



Turning cookies into cash

Cheryl Krueger recently sold her made-from-scratch cookie company to 1-800-Flowers.com for \$40 million. But don't expect her to bow out anytime soon.

BY SUSAN K.
WITTSTOCK

After the \$40 million sale of her company to 1-800-Flowers.com on March 28, Cheryl Krueger wanted to thank her employees for their support. Instead of handing out the kind of corporate *attaboy* one might expect from a gourmet food and gifts company—like, say, a collectible tin filled with cookies—Krueger offered something sweeter: cash.

"When this merger and acquisition took place," says the company's CEO, president and founder, "I gave all of our associates who had been with us five years or longer a bonus." Everyone from dock workers to bakers was eligible for the extra bump: an additional week's worth of pay for every year of employment.

That translated into more than \$1 million doled out to nearly 100 people.

"Without their help, I couldn't have built this business," says Krueger. "So not sharing the proceeds of the sale with them is not the kind of person I am and not the kind of company I want to be a part of. And as long as I'm the president of the company, we get to set a higher standard."

Above: Cheryl Krueger has grown Cheryl & Co. to \$34 million in sales since opening her first store at the French Market in the Continent.

As a part of the merger, Krueger will continue as president for at least three years, and she says she intends to stay long after that. "Not much will change for me," she says. "The big change will be the ability to grow the company more quickly. I'm only 53 years old. I have a lot of energy and a lot of ideas for the company, and I'm really excited about seeing how big the enterprise can become."

Krueger founded Cheryl's Cookies in 1981 and steadily built the business into a multimillion-dollar corporation. Last year alone, the retail, catalog, corporate and Internet divisions netted \$34 million in sales for the Westerville business, which is now called Cheryl & Co.

While the enterprise has a respectable customer base of almost 500,000, that's tiny compared with the 15 million customers in the 1-800-Flowers database.

COLUMBUS DANCE THEATRE

*Thank you
Columbus.*

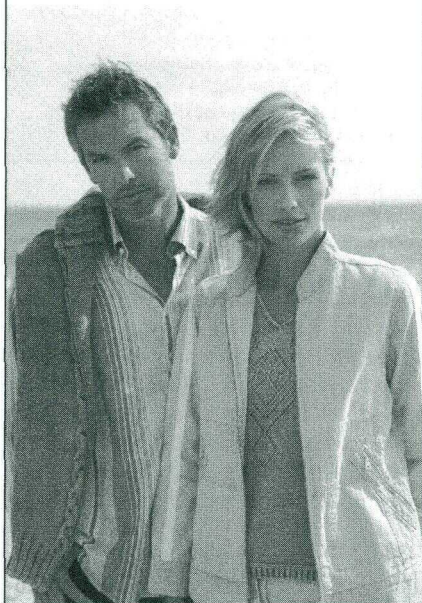
*Your continued
support of the arts
has made this year's
performances at
Columbus Dance Theatre
a great success!*

For more information call
614.849.0227

592 E. Main Street Columbus, Ohio 43215
a non-profit charitable organization

BLUE WILLI'S

A LIFE MORE PLEASANT



Christopher's
don boutique

Downtown Circleville
Just minutes from Columbus
(740) 474-7916

Cheryl&Co. products, while still available through the business's website and catalog, now also will be sold through all of 1-800-Flowers' many marketing methods, including Internet, retail and phone sales, and through partnerships with other 1-800-Flowers holdings, such as the Popcorn Factory and GreatFood.com.

"She is well respected and has a good business mind. She listens intensely and asks a lot of probing questions," says Stewart Owens, CEO of Bob Evans. (Krueger sits on the Bob Evans Farms board of directors, its first woman member.) "One of the really exciting things about the deal with 1-800-Flowers.com is she can really increase her access to potential customers. It should hold some explosive growth for her."

As for the deal's impact on her personal life, Krueger talks as if she doesn't sit around counting her money. But she has indulged a bit: Krueger bought this year's Decorators' Show House in New Albany for, according to the Franklin County auditor's office, \$2.2 million. "I'd been looking at it for six years," she says.

Krueger's story reads like a classic American fairy tale: Raised on a farm in Bellevue by hard-working parents, she beat the odds by paying for college tuition as a waitress and clothing store clerk. She entered the professional world as a merchandise buyer, received rapid promotions and earned gobs of cash while still in her 20s.

But she wanted something more. So, in her spare time, she baked cookies, using recipes she learned as a child from her beloved grandmother. She started to sell the cookies, and when she couldn't get a bank loan to open a store, she opened one anyway, financing the venture with income from her day job. Eventually, she did well enough that she quit the corporate grind, and her company grew and grew and grew, and she lived—so to speak—happily ever after.

