cases, although not as often as they might think of the consumption by children), men or children, if you talk to these people, you'll learn a great deal about their habits and about what they look for in a candy. And we do the same thing with grocery products.

Spiese:

This question just occurs to me. I know in reading a speech that you had written and given when you were mentioning that chocolate isn't technically a necessity for life, but it certainly does make things more pleasant, did you or anyone in this department ever consult with . . . hold on. [Telephone interruption. Tape recorder turned off.]

We were interrupted by the phone. Let's try this again. What I was going to ask you is, did you ever utilize the services of either a psychologist or sociologist or an expert in the field of people to anticipate that sort of thing, or did you just count on the people's answers?

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Dowd: We've used psychologists in terms of children's advertising. We've used people who are experts in children's advertising, because children are different--they perceive the world differently, obviously. They're looking at it from a shorter distance from the ground, for one thing. But basically their experience level is not as great, their sophistication is not as great, and you have to take that into consideration.

We certainly don't intend to mislead children. We want them to understand our message and we want it to be clear to them, and there are things that you can't do ethically and even--I can't say legally, because it's not a legal requirement, but the code of children's advertising. We subscribe to the Children's Advertising Bureau of the Better Business Bureau, National Better Business Bureau. And some of the regulations that we've all agreed to are that you don't recommend excess consumption. We don't say, "It's better by the case." We don't say, "Tell your mother to get it," or, "Hold your breath until your mother gets it," things that some advertisers had done in the past.

You have to be very careful that they get the complete message. Sometimes this requires putting things on the screen at the same time. The cereal companies do this. They say, "As part of a balanced breakfast," and they show milk and bananas and other things being consumed at the same meal. We do consider that Hershey chocolate is a food, but it's not a mealtime food. It's a pleasure, not a necessity, as I mentioned.

Spiese: Okay. I don't want to put you on the spot here in terms of specific products, because that's a hard thing to remember one way or the other.

Dowd: It's hard for me to remember any of those products, because I left all my papers behind when I left and closed that chapter on my career.

Spiese: Are there any at all that come to mind, successes or not so successful?

Dowd: Yes. Let me tell about one of the disasters. This occurred even before new business development. We had a couple of seasonal foiled wraps for Kisses. We had red, green, and silver for Christmas and pastels for Easter. I had a great idea, I thought. We would have orange and black striped foil for Halloween. And the sales department didn't think it was a very good idea. I told them it certainly was, and we were going to do it. I really argued with them and I won the argument and we did it on a test basis. It was a horror, and we didn't sell very many of them. We got a lot of them back.

For some reason, I still felt it was a good idea and we did it again the following year. This time it was a national disaster instead of just a regional one,

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and I didn't understand it for a long time. I was walking through the store after Halloween, several months after Halloween, and we passed a rather large display of these orange and black Kisses, and I somewhat ruefully pointed them out to my wife as one of my ideas, and she said, "Oh, I didn't know you had licorice Kisses." Which may have been the reason that they didn't go. It certainly destroyed my day, anyhow.

Spiese: You think that's it, that people didn't identify with chocolate?

Dowd: Could be. I thought it was a great idea and a great product, and it couldn't possibly be that I was wrong, so there must be some other explanation. [Laughter] But I can't fathom what it might be. I talked to the people at Exxon, who were at that time advertising a Tiger in the Tank. They were profoundly disinterested in taking these orange and black things. I thought--I would have sold them to just about anybody.

As a result, they had to go back to the factory and have the foil taken off.

Spiese: You could have just talked to--who has the Bengals football team?

Dowd: They're not big enough. No. The helmets that look like a varicose watermelon, as somebody said. [Laughter]

Spiese: [Laughter] A varicose watermelon. Well, didn't--I think this year--it doesn't matter, but I think this year at Halloween, didn't Hershey have--

Dowd: They did, but they had them different.

Spiese: Orange and gold or--

Dowd: They weren't orange and black striped, no.

Spiese: No, they weren't, but I think they were just a solid color.

Dowd: Well, we'll find out what happened. They could have been a solid color. Maybe that was the answer. But mine was not the answer. That was bad.

Rally was a candy bar that met a need that nobody had. It was a solution to a problem that didn't exist. It was felt by a number of people at Hershey Foods that Baby Ruth was a product that could be had. It was a very popular product, but it, again, did not use real chocolate. It used a compound coating. The difficulty was, if you said to anybody, "Baby Ruth doesn't have a chocolate coating," they'd say, "Gee, when did they take it off? Because I had one last week

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and it did." The concept of compound coating versus real chocolate is known to a number of people in the confectionery industry, but not generally known to the world at large, nor do they particularly care in terms of a coating.

We did a great deal of research on this kind of a candy bar called a nut roll, chocolate-covered nut roll, and discovered that it was used mainly by people who were very hungry. It was a small meal and it was a big candy bar, Baby Ruth, because they didn't have the expense of the chocolate maybe. Anyhow, it was a big candy bar and was used for satiation.

We developed a campaign called the Hunger Stopper, and we showed people being hungry and stopping to have a Rally. It was a good-tasting product.

We did a lot of taste tests and it went out and was reasonably successful. But again because there really wasn't a difference that people recognized or understood, the real chocolate story didn't get over at all.

About that time, the price of chocolate went up considerably. In order to maintain the price, which was required because all the other standard candy bars had the same price, we had to reduce the size. So here we had a hunger stopper that was supposed to be a big gob of candy and it wound up getting toward the size of a cocktail frank, which meant that it didn't even meet the purpose of the advertising. People didn't really need a Baby Ruth made with real chocolate, so we withdrew it.

Withdrawing a product is a difficult thing. It's easy for Kenny Rogers to say, "You have to know when to hold and know when to fold and know when to walk away and know when to run." There's a great deal of emotional involvement in any product. The first product that I ever discontinued was a marshmallow cup which was one of the products that had been introduced a few years before. Had a lot of things going against it. Had a blue wrapper that was rather recessive. It was milk chocolate over marshmallow and primarily conceived, I believe, because one of our competitors made one, and we felt anything he could do, we could do better.

A colleague, Jim Levy, and I sat down one afternoon to try to figure out what we would do to improve this product, and we said, "It's sort of a blah product. Maybe if we made it with dark chocolate, it would have some personality. You take one bite and it's gone, so maybe it needed some crunch. So if we put some Rice Krispies in the chocolate on the coating, maybe that would make it more popular."

And we made a couple of hundred of each through the product development department, which was operated at that time under the aegis of Bob Schock. And Bob made up several hundred of each of these for us and we went out and did some consumer testing. I can't recall which was first and what the order of the first and second was. I know that it was something like forty-five

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preferred the first and forty-six preferred the second, and 9 percent preferred the one we had.

So clearly we had a product that any change was going to be an improvement to. We didn't have the time, we didn't have the advertising support at that point behind it, so we recommended that it be withdrawn.

The sales department had worked very hard to get distribution. They didn't like to see it fall by the wayside. Management had an emotional attachment. Some of the managers had an emotional attachment to it. The people in manufacturing had had tremendous technical difficulties, which they had overcome, and I think their attitude was, "We all have problems, Jack. We handle our problems. Why can't you take care of yours?"

So there was some irritation, I think, about "the guy who came in and the first thing he did was to start to kill the products that we'd been working on." Didn't help my peace of mind and it didn't help my stature in the company. But it had to be done. We had to get rid of some of these dogs so we could concentrate on the important products. So that was somebody else's disaster; that wasn't mine. Rally, I didn't have too much to do with it.

The Kisses were totally mine, absolutely 100 percent. There was nobody else that thought it was a good idea except me.

There were a couple of others which I can't recall. [Chuckles] Mercifully. There were a couple that after we got them in the field we found technical difficulties with.

Spiese: Technical difficulties?

Dowd: Like the biscuit became soggy and things of that sort. The shelf life wasn't as long as we might hope it would be. Again, discontinuing a product is a very unpopular move, at least at Hershey and most of the other companies I've worked with. I've dealt with other companies in my past, when I was in the advertising business, when I was writing, preparing marketing plans. Cut. [Tape recorder turned off]

Spiese: Okay. I'm not sure where we were. Oh. Let me ask the question from a different tact. Maybe this will help. In 1979 when you came on board in that position, the nation was pretty much in the midst of, or the beginnings of, a real health craze. Did you find that in the confectionery business your products or your plans for products is affected by something like that?

Dowd: Okay. Yes, we did. When we were developing a line of grocery products, we looked at the field, we looked at the interest of people, and we looked at the things that were happening, more working women, less time at home. There was

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an interest in nutrition, and granola bars were just coming in the market at that point. We developed a very good granola bar, chocolate-covered. We decided-- and I say "we." It was the marketing people. One of the members of the marketing department proposed, and I agreed, that we wouldn't put "Hershey" very large on the package because we didn't want them to think it was a candy bar. We wanted them to think of it as a health bar.

We introduced the product and it met significant competition from significant major grocery product manufacturers. Its sales were not as good as we thought they should be. It was after I left, I believe, that they changed the package, increased the size of the name Hershey, to position it, in effect, I guess, as a confectionery, as a healthy confectionery, or a good-tasting health bar, and I understand the sales are much better.

Speaking of grocery products, I just remembered another failure. They weren't all successes, and I think I tend to remember the failures more, because, like a mother thinks of her idiot child, they take more time. Frosting. One of the research steps that we took was to say to people, "What kind of a product do you think Hershey should make besides chocolate? Would you be happy if you heard of a Hershey fudge mix, of a Hershey bubble gum, of a Hershey cereal, of a Hershey milk?"

And people said, "Hershey frosting would be very--I'd feel very comfortable with Hershey frosting."

We looked around at the market and Pillsbury was making it. We thought we could do a better job. We also had, with the Reese's name, we had a peanut butter. We could have a peanut butter frosting with the Hershey's name. We could have a chocolate frosting and we'd have a vanilla frosting just to round out the line.

We employed a contract packer, which we very frequently did. We didn't produce these things ourselves; we had another manufacturer who was involved, who was doing this sort of thing anyhow. This manufacturer was doing a lot of private label frosting. He could make our product. We didn't have to buy very much equipment for it. We bought a couple of tanks, as I recall. And we introduced this line of frosting mixes, very tasty and quite popular, quite successful in our introduction. We got good display. The sales department did a superb job. The label was fine, the advertising was good, and we were getting along pretty well.

Pillsbury was promoting, co-promoting their cake mixes so they could give out coupons on the frosting for the cake mix and the cake mix for the frosting, buy one, get the other free, and all sorts of things of this sort.

We went to Proctor & Gamble, who had a Duncan Hines cake mix division, and said, "Why don't you come along? Why don't you co-promote with us?" And that was very successful, except that Proctor & Gamble is not noted for

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its stupidity, and they looked around at the sales of frosting mix and they said, "We are a fats and oils company. Frosting mix is basically an oil product. We are in the cake business. Why don't we have a cake mix?" And they started out-- usually Proctor & Gamble takes a long time to make a decision. They do a lot of testing. They didn't do very much testing. Maybe we were the test market for them. They even used the same manufacturer, contract manufacturer, to make the product, and went out with all the strength of Proctor & Gamble, and we quickly became probably the fourth brand on the shelf, Pillsbury first, Proctor & Gamble second (they called it Duncan Hines frosting mix), the private label of the grocery store, third. And there's no room for a fourth in the average grocery store. There's usually not much room for a third if you're not a private label.

So our sales decreased significantly. We didn't discontinue them, but we watched them wallow for a long time and again decided that we were wasting our time. You'd best cut your losses and get out of the business, which we did, and there wasn't too much disagreement on that one. So there's another disaster.

Spiese: Is it fairly common to make an alignment, if you will, with another company, another major corporation like P&G? Is that a fairly common step, and does Hershey do that often?

Dowd: We have done it in the past. I remember we did a lot of it with cocoa, which is a product that we didn't put much advertising behind, but we had coupons on flour bags. We would tie in with other manufacturers that way. It's a low-key promotion, generally. I think if you look in the Sunday papers, you'll find a fair amount of cross-couponing. Buy this product, you get another one. Buy both of these products and we'll send you a football, or whatever.

Spiese: I always assume, because I don't look that closely, but I usually assume it's from the same parent company, the same manufacturer.

Dowd: Not always. Not always.

Spiese: Okay. I understand. Were there any guidelines that were set up --- you've discussed some of the new businesses --- were there any guidelines that were set up as to when a product like the--the granola bar is, what? New Trail? Is that the one?

Dowd: Yes.

Spiese: When would it be decided that a product like that would no longer be new business and would move into another division?

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Dowd: That was always an interesting thing, because if the product was a success, it was clearly a success, a month or two after it became a success and even while it was still in test marketing and was obviously successful, the marketing department would say, "You're probably pretty busy and you've got a lot of things on your plate. We'd be willing to take over the brand so that you don't have that problem anymore." And we would tend to say, "No. Let's give it a couple more years." And the truth, of course, lay somewhere in between.

We finally developed the ground rule that after it was successfully introduced nationally, it would become a product of the marketing department. That meant that as long as it was in test market, it wasn't touched. Until it went national, it was very clear. When it went national, after it went national and was successful, then it would be turned over, usually the following quarter, to--there's always a tendency on the part of the new product people to think that the people that took it over weren't going to have the same feeling toward it, wouldn't spend as much attention on it, and weren't going to make it as successful. That didn't prove out true to practice, of course. There was the feeling in the marketing department that the new product people were just hanging onto these products to bother them, and that wasn't true either.

Spiese: Okay. Let's go on and talk about something that you've discussed so many times before, but we'll ask you one more time. [Laughter] This is arguably your greatest coup at Hershey, has got to be the "E.T."

Dowd: It certainly had more publicity than anything I've ever done in my life.

Spiese: Reese's Pieces deal. Take us through that from the beginning, and I'm sure I'll fill in with more detailed questions, but . . .

Dowd: Well, we had the capability for what is called panning; that is, sugar-coating a product. M&Ms are probably the best example of a panned candy product. When I joined Hershey, we had a product known as Hershey-Ets, which was chocolate, candy-coated chocolate. The difficulty with Hershey-Ets was that when we said, "We have a product called Hershey-Ets," people would say, "What is it?" And to define it, you had to use the competitor's name. That's a pretty difficult situation. It eventually was withdrawn, too, except for holiday, seasonal applications.

So we had this capability and we'd used it on another product called Eggs, which were sort of an oversized Hershey-Et, and those were, as the name implied, primarily for Easter. So we had the capability. It was not being utilized to the extent it should be. Through an outside scientist who was employed as a

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consultant to our science and technology department, a method was developed of making a peanut meal which, in turn, with the addition of other products, including some oils and sugar, became the basis for the Reese's Pieces. It was made so that its consistency was the same as chocolate, and using the same procedure and the same equipment as Hershey-Ets, we were able to produce a product called Reese's Pieces.

Our original name was PBs. And why we stopped that, I can't recall, but there was a good reason for it. So PBs wasn't the proper name. It wasn't the name we could use. And Reese's Pieces was a good name. We liked that even better.

We were building a plant in Stuart's Draft, Virginia, at that time, and it was agreed that Reese's Pieces would be manufactured there, in addition to the manufacturing in Hershey. The introduction was successful. Again, the sales department did a superb job of getting distribution, the advertising support was good, the promotions were good, and the product was initially successful. Its sales went up significantly and held a little bit and started coming down, not at an alarming rate, but certainly at a disturbing rate, particularly in view of the fact that we were just in the process of building additional capability for manufacturing and we had all the manufacturing capability we needed for the product we were selling at that point. We didn't need any more.

At that point, Tony Pingitore, [the new products manager], said that he had received a call from Universal Studios, and they said that Steven Spielberg was producing a movie called "E.T.," and they were going to be using Reese's Pieces. They had decided to use Reese's Pieces and it would play a featured part in the picture, and they would like us to cooperate by promoting the picture. I was going to be in California that week or two later for a meeting of the board of directors of the Association of National Advertisers. The meeting was in San Francisco, so I said while I was out there I'd go down to Los Angeles, to Hollywood, and talk to them. And Mary Ann came along with me. The company didn't pay for that; I did. They can check the expense account. When the meeting was over in San Francisco, we flew to Los Angeles. I felt it would probably be good if I stayed at a better-name hotel since I was dealing with executives of Universal. We stayed at the Beverly Hilton. Received a call that night from a vice president of Universal, who said that it was all set for the morning, why didn't we "do breakfast." And I said, "Okay, fine. Why don't we."

He said, "Where are you staying?" I told him and he said, "Well, why don't we do it there."

So at 7:30 or so we met him in the lobby. We went down for breakfast. [After breakfast], he got up and said, "Let me get the car," and walked away. [Chuckles] I was saddled with the bill, which was interesting. So I paid for the

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breakfast, assigned it to the room, met him out front, the limousine, and they drove us to--or maybe his car, and we went to Universal Studios.

They gave us the tour, VIP tour, in a car, just the two of us and a driver. When that was finished, it was almost lunch time, so we chatted briefly and then had lunch at the Universal commissary. They were filming "The Greatest Little Whorehouse in Texas" at the time, so the cafeteria was full of highly nubile ladies in robes, bathrobes, wearing their working clothes.

After the lunch, we went to his office in the building, Universal building, a big black tower, and earlier we'd been introduced to a woman who was an attorney for Universal. From about one o'clock until (Mary Ann says) about seven o'clock, we didn't leave the room. There was no coffee offered, no tea offered, which is just as well, because there were no bathroom breaks either. And we sat and discussed the terms of our cooperation.

Spiese: Excuse me. Let me flip the tape.

[Begin Tape 1, Side 2]

Spiese: We're on B side, we're talking about the "E.T." deal and the events in the office at Universal. Who were you dealing with at Universal? Do you remember anymore?

Dowd: He was a vice president. He was the son-in-law of, I believe, the chairman of the board of Universal.

Spiese: But you don't remember his name?

Dowd: I do not remember his name.

Spiese: Just as well.

Dowd: I should mention--yes. I don't believe he's there any longer either. Nor is the attorney. I've seen her name. She works for some other organization now.

I should mention that earlier I had met a woman named Kennedy--I can't remember her first name--who was the co-producer of the--

Spiese: Kathleen.

Dowd: Was it? [I think it was Monica--but I wouldn't bet on it.]

Spiese: I'm sure it's Kathleen Kennedy.

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Dowd: She was the co-producer with Spielberg. Spielberg was up in San Francisco, up in the Muir Woods, filming that day the landing of the UFO in the woods, and so I never did meet him. Never met him at all.

At that point I was told the story. We were concerned about a number of things, as I have mentioned in several other articles. Steven Spielberg had great successes, but his last movie was "1941," a movie starring John Belushi, which was a total bomb. So we weren't sure whether this picture was going to be a success. The idea of an extraterrestrial creature was unusual and, therefore, risky. We wanted to know the plot, because we didn't want some "Monster That Ate Chicago" type movie. We didn't want to frighten our consumers; we wanted to entertain them.

So I got a clue to the story. I was told that this creature was lured into the house by Reese's Pieces. The vice president who talked to me said they had decided not to use M&Ms, so he said to his son, "What would you use?" And his son said, "Reese's Pieces." He said he had never heard of Reese's Pieces, which is generally true. Adults didn't know as much about it as the children did. Whether that was totally true or not, I don't know. We're dealing with Hollywood people, so you have to take some things with a grain of salt.

I was told the--everybody tells me that M&M was offered the deal and turned it down. I've never had a letter from M&M/Mars saying that that was true, and I don't really know. I assume it might be. So we were a second choice. I know that the book, which was published after the movie, refers to M&Ms, and we screamed about that and got a big giant shrug from Universal, sort of a, "What can we do about it?" So it's logical to assume that M&Ms was the initial thought. Certainly it was a better known product.

So it looked like something that was worthwhile. We needed some promotion for our product. We said we would back it up with about a million dollars' worth of promotion, in consumer promotions, trade promotions, displays, in-store displays, using, featuring "E.T." In return, we would have an exclusive in the confectionery field for promotion and advertising. We could also use "E.T." for advertising, but we had to get their approval, of course, which was obvious standard procedure. There was no contract written at the time. It was written, sent to us later, and approved by our legal department.

So I came home and informed Earl Spangler and the staff of what we were going to do, and that we were going to spend a million dollars on a movie that I couldn't show them the script for, that was going to employ a little green creature from outer space, and I couldn't show them--at that point it was still confidential--I couldn't show them a picture of that either. I hadn't seen it either. I didn't know what it would look like.

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Spiese: Had you been offered a script?

Dowd: No. No. Just given a verbal general outline of it and no pictures of E.T.

Earl said, "Are you sure this is going to work?"

And I said, "Oh, sure." Because what else could I say? If I said, "Oh, no," then we'd have to cancel it and I'd already signed up for it. So we went along and produced the point-of-sale material, got a picture. We were going to offer a teeshirt that had a picture of E.T. We wanted a picture, and they sent us a picture of E.T. and the little boy. I proudly showed the picture at the staff meeting, and Earl said, "That is the ugliest creature I have ever seen in my whole life." There's no answer to that. You just sit quietly and let the eruption die down.

The movie was ready to screen. Tony went up to New York and saw it, came back and said, "It's great."

I went to the staff meeting and said, "Tony says it's great."

Earl said, "Is it going to sell any candy?"

And I said, "Oooh, yes." Which was more of a prayer than an answer.

We arranged to have all the people that had worked on Reese's Pieces, the manufacturing people who had knocked themselves out to develop the process, the technical people who had worked so hard, the packaging people, the people who had prepared the point-of-sale material, and all their children and their wives, to come to a special showing at the Motor Lodge Theater, which we took over for a day. And we had point-of-sale pieces set up in displays in the lobby with samples of Reese's Pieces, and everyone went in and watched the movie.

At the end, the screen went black and there was total silence. Nobody seemed to want to get off the mountain; they wanted to stay up there. And then there was enormous applause.

So I ran out in the lobby to watch the faces of the people that came by. Many of them were tear-stained. And Earl, who is a very emotional man, came out and his eyes were quite moist, and I said, "Is he still ugly, Earl?"

And Earl said, "Ah, he's beautiful." And that was one of the high spots of the whole performance.

The movie was an enormous hit. The publicity was incredible. The fact that this M&M/Reese's Pieces conflict appealed, apparently, to the press. We published statistics saying that our sales had doubled and increased tremendously as a result of this thing. And the demand was tremendous, and fortunately just at that time the Stuart's Draft plant came on stream and we were able to meet the demand, and the sales were more, far more than we expected and there were all kinds of newspaper stories and radio stories and interviews, and the public relations department spent more time calling me and I spent more time fielding calls from them than I really had hoped to do.

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A reporter and a photographer came in from People magazine and ran a feature story about it. They took a picture of Jay Carr's son and Tony Pingitore's two daughters and me with Reese's Pieces spread all over the lawn near the plant. Unfortunately, the only picture that they used was one showing the back sides of the three kids, which really wasn't what I had in mind. That was my first disappointment when I looked at it, because the picture meant much more to them and their parents than it would have to me. They came to our home, took pictures of Mary Ann. They only used that one picture and another picture from the film. I gave a talk on this to the stockholders at the annual stockholders' meeting. You can get a copy of it, I suspect. And I said that Bill Dearden had his picture and a story about him in People a year or so before, and when his picture, when his story appeared--I can't remember the name of the movie actress, but it was a very attractive, glamorous movie star on the cover. When I had my story in there, they had Richard Simmons and Mickey Mouse on the cover. Wasn't quite the same.

Spiese: It doesn't quite make it.

Dowd: The publicity went on and on for some time. We received a call after about a year from Universal saying, "We see that you've made several million dollars in profits as a result of this in the newspaper stories."

I said, "Well, we did well."

And they said, "We've looked over our records and we've made about \$3,500 in royalties from the teeshirts and a few other uses of the product, premiums that you've used, which really wasn't what we [had in mind]--we don't think we're getting as much from it as we should."

So I pointed out that we had a contract, and sometimes you won and sometimes you lost, and certainly they won because we bet a million dollars on the come. We didn't know whether it was going to be successful or not. They had our support. It helped make the picture a success, and that we would probably be working with them in the future (although I didn't have that in mind).

He said, "Yeah, that may all be true, but we want to renegotiate the contract."

I said, "Well, we don't renegotiate contracts."

And he said, "Okay, but we're not approving any more advertising for you."

I said, "That's dirty pool."

And he said, "Well, we can call it anything we want, but we want to renegotiate the contract." And we did. And we guaranteed them a great deal more money from royalties and "E.T." premiums and that sort of thing over the next--I think it was a three-year period.

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The sales had leveled. They were at a much higher level than they were at the beginning, and they stayed up there. It was a successful campaign, but it cost us a little more than we planned.

A classmate of mine at the Harvard Business School was Jack Valenti, who is the president of Motion Picture Association, and I met him at a meeting a year later, and I complained about how those bandits, the members of his association, had handled me, and he said, "Who was your attorney? Who wrote the contract?"

And I said, "Well, our corporate lawyers did."

Jack said, "Anybody who deals with Hollywood agents and a Hollywood firm that doesn't use a Hollywood attorney deserves everything he gets," which is the only consolation I got from him.

Spiese: Certainly the movie company made skillions of dollars'--

Dowd: Oodles. Oodles.

Spiese: --profit on that movie, but they came back for more.

Dowd: Yes.

Spiese: Aside from that little piece of unpleasantness, it sounds like the basic negotiating and the deal-making was a fairly easy process. Is that so?

Dowd: As easy as it can be when you have to sit in one place for six hours. There was a lot of wheeling and dealing that day, a lot of negotiating.

Spiese: I'm going to ask you something that's going to have to be supposition on your part since you say that you never heard the true story. Why do you suppose M&M/Mars would have declined an offer from Universal?

Dowd: Oh, the same reason we generally decline. We get offers like this always coming in. It's a big company. They must receive dozens of offers every week, and they have their own program for the year. They were very successful and they didn't see any reason to change. And I can understand that.

Spiese: I wonder if they kicked themselves after.

Dowd: Yes, I suspect they did, and they may have kicked the person who turned it down, although I don't think so. I would think that they would accept that as--

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Spiese: Part of business.

Dowd: One of the questions reporters asked me was, "I'm sure you're going to be doing a lot more of this, these movie tie-ins, in the future."

And I said, "I don't think there's any guarantee at all that we're going to do any more movie tie-ins in the future. We're pretty much like the guy who went to the race track for the first time and hit a seven-horse parlay. There are two ways of looking at it. You can say, 'Boy, was I smart,' or you can say, 'Boy, was I lucky.' And I think it was a combination of our luck in getting the offer, the competence of the sales department, the fact that we had the factory coming on line just at the same time, the fact that we had a management who permitted us to take risks." They didn't really make it all that pleasant for me during that time, but nobody ever said, "Back off. You're not going to do it."

Spiese: The timing was real important, too.

Dowd: Timing was terribly important.

Spiese: You've mentioned several times a man named Tony--Pignatele?

Dowd: Tony Pingitore.

Spiese: Excuse me.

Dowd: P-I-N-G-I-T-O-R-E. Pingitore.

Spiese: What was his position?

Dowd: Tony was the new products manager.

Spiese: Okay. Okay. I needed to know who he was specifically. You've mentioned Stuart's Draft in conjunction with the "E.T." story. Did you have anything, as VP of new business, to do with the ventures in other countries? I'm thinking Mexico, Japan, Brazil, the Belize cocoa farm, Maribou in Sweden. Any of those?

Dowd: Only one of those. Maribou.

Spiese: Maribou.

Dowd: And one that you didn't mention, Rowntree Mackintosh.

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Spiese: Rowntree Mackintosh.

Dowd: Because we looked at both of those companies as sources of new products.

Spiese: Okay.

Dowd: I dealt with them considerably. One of the products that--one of the candy companies we were looking at was the Heath Company in Illinois, a small company with a very good product, good relations with the dairy industry, and they sold a lot of ingredients to the dairy companies, which is something we wanted to do more of. They had an excellent product, and we negotiated with them for some time.

About that time we made the agreement with Maribou, and there was some pressure from corporate to use the bar that Maribou had developed, which was very similar to the Heath Bar. It was called--spelled D-A-J-M and pronounced "Dime." They had another bar, candy, a different kind of candy, N-I-K-K-E-L, pronounced "Nickel." They had another--a chewing gum called--spelled O-B-O-J, pronounced "Oh, Boy." These were all American words, and for some reason "American" had a cachet that they wanted to employ.

We really wanted the Heath Bar because we would--if we bought the company, we'd have the manufacturing equipment, all the machinery, all set in place, and we could go from day one, and we didn't have machinery in Hershey to produce that kind of a product. It would be slower if we used Maribou, and we held off and continued to negotiate with the people at Heath. They finally said, "Definitely no. We can't do it."

And we said, "Well, we're probably going to have to go along with Maribou."

And they said, "We're surprised you haven't done that already." And we hadn't. We really were honestly negotiating with these people.

Clearly the name had to be changed. Probably the worst name for a candy bar selling for twenty-five cents would be Dime. The only thing worse would be D-A-J-M. So we had to change the name. We had to change the graphics of the product.

We looked at--we decided that the feeling we wanted to get was Swedish. Swedes were clean, they were blonde, they were attractive and friendly and all those good things. So we were going to use the Swedish heritage. We found a name. We thought a great name would be Kröna, K-R-O-N-A, with a little crown over the O. And as you do with any new name, you have to search it. We sent it to a copyright attorney in Washington, who traditionally used to send five-page letters back. I quickly learned you turn to the last page which said, "Therefore . .

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." and you read the sentence starting with, "Therefore." "And therefore we can't do it." So you look in the back. "Why can't you?"

We couldn't do it because there was a Krone Candy Company in New York. We talked to them and said, "You wouldn't mind if we called our candy Kröna, would you?" And they said, "You bet we would." So we had to develop another name.

The brands manager came in about a week later and said, "I've got a great Swedish name for it."

We said, "Find a name that's really Swedish and that doesn't mean anything, if possible."

And he came back with a name like Yjornbornblat or something like that, and I said, "It certainly sounds Swedish. What does it mean?"

He said, "Well, it means cerebral hemorrhage, but doesn't it sound Swedish?"

"It sure does. Let's pick another name."

Spiese: Who was this, if I may ask?

Dowd: Larry Webber, new products brands manager. Fine young man. So a week later he came back with a name and a whole label, Skör, S-K-O-R [Skor]. There was still a crown over the O because we had it left over from the Kröna days. [Laughter] I said, "What does it mean?"

He said, "That's the beauty part. It doesn't mean anything at all."

I said, "Have you looked at a Swedish dictionary? Are you sure this isn't some Swedish obscenity that will destroy us in Minnesota?"

And he said, "No, no, that's the nice thing about it. It doesn't mean a thing."

So we had a package designer do our label for us, design it. We sent a picture over to Sweden and had them prepare the plates to make the labels, because they were going to manufacture the test quantities of the product. One of the advantages of using another manufacturer like this, as we did with Rowntree Mackintosh too, they will make the product for test market. You don't have to invest in the millions of dollars' worth of machinery to produce the product until you're sure it's a success.

So we sent it over to them and they produced the label. I flew out over there to negotiate a contract with them. I flew out on a Wednesday night, got there in Sweden at eight o'clock Thursday morning, after a rather sleepless night on the plane. They picked me up at the airport and they said, "We'll take you to the hotel because you probably want to clean up."

I said, "I certainly do."

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They got me to the hotel at a quarter of nine and they said, "Why don't you unpack and clean up and we'll pick you up at nine." So I just basically had time to wash my face, shave, and change a shirt, and they were knocking on the door.

I went over and sat with four of them until eight o'clock that night, negotiating a contract. I told them that honestly we really didn't want their product; we wanted Heath Bar. They really couldn't contribute much to us except the use of the machinery for a short period of time. Therefore, I didn't think they deserved much of a royalty and didn't deserve it for very long. We developed, I think because they felt sorry for me, a very favorable contract. I had dinner with them that night.

They picked me up at 7:00 the next morning and said--they called me at six to say that the president wanted to talk to me a little more before I left, so they picked me up. We had a meeting at 7:30 in his office for about a half an hour and they drove me to the airport and I came home Friday night and collapsed. I was asked why I didn't spend the weekend there or why I didn't spend a couple more days, and I said, well, I wanted to come home. It was looked at with mixed feelings. Some people thought I lost my senses. I had a chance to spend a weekend or several days in Stockholm if I wanted to, but I really didn't want to. I wanted to get home.

About three months later, the president [of Maribou] came over and we were at that time testing the product. And he said, "Why did you call it Skör [Skor]?"

So I told him the whole story of how we had tried "brain hemorrhage" and tried Kröna, and I said, "And, of course, the nice thing is it doesn't mean anything."

And he said, "Of course it means something."

And I got very clammy hands and I said, "What does it mean?"

He said, "It means shoes."

I said, "We looked it up in the dictionary and it wasn't there."

And he said, "Was sköa there?"

I said, "I don't really know."

And he said, "Because sköa means shoe."

I assured him there was nobody in Hershey who knew that the plural of a word ending in A became an R in Swedish. And I said, "Why didn't you ask me before you produced the packages?"

And he said, "I thought you knew." So we have a quite successful product in national distribution, good sales, which is called Shoes. And so far as I know, we've never gotten a letter from Minneapolis--from Minnesota, complaining about it.

Spiese: It could be worse.

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Dowd: It could be a lot worse, yes. Oh, yes. As a matter of fact, I was relieved to find it only meant shoes.

Spiese: Right. Right. There are probably some Swedish-speaking people in America who are just merely amused and don't feel that they need to--

Dowd: That's right. I'm amused that they'd call a candy bar Dajm in Sweden.

Spiese: I'm confused about that. Were these three bars that you were talking about originally from Maribou only marketed in Sweden or in Europe? Because I never--

Dowd: Sweden and Europe. Throughout Europe.

Spiese: Okay. They were not marketed in this country.

Dowd: I think they changed the spelling in England. I think they call it D-I-M-E in England and O-B-O-Y.

Spiese: So it wasn't marketed in this country.

Dowd: They were not marketed in the United States, but they were marketed throughout the--certainly in Germany and in England, too.

Spiese: Does Skör continue to do well?

Dowd: Yes, it does. It's a good, successful product.

Spiese: Okay. What happened with Rowntree Mackintosh?

Dowd: Oh, excuse me. You were interested in marketing research.

Spiese: Oh, sure.

Dowd: We did a field test, a test market. We were concerned for a number of reasons. We liked the people from Heath, we weren't out to get them, there wasn't any revenge factor or anything of that sort. From a legal point of view, we certainly didn't want to appear to be trying to put them out of business. So one of the things we were concerned about in our test was not that we made all of our sales at the expense of Heath. And as a matter of fact, we found that the effect on

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Heath was minimal, maybe a 5 or 10 percent decline on their sales. But 90 percent or more of our sales were from new customers, so we were bringing new people into this area and we were not significantly hurting Heath. That is what we found on the test market. That was one of the things we were looking for. We also found it to be a successful candy bar.

When we went national again, the results were exactly the same. We did not hurt Heath. Heath is doing very well, thank you. And we're doing even better.

Spiese: Before I go back and ask you about Rowntree Mackintosh, what you just said reminds me of a question. I might as well insert it here. Was it part of your department to examine offers from companies making related products that wanted to use Hershey products in them? What I'm thinking of, like Heath Bar Ice Cream and things like that.

Dowd: Yes. We used to get calls from other companies. I did when I was in marketing, and I continued to in new products. For instance, three or four times a year I'd get calls from liquor companies who wanted to make a Hershey chocolate liqueur, for example, and they said they would buy all of their cocoa from us. Well, all of their cocoa probably amounted to a wheelbarrowload in a year, and I always turned them down and said, no, we can't do it, and explained why we didn't want to do it. We are a family-oriented company. Much of our sales are to children. We don't want to relate our Hershey name with alcohol consumption. And I remember one of them saying, "Don't you drink?"

And I said, "Of course I do, but that has nothing to do with it. I don't walk around with a Hershey sticker on my forehead when I do it, either." So that was the kind of--we always got questions of that sort.

You mentioned the ice cream business. In one of our investigations we looked at other products, and I mentioned that ice cream was--I think I may have mentioned milk. Ice cream was another one. Certainly Hershey's chocolate-coated ice cream would have been great.

A number of years, in fact, before I came here to Hershey, Hershey had an agreement with the Joe Lowe Company that made Eskimo Pies, or Good Humor Bars. I can't remember which, but a chocolate-covered ice cream. And they advertised that it had Hershey's on it. We were sued by the Hershey creamery, Hershey Dairy Company in Harrisburg. Legitimate Hershey name, their distribution is basically the Northeast. We've done research that indicates that most people think that it's the Hershey Chocolate Company that owns it, but--

Spiese: I did.

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Dowd: --be that as it may, our legal department and our management negotiated a settlement with this company saying we would make no dairy products with the Hershey name. No ice cream. They are basically an ice cream company. As a result, we cannot get into that business and it's been a trial for us. A number of our competitors have done that. Nestle has done it, Mars has done it. There's Snickers Ice Cream, there's Heath Bar Ice Cream. There are a number of other products, ice cream novelties. We investigated the whole area of ice cream novelties and spent probably a year looking at negotiating with companies to produce ice cream novelties and then found it was impossible for us to proceed. It was a heartbreaking situation. There was a tremendous potential for us and we couldn't do anything about it. So we can't get into that business. We do get calls from outside, yes.

Spiese: I'm surprised that any liquor companies would even call Hershey. I would think that they would know, going in.

Dowd: Well, maybe they were sampling their product a little too much. [Laughter]

Spiese: Or maybe they think it's worth a phone call.

Dowd: Anyhow, it certainly couldn't hurt.

Spiese: Sure. Okay. Let's talk about Rowntree Mackintosh. What was your dealings with them?

Dowd: Again, we were handling new products. At this point, Kit Kat was no longer a new product.

Spiese: Right.

Dowd: That was an existing product, had been in national distribution, successful national distribution, for a long time, and we had nothing to do with that. We did work with them on After Eight, which is an after-dinner mint, thin mint, a very unique product. As a matter of fact, when the Stuart's Draft plant was originally designed, there were plans to produce After Eight down there. It presented some technical problems. The mint flavor is very strong, and chocolate, because it is a fat, absorbs flavor from surrounding atmosphere. And we had to have a room with negative atmosphere, a technical word that I'd never heard of before. It's a partial vacuum so that the air comes in and doesn't go out. It would be exhausted outside the plant. It would be in a corner of the plant or against one wall, but it

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wouldn't be in the middle of the production facility. And this mint flavor, this very pervasive mint flavor, wouldn't get around to the rest of the plant.

We continued to have Rowntree Mackintosh manufacture the product. We discovered quickly that it was a specialty product; it wasn't a major product. We had looked at that point at a minimum of \$20 million in annual sales to support a brand, because anything less than that wouldn't support the advertising that was required for it. This wasn't going to reach that kind of sales. Eventually we returned it to Rowntree Mackintosh.

We looked at a number of other products. Rolo was a product using Rowntree technology that we produced and sold and has been very successful. We're always looking at new products; they didn't always work.

One of the products we looked at was a series of flavored Kisses. We were going to have a chocolate Kiss, milk chocolate [in the regular silver foil], a dark chocolate Kiss, which was going to be in a gold label, gold foil; a mint chocolate Kiss, and I think an orange chocolate Kiss, obviously in green and orange foil. And they tasted good. Individually they each tasted good. You put them in a bag and left them in a sealed bag for a couple of weeks and you got 80 percent of the Kisses with an orange-mint-milk chocolate flavor. The only one that didn't change was the dark chocolate, which didn't absorb anything. So our next thought was to candy-coat the product. Other things intervened, so we never got around to candy-coating it. We've never introduced the product and probably never will. Again, I would think it would tend to be a specialty product.

Spiese: When you do a licensing, either with Kit Kat or with After Eight or something like that, that does not necessarily mean that you then--that the company who owns it necessary will start using like Hershey coatings or anything like that, correct?

Dowd: You mean a quid pro quo of any sort?

Spiese: Well, I guess so, yeah.

Dowd: No, because basically the licensing we did was from countries outside the United States, and we couldn't ship the stuff to them anyhow. Basically it's a percentage of sales, sometimes a declining percentage of sales over a period of time. It's a lifetime contract. So here we are paying royalties to the Rowntree division, formerly the Rowntree Corporation, now a division of Nestle. And for our Cadbury products, we're paying royalties to Cadbury, which are going to their owner, who's somebody else in Europe. So it's an interesting situation. We're

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paying our competitors royalties. On the other hand, we're making a lot more sales than our competitors did when they had the product.

Spiese: I guess my question is, when you go to pick up a product from another company that manufactures it, you certainly need to make sure that it's got the quality and will maintain the quality that you want the Hershey name to be on.

Dowd: Oh, yes, we're very careful. With Kit Kat, as an example, their manufacturing processes were fine, but they had a lot of--their philosophy was to make a product so difficult to copy that nobody would want to copy it, which meant that they put a lot of stuff in it that didn't make any difference. There were some special ingredients that Bob Schock delights in reeling off the names of, and we just eliminated them. There was no necessity for them. We changed the kind of chocolate because that was a European chocolate and we have American tastes here. They used hazelnuts. All British candy manufacturers think that hazelnut is probably the greatest boon to mankind. They feel about hazelnuts the way we feel about peanuts in this country. They can't stand peanuts. Peanuts are pig food. Anytime you try to do some peanut product or suggest that the British introduce one, they just laugh and they say, "We've looked at it." We've tried to get them to have Reese's Pieces over there, Reese's Peanut Butter Cups, but [they want] nothing peanut-flavored. So that died.

We took out the hazelnuts. There are no hazelnuts in the U.S. Kit Kat. There's a significant difference between U.S. and British Kit Kat. So we modify the product.

Spiese: That kind of answers where I think I was going with that, if the product does need to meet the desires and the tastes that the Americans are used to.

Dowd: That's been our philosophy, and I think it's been a wise one. I've always felt that--I think I said marketing is trying to find out what people want and how to give it to them at a profit. It isn't what we want. The problem with many manufacturers, particularly in developing new products, is what I call factory window thinking. They look in the factory window and they say, "What can we make with the machinery we have?" And I think you should look out the window and say, "What kind of product do those people out there want?" We'll get it produced for them somehow, even if we have to use an outsider to do it.

Spiese: Did you have anything to do with the Friendly acquisition?

Dowd: No, no. That was another company. Friendly was another company. I had nothing to do with it.

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Spiese: Okay. How about Luden's?

Dowd: Luden's was after my time.

Spiese: Okay. They came in after you finished.

Dowd: Yeah.

Spiese: Okay. So it was basically Rowntree Mackintosh and Maribou were the two companies.

Dowd: Rowntree Mackintosh and Maribou were the two biggies.

Spiese: Okay. I think I've covered most of your career at Hershey. Before I move on, is there anything major that I have missed, that you would like to talk about?

Dowd: No. You haven't even missed the minor things.

Spiese: Well, that's good to know. Okay. Let's switch gears a little bit. When in the course of your career did you begin lecturing for colleges and other organizations? I believe you were actually a teacher at HACC [Harrisburg Area Community College], correct?

Dowd: No. I taught marketing and I taught a course in management, problem-solving in management, at the Capital Campus.

Spiese: At Capital Campus, Penn State.

Dowd: At Penn State.

Spiese: Okay. Not HACC. When did you begin doing that part of your career?

Dowd: A couple of years before I retired. About five years. Maybe in '80. Probably 1980, '81, somewhere around there.

Spiese: How did that begin? Did you approach the colleges and organizations?

Dowd: No. Somebody came to me, and I can't recall who did it. It may have been John Rawley, who was always contacting people like that, and said that they were looking for somebody to teach marketing. I talked to the director of the

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department and he said they needed somebody to teach problem-solving in management, and I offered to take that load on, too. Probably shouldn't have done all of it in the same time, but it was fascinating. I got a lot out of it. I learned more about my subject because I had to stay at least one day ahead of the students. It was a tough load the first year, a lot easier the second, and I enjoyed it very much.

Spiese: This was while you were full time at Hershey?

Dowd: Yeah. This was a night course, so it didn't interfere with the business, except that I couldn't travel as much.

Spiese: Did the Hershey powers-that-be support your decision to do these things? Or were they a little annoyed that your time was being taken away?

Dowd: No, I don't think it bothered them at all. They encourage this sort of thing. They encouraged me to--I was asked by other organizations sometimes to talk to them, and I would always clear it with management, say, "They asked me and I said I didn't know and I had to check with you." And they sort of encourage Hershey people to go out and have the name known. So I got to talk to a lot of groups.

The American Marketing Association at the University of Virginia was one. For some reason I talked to a group of insurance people one time. I don't know quite what the purpose of that was.

Spiese: In 1985 you did a lecture that I read, in which you discussed--it was entitled "Hershey's Growth Strategy." Do you remember that?

Dowd: No.

Spiese: You don't?

Dowd: To whom did I make it?

Spiese: [Laughter] I don't remember.

Dowd: If you have a copy, I'll--

Spiese: I don't have it with me. I don't have a copy with me. I turned it in last week. I was just wondering what in 1985 Hershey's growth strategy was at the time and if it holds true in 1991. I guess that would be hard to comment on.

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Dowd: You'll have to tell me what I said. [Laughter] I can tell you if I still agree with it.

Spiese: [Laughter] It sounds like a great lecture. We'll see if we can get you a copy. Okay. You had mentioned a little while ago, I think it was discussing "E.T.," the ANA, the Association of National Advertisers. I understand you were also the director of the Ad Council.

Dowd: Yes.

Spiese: Okay. Can you explain? I think we've all seen the Ad Council little logo and things on the bottom of various billboards and television commercials. Tell me what the Ad Council is and what your role as director was.

Dowd: The Advertising Council was founded in--during, I believe, World War II. It was a joint activity of advertisers, advertising agencies, and the media, and it's still a tripartite organization. It uses--it receives from the media, free, hundreds of millions of dollars a year of free advertising on billboards, radio, television, newspapers, and magazines. The advertising is prepared by volunteer advertising agencies. Very frequently the talent, particularly the stars, work for nothing. There's still a considerable expense in operating the organization and in producing the material, because the unions can't operate for free. They're not permitted to and we haven't asked them to. There is a volunteer coordinator who is a client, who is usually an advertising manager of some company. There is a volunteer agency whose people work for nothing. They produce the campaign.

The best known of the campaigns probably are the Smokey Bear campaign, the Take a Bite Out of Crime, A Mind is a Terrible Thing to Waste--misquoted by the vice president, but known accurately by most people. There are a number of campaigns of this sort. American Red Cross, an annual campaign.

I was on the board for three or four years and I was on a subcommittee that reviewed the advertising and accepted it or turned it back for more work, which I found fascinating because I was on a committee that had about fifteen members, and five or six of them were members of the Advertising Hall of Fame, some of the biggest names in advertising agency and clients, and I was sort of the junior member, but it was great to work with all those people.

Spiese: Please stop for a minute and I'll change tapes.

[Begin Tape 2, Side 1]

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Spiese: Okay. We're on side A of tape number two with Jack Dowd on December 4, 1991.

We were talking about the Ad Council. So for the most part, it seems that the material produced by the Advertising Council was, and is, for public awareness and public--what's the word I'm looking for? Improvement or--

Dowd: It's public service advertising.

Spiese: Thank you. Public service. Exclusively?

Dowd: Exclusively.

Spiese: Okay. How do you decide on what topics are going to be covered?

Dowd: I was on a committee that did that, too. I was on two of the best, most fun committees. We had groups come in to see us and they would make a presentation and implore us to support it. I remember a group came in to--he was a man who was known to a number of the people there. I didn't personally know him, but I'd heard of him. He'd been an advertising director of a major company. He wanted us to support the organization he was working for, which was going to publicize the 200th anniversary of the Constitution, and Chief Justice Burger had resigned from the court, retired from the Supreme Court in order to head this up. He had retired two years before to head up this operation. We asked a number of questions about what their plans were and how they were going to implement them, and it quickly became apparent that they were totally up in the air, that they weren't organized properly. He kept saying, "Well, Justice Burger didn't want to do anything until I came aboard," and apparently he didn't do much after that. So we rejected it. We said we couldn't possibly handle it. They had to get their act together before we could.

Spiese: How did you deal with controversial--issues that might be perceived as controversial?

Dowd: Generally stayed away from them, unfortunately. I can't think of any that would be--I suspect we would have stayed away if we'd ever been offered a controversial, but I can't think of any that we were ever given. Public service generally is--everybody likes it. The agencies love to work on it. It's encouraging, rewarding for them, and looks good in the--the plaque they get looks good in the lobby. The silver bell that is given to people who serve on the Advertising Council is considered quite an award.

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Spiese: When did you become director?

Dowd: I don't know. I was on for about three or four years. I'd say about '81 or '82. I'd been the chairman of the Association of National Advertisers, and when my term was up, I think that was the year I moved onto the Ad Council.

Spiese: Okay. Let's talk about that. What is the purpose and function of the Association of National Advertisers?

Dowd: Well, the name is pretty clear. That was founded about World War I, I think, and it was called the Association of Advertising Managers, I think that was the initial title. Then it became the Association of National Advertisers. It really should be the American Marketing Association, except that title has been taken by a group who are primarily researchers. The American Marketing Association is really the American Marketing Research Association, just primarily professors of marketing and practitioners of advertising, of marketing research. But the name was taken. We couldn't use that. But we do have members from national advertisers. This would be--there are some exceptions. Media, we won't accept, although Newsweek is a national advertiser, Time is national advertiser. They're also a medium, an advertising medium, and therefore occasionally in conflict with the needs of the advertiser. There's another association called the "Four A's", American Association of Advertising Agencies, which is self-explanatory. Those three organizations represent the three arms of advertising.

There's another organization called the American Federation of Advertising--American Advertising Federation, AAF, which is composed--it's sort of a national umbrella group for advertising clubs around the country. There's an advertising club in Harrisburg that I never joined; I don't think any of us have. An advertising club in Boston that I did belong to when I worked for an advertising agency there. But the AAF coordinates all the advertising clubs. So there are four advertising trade organizations.

The Association of National Advertisers is one that I had thought very highly of. When I was in the advertising agency side, I tried very hard to get one of my clients in Boston to join this organization, and he said, "Why?" I'm afraid my answer was so tactless that it turned him off totally. I said, "Because it will teach the client something about advertising." Since he felt he already knew everything about advertising, he didn't think it was necessary. I thought it made an advertiser much more professional. I still do. They have training courses. They are the voice of the advertiser. They and the Four A's have a joint counsel that negotiates with the trade unions: the Screen Actors Guild and the American Federation of Television and Radio Artists, who are very powerful and over a period of time just inordinately raised their prices and their demands, and they

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were using the principle of one against the other. They would use all their energy against one group or the other group, and together we didn't have a unified response. We do now.

The training courses are very, very valuable. The lobbying is critical these days. Some positions you can't always be too thrilled with. For instance, one that I did like and first got me involved in administration of the ANA, I was later asked to serve on the board, there was a proposed FTS rule, an attempt to eliminate children's advertising. This was basically the advertising that appeared on Saturday morning, and it was for toys, cereals, and confectionery. Those are the basic [children's] advertisers. Because there was a principle involved, First Amendment, a freedom of speech principle involved, constitutional principle, and because if they could do that to a few advertisers on Saturday, they could do it to the beer advertisers on Monday night football, and they could do it to race track advertising because that encouraged speeding. The things that the [Ralph] Nader people are capable of dreaming up will boggle the mind.

We developed a fund to fight this. We needed publicity, we needed attorneys. We got contributions from General Motors, for example, who said, "This is an attack on all of us." And we were able to fight it off. I testified in Washington about it. There was a Federal Trade Commission trial examiner who listened to the testimony on this. Later on we decided that the Federal Trade Commission, themselves, the five Federal Trade commissioners, needed to know more about advertising, and we made a presentation to them and I was one of the speakers at that. You mentioned you have a copy of that.

But the ANA, I think, has been a very valuable service to all advertisers.

Spiese: Does the ANA or any of the similar groups, the other groups that you mentioned, the arms, do any of them participate in any sort of self-governing or regulating activity in terms of agreement of what is kosher advertising and what is not? Do you understand?

Dowd: Yes. Through the National Advertising Bureau--no. I can't remember the name of the group. There is a group, and I served on [the Board of] that, too. [Laughter] If one advertiser believes that another advertiser is advertising falsely, usually a competitor, if a consumer feels that an advertiser, if one of the Nader "fronts" believes, they come to this body and we attempt to negotiate. The management attempts to negotiate. This is a branch of the Better Business Bureau. The National Better Business Bureau has this Bureau of Advertising. No, it isn't. I can't recall its name. But it attempts to negotiate a settlement.

If a settlement cannot be negotiated, and this happens maybe eight or ten times a year, in effect, a jury is selected, of members of this organization, with

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representatives of the media, the advertisers, and the agencies. They listen to both sides, and there is binding arbitration.

Spiese: That's what I was wondering, if it's binding.

Dowd: And they say, "Yes, this advertising is okay," or, "No, it is not okay, and here's why." And invariably the advertiser will say, "We disagree with the finding. We believe it is perfectly ethical advertising. We see nothing wrong with it at all. However, our marketing objectives have changed and we are withdrawing the advertising," which is a nice cop-out and everybody accepts that as a way of saying, "Okay. I gambled and lost."

Spiese: Slight face-saving maneuver, perhaps.

Dowd: Yes.

Spiese: Okay. That's interesting. Let's change gears once again here. One of the consistent things that I have noticed through all my interviews is virtually everyone that I have interviewed is a member of the Hershey Rotary Club. [Laughter] Now, I understand that you are a prominent member of the Rotary Club and have been president? Are you currently president?

Dowd: No. I'm a past president two years ago.

Spiese: I want to know about the Rotary's purpose and activities in the community, because I've never really gotten into that in terms of detail. I know it's a service club, but certainly there are specifics that we can get into. Why is Rotary so popular among Hershey management? Do you feel it's something that's advantageous in terms of one's career at Hershey?

Dowd: I was told that was true. I didn't join until just a few years ago. I was told when I came to Hershey--I'd been here about six months, and I was told by somebody who had been here a long time and really had my best interest at heart and was also a somewhat cynical observer of the scene here, I guess, he said, "It looks like you might have a future here, but if you really ever want to amount to anything, you've got to be a Presbyterian, a Mason, a Rotarian, and a member of the Hershey Country Club."

I had already joined the Hershey Country Club so my children could have a place to swim. I didn't play golf, I do not play golf. I was only a social member. I decided at that time I wasn't going to--if I had to do those things to

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succeed, I would probably leave, and I wasn't going to do those things. I did not join Rotary until about three years after I had become a vice president.

Spiese: Obviously it didn't injure your career.

Dowd: I've never joined the other two organizations. Apparently it did not hurt my career, nor would it have hurt anybody's career. I think it was an overstatement. It may have been retrospectively true. I don't know. I think it is true that Rotary has probably most of the leaders of the community. That inevitably changes in any community and any organization. Currently the major executives of Hershey Foods, not of Hershey Chocolate, but of Hershey Foods, are members of Rotary, more and more people from the Medical Center, all of the senior officers of HERCO and of the Milton Hershey School. I don't think there's a member of the Board of Supervisors who is not a Rotarian. So there is a lot of potential power there.

Rotary is a service club, as you said. There are several service clubs. Rotary is the senior one in the fact that it's the oldest. It has a couple of million members internationally. It's really a power group in foreign countries. It's a great honor to be a Rotarian [there] and [those] Rotarians wear their badges a lot more than they do in the United States. To be a Rotarian in most of the foreign countries, the cities, means you really have arrived.

A district governor was telling me that he had met another man who had traveled, and he wasn't sure where it was, whether it was in the Benelux countries or one of the Scandinavian countries, but he was with several other people and their wives, and they wanted to see one more castle and he was castled out, so he was sitting on the hood of his car, having a cigarette, and a man came over to him, a native, and said, "I see you're a Rotarian," because he was wearing his badge. The American said, "Yes, I am." And the foreigner said--or the native said, "So am I." So they shook hands. Rotary has a classification system. There can only be a maximum of two with any classification, single classification. It gets sometimes pretty creative in classifications, but, for instance, there can only be one--only two general practitioners. There can be one and an additional active one. There can only be two real estate people, only two--this is so that you don't get everybody in the same industry, so that you can spread it out. It encourages the organization to spread out in the community, and you don't want it to be a trade association for a single occupation.

So this American said to the foreigner, "What is your classification?"

And the foreigner said, "King." There is no additional active for that one in the country, I suspect. [Laughter]

Spiese: I wonder who it was.

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Dowd: I don't know. He couldn't remember whether it was Belgium or Holland or Sweden or Norway.

Spiese: I bet we don't have those in this country, do we?

Dowd: But that's one classification we don't have. Several people have volunteered for it, but they can't have it.

Spiese: That's great.

Dowd: In terms of service, the local club has done a great deal. They have a Rotary auction every year. That's their major fund-raising event. They collect about \$20,000 a year and it goes to fund organizations in the area, the Little League, the Pop Warner League, the Little Hockey League, the symphony, the ballet, any number of organizations. They also are a major supporter of the--oh, they help support the people who--the van for the senior citizens in the community. They have an annual cocoa bean--they sponsor the cocoa bean game between Hershey High School and Milton Hershey High School and collect about \$10,000 a year from that, which goes to Memorial Field. It's on Cocoa Avenue at the end of Governor, at the junction of Cocoa and Governor. There's a field there and the lights, the stadium, the stands, and everything, have all been given by the Rotary Club. In Shank Park there's a pavilion that was financed by the club. And there's a number--most of the club members are involved in some kind of civic activity.

So it's been a good--it's one I've been very pleased with to work in. I was only in there a year and they asked if I would be a candidate for board of directors. There are ten candidates and five people selected. I was happy to do it because I figured nobody knew who I was; I just got there. And I wound up on the board. A year later I was asked if I would serve as treasurer. If you do that, you're committed for four more years. You go up the chairs from treasurer to secretary to president-elect to president. And I finished that two years ago, so I'm pretty much clear. I'm still on the nominating committee and the classification committee. As a past president, I will be for several more years.

Spiese: I'm curious. With the classification system that you've talked about, how do so many executives from Hershey--certainly they're--are they not considered the same classification?

Dowd: There used to be a rule nationally that chocolate manufacturer would be your classification, and obviously if we had chocolate manufacturing, entertainment, and resort and private school, they'd have a six-man club. So we've always said

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it's your occupation. So I was confectionery distribution, they called it. Actually it should have been marketing, but I'd accept anything they gave me. Ken Wolf is the president of Hershey Foods. I believe his classification is cost-finding, something of that sort, because he was at one time a cost accountant when he joined the club, and he still retained the classification.

Spiese: That's what I was wondering. If somebody's job title changes in the course of--

Dowd: You generally don't change it. He's now a senior active. After ten years in the club you become a senior active.

Spiese: I'm not trying to deliberately dig dirt, but I'm curious. Have you ever known of anybody who got really annoyed because he was not permitted to join Rotary because his classification was filled or a new one was not created for him?

Dowd: There are a couple of reasons why you can't join Rotary. One is that the classification is filled. Another is that you haven't lived in Hershey or worked in Hershey for a year. The new president of the Milton Hershey School is obviously a prime candidate for membership, because every one of her executives, every one of the officers of Milton Hershey School, is a member of Rotary. Frances is not going to be a member until next summer because she hasn't served her one year. The new president and the new chairman of the Hershey Bank are people that Rotary would love to have. They're not going to get in for a while. The president may, because she's worked here long enough, but the chairman will not for another year.

Spiese: Do you think most Rotary members become members because someone approaches them and invites them? Is that more common?

Dowd: That is the way you do come in.

Spiese: Okay.

Dowd: I was asked--at one time Earl Spangler--I was vice president. I was on Earl's staff, and several of them went off to Rotary and they came back and he said, "Where were you?"

I said, "What do you mean? I've been waiting for you."

He said, "Aren't you a Rotarian?"

I said, "No."

He said, "Well, we've got to get you in." But I never pursued it and nothing ever happened. A local dentist asked me to join one time. He said he

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thought I should join, and I said, well, I didn't think I was ready yet. Then Larry Johns asked me, and I couldn't turn him down, so I did join.

Spiese: Even though you don't play golf.

Dowd: I do not play golf, no.

Spiese: [Laughter] That was still okay.

Dowd: Something like advertising. I don't drink gin and I don't drink Scotch and I don't play bridge and I don't play golf. By the time I found I was in the wrong business, I was making too much money to quit.

Spiese: Too much. That's hard to believe. That really is. One more thing here with your other activities. I understand you're--are you currently a member of the Red Cross? Or you have past activities with the Red Cross?

Dowd: I was on the board of the Red Cross for a three-year term followed by another three-year term, and you can serve only two consecutive three-year terms and then you have to stay off for a year. So I was in the interim, and I got a call from Bob Allen, who was the president of the Hershey Trust Company and the bank, I believe, at that time, whom I had talked into joining [me on] the Red Cross board. He had become the vice chairman of the board at that time. He called to tell me that the executive director of the Harrisburg chapter, which is the tri-county chapter, Dauphin, Perry, and part of Cumberland, that the executive director was leaving. I said, "When?" He said, "As soon as we find him and tell him." And he said, "We're looking for somebody who will just act . . ." I had retired by this time. "Will be sort of an interim executive director, just keep the ship afloat, keep everybody happy, reasonably happy. And would you do it?"

I figured, well, for a couple of weeks that wouldn't be a bad job. That was October. It wasn't until the following March that a successor was selected, so I ran the operation for about six months, learned more in the first week in that corner office than I'd learned in the six years on the Board. Developed a great respect for the operation, had to make some adjustments in personnel. There were things. They didn't have a budgeting system, they didn't have annual objectives, they didn't have long-range planning, and some of the people weren't willing to do those things. So some of them left and some of them weren't happy. But the Board was happy, and the chairman was happy because otherwise he would have had to run it himself.

So I did that for six months and then I was elected to the Board for another three-year term and was the vice chairman-elect for this year, and decided that I'd

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had about all I wanted of financial development. That was going to be one of the primary jobs, and I'd been doing it for four years, and I just didn't want to do it anymore, so I've retired from the Board. Plaques and things, but nothing else.

Spiese: What is the gold bell?

Dowd: The gold bell is from the Association of National Advertisers. As vice chairman, you are the program manager. You manage the annual meeting, and they always give you a bell, saying "For a bell-ringer of a program." Of course, they didn't have the faintest idea whether it was going to be or not when they had the bell engraved, but it was a good meeting.

Spiese: What's the figure in the middle?

Dowd: That came from one of the advertising agencies when I retired.

Spiese: I can't tell what it is from here.

Dowd: It's an eagle. It's a cut glass eagle, which is kind of nice.

Spiese: That's pretty. It looks like a bird from here. I just couldn't tell what kind.

Dowd: Yeah. It does.

Spiese: I have no more questions. Is there any final word that you'd like to give us on the career and life of Jack Dowd?

Dowd: No. I've talked entirely too long about Jack Dowd. I've never been so sick of a subject in my life.

Spiese: Except for "E.T." [Laughter]

Dowd: Except for "E.T." No, a good interview. We'll edit it down so it's manageable.

Spiese: I hope you don't edit it too much. Thanks for your time.

Dowd: Enjoyed it.

[End of interview]