

# Wrigley to close plant

Company leaving Santa Cruz in '97 after 41 years; employees face layoff or relocation

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**SANTA CRUZ** — The Wm. Wrigley Co., the world's largest maker of chewing gum, will close its 41-year-old Santa Cruz plant by June 1997, laying off or relocating all 311 employees.

The firm, which sells more than half of the gum consumed in the United States, said Wednesday the cost of making gum on the West Coast from raw products shipped from the East Coast, and then shipping packaged gum back again, was a major factor in deciding to close the Santa Cruz plant.

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■ *First nationally known firm locates in Santa Cruz in 1955 — Back page*

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And while the company, which had sales of almost \$1.8 billion in 1995, is expanding in overseas markets, gum chewing in the United States is growing only slightly.

"The U.S. business has been growing, but the rate of growth is just slightly ahead of population growth, about 1.2 percent," said Bill Piet, spokesman for the Chicago-based company. "In that same time, there

have been lots of technological changes and the dynamics of the market have changed. Bubble gum is not a factor as it was in the '70s and '80s. All of that has had an influence."

"While the Wrigley Co.'s business is solid, the competitive environment in which the company operates makes it difficult to carry excess manufacturing capacity," said a statement issued by the company.

The company's revenue in 1995 grew 6.5 percent, but profits declined almost 3 percent over 1994. A four-year study of the company concluded it could produce gum more efficiently from its plants in Chicago and Georgia.

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The Santa Cruz plant opened in 1954 on Mission Street, at the far western reaches of Santa Cruz. From this fragrant compound of confectionary smells almost 5 billion sticks of chewing gum were produced last year — Doublemint, Spearmint, Juicy Fruit, Big Red and Extra.

That's about a billion fewer than were produced in the late 1980s.

The 385,000-square-foot Santa Cruz plant has been running at about 60 percent of capacity for the past

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several years, said Piet.

Last May, for the first time in its history, the company laid off 10 employees. Altogether, more than 20 employees were let go last year, either with layoffs, relocation to other Wrigley facilities or retirements.

Employees were told of the impending shutdown Wednesday, and were offered job counseling. Eighteen employees were laid off effective Wednesday, said Piet.

The rest will be told by June what their options are, he said. Another round of layoffs will probably come in July or August, Piet said.

"Obviously, we're in a state of shock," said an employee. "This is very much a family atmosphere, a community within a factory. This is really going to hurt."

More than half the employees will be eligible for transfer to other Wrigley operations in either Gainesville, Georgia, or Chicago, or will be offered an enhanced early retirement package, said Piet.

As production at Santa Cruz winds down over the next year, those employees who don't transfer or retire will be provided with income and benefits for up to 50 weeks, depending on their length of employment. The company will also subsidize health care for a year and a half.

Employees not already vested in pension and savings plans were added Wednesday, he said.

The building will be offered for sale.

The closing is particularly poignant for the Wrigley Co., which claims it is one of the first companies to provide paid vacations, and was the first to offer a five-day work week as well as a form of guaranteed annual wage.

The company prided itself on having low employee turnover. One employee estimated that most production workers had been at the plant 15-20 years.

"It's a family atmosphere with excellent benefits. It's not just your average 5,000-person factory. This company has always been here," said one employee.

The average production worker's wage at the Santa Cruz plant is \$15 an hour, Piet said. By comparison, the average wage at the Chicago plant is \$16 an hour and \$14 an hour in Georgia, he said.

Santa Cruz factory manager Patrick Causey said the decision to close the Santa Cruz plant was made after an exhaustive analysis on the most effective way to realign production.

"This was probably the most difficult decision the Wrigley Co. has ever had to make," said Piet.

President and CEO William Wrigley, who was paid almost \$700,000 in 1994, signed letters to each of the Santa Cruz employees, said Piet.

Santa Cruz employees said rumors have circulated for the past two years that the plant might close. In a state-of-the-company address two months ago, however, officials said there would be no layoffs.

The news Wednesday came as a shock, said John Potter, a 26-year employee. Potter, 51, said he was considering the early retirement option. "At this point, I don't know," he said.

Ted Fitch, 53, heard the news from a friend long before his afternoon shift started. He, too, said he would end his 16 years of employment by taking early retirement.