Krueger is happy to be in the ever-after part of the story, but she isn't ready to forget how she got there. "People today say, 'Gee whiz, aren't you lucky that this transaction happened?'" she says and tosses her head at the word *lucky*. "And I'm going, 'They weren't there at the time when I had a lot of risks, a lot of debt, a lot of sleepless nights, worrying about how bills would be paid! There were times we'd work with our vendors and say, 'Look, I can't pay you right now. I'll be able to pay you when Christmas comes.'"

Her brother, Jim Krueger, knows better than to credit luck. Jim, who is president of manufacturing and fulfillment at Cheryl&Co., has been with the business since it was four months old. He can attest to how

rough the early years were. "We were working seven days a week," he says. He did the baking and delivery work; Krueger's partner and college roommate, Carol Walker, ran the stores, and Cheryl, who worked as a vice president of sales for Chaus Sportswear in New York, flew to Columbus on weekends to pitch in.

She chose Burdines Department Store in Miami and quickly progressed up the corporate ladder. In 1976, she was recruited by The Limited (now Limited Brands), and moved back to Ohio, where she found a mentor in CEO Les Wexner.

If there is a magic bag of beans in this tale, it takes the form of cookies. Krueger's original recipes were inspired by her grandmother, Elsie Krueger. When Cheryl was still a child, her father, Bill, gave up farming in favor of a more profitable career as a truck driver, and her mother, Audrey Jean, went to work at an insurance company and later as a clerk at a meat-packing company. Elsie moved into the family's old farmhouse and helped care for Cheryl, her younger sister Judy and Jim, the youngest.

Krueger has many fond memories of Elsie. "She would always have cookies and milk waiting for us at the kitchen table. And we'd dump our books down and talk to her about how the day had went. And then my sister would go out and do chores and I'd help my grandmother start peeling potatoes, and getting things ready for supper."

Krueger loved the farm, but knew she wasn't cut out for that way of life. "I just always knew I wanted to go to college," she says. It wasn't an aspiration her parents shared for her. "One of them had a high school education and the other one didn't, so they couldn't understand the value of an education," she says. "I remember taking college preparatory courses and my dad saying, 'Why would you do that?'"

Undaunted, Krueger took out loans and worked her way through Bowling Green, commuting 20 miles her first two years to the Firelands branch and transferring to main campus for her last two. She majored in home economics and business,

roomed with Walker and by graduation had a pick of job offers in fashion merchandising.

She chose Burdines Department Store in Miami and quickly progressed up the corporate ladder. In 1976, she was recruited by The Limited (now Limited Brands), and moved back to Ohio, where she found a mentor in CEO Les Wexner. She credits him, in part, for her own company's involvement in philanthropic efforts. "A big part of it is seeing what a benevolent leader Les Wexner is in this community and how he's challenged people to give," she says. "That had a big impact on me."

Krueger worked at The Limited until October of 1981, when she moved to New York for the Chaus Sportswear job. A month earlier, she and Walker had opened the first Cheryl's Cookies store in the French Market at the Continent. Leaving town was rough, but the new position offered a high salary-part of which she could pump back into her business.

As a woman with no collateral, banks wouldn't loan her money, so she was forced to use her own savings, salary and Limited stock to keep things afloat. "I'm not actually employee number-one because I was never actually on the payroll for the first five years of the company," Krueger says.

The business began to grow. A second store opened on Lane Avenue in Upper Arlington in January 1982, followed by Indianapolis in 1983, Kingsdale Shopping Center in 1984 and two others, for convoluted reasons, in St. Louis. Halfway through 1984, Krueger returned to The Limited and its demanding schedule. In spite of the strain, she kept pushing forward with the cookie business. "The problem with The Limited was I was traveling so much and eventually I wanted to have a personal life," she says. "So the whole motivation was that eventually I would be able to not travel as much and have a couple of cookie stores."

In the mid 1980s, Krueger quit The Limited to work full time with the cookie enterprise. In response to direct competition from the Mrs. Field's chain of cookie stores, Krueger modified her concept in 1986, increasing her product line to include gifts and gourmet items, such as chocolate and coffees. Krueger's marketing abilities have helped to propel the company, Jim Krueger says. "Cheryl is probably one of the most talented people I have ever met in terms of merchandising and creativity and designing gifts. She is just unbelievable at it," he says.

The company began attracting corporate customers interested in gift services.

The catalog debuted in 1988 and created heavy sales during the holiday season