The company was founded by the late William Wrigley Jr. in 1891 after he discovered that the chewing gum he was giving away to promote his baking powder business was more popular than the baking powder.

For 75 years, Wrigley's made just three gums — Spearmint, Juicy Fruit and Doublemint.

The company did not raise its original 5-cent price until 1971 when it moved to 7 cents.

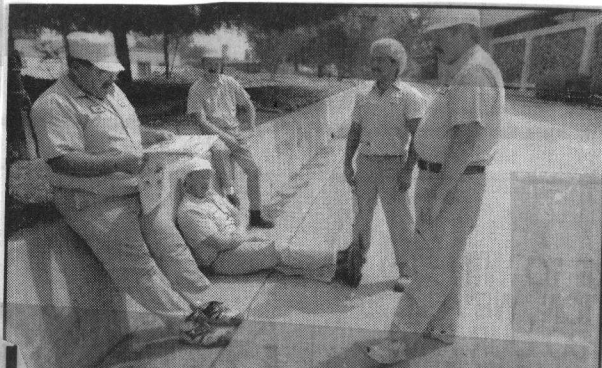
While the pace of gum chewing has slowed in the United States, Wrigley's overseas business has soared, especially in Europe and the former Soviet Union, and now accounts for 43 percent of Wrigley's total.

In recent years, Wrigley has established operations in Hungary, Slovenia, the Czech Republic, Poland and China. It now has 11 overseas plants.

The Santa Cruz plant augmented production for those markets, but was never meant to serve those markets, said Piet.

Gum is still Wrigley's revenue juice, producing more than 90 percent of the company's revenue. The company also owns Amuro Products, which manufactures novelty bubble gums, suckers and other types of candy. Wrigley's L.A. Dreyfus operation produces chewing gum bases used by other gum manufacturers, and its Northwestern Flavors unit makes flavorings used by food companies. The company also produces gum wrappers and operates the famed Wrigley Building in Chicago.

The Wrigley family bought Catalina Island in 1919 and owned the Chicago Cubs from 1924 to 1981. The chewing gum giant is 26 percent owned by William



## About the Wrigley chewing gum plant

The Wm. Wrigley Co. chewing gum plant opened in 1955, and was the first nationally known firm to locate in Santa Cruz. Because of a shortage of steel due to the Korean War, the company had to wait for several years to get the Mission Street plant built.

For several years after it opened, plant managers gave guided tours that attracted thousands of visitors, according to Sentinel coverage at the time.

A Sentinel story dated March 9, 1958, trumpeted in the headline: " 'Made in Santa Cruz' label printed on Wrigley packages." The story went on to note that the city's name was shipped in chewing gum packages all over the western U.S., Baja California, and "the U.S. territory of Hawaii" as well as Hong Kong, Okinawa, Japan and Singapore.

In 1971, the company more than tripled the size of the original plant.

That was the same year Santa Cruz got a second national company, when Wrigley was joined by the Thomas J. Lipton Inc. plant on Delaware Avenue, which pumped out tea.

The Wrigley plant employed 440 workers in 1981.

William Wrigley's first gum brands were Lotta Gum and Vassar, followed shortly by Juicy Fruit, Polo, Picnic, Orbit, Betel Nut Chewing Gum, Lik-Ris, and PK were among some of the Wrigley gums.

The Santa Cruz plant has 30 gum wrapping machines. On the average, each machine wraps 5,000 boxes containing 30 packages of gum a day.

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— *Wrigley employee*

Wrigley, the third generation Wrigley to run the company.

With eight of the top 10 selling brands, Wrigley's share of the \$2.4 billion retail gum market in the nation is more than half.

The company's stock value has surged in the past decade from \$3.13 a share in 1983 to \$39.88 in 1992, when there was a stock split. Stock closed Wednesday at \$51.75 a share.

The company's revenue has also climbed, from \$129 million in 1991 to almost \$224 million in 1995.

But Wrigley's profit margin declined 2.9 percent from 13.9 percent in 1994 to 12.6 percent in 1995.

The company's main competitors are Warner-Lambert's American Chicle, makers of Trident and Dentyne, and RJR's Nabisco, makers of Carefree. Together, the three sell more than 90 percent of the gum chewed in the United States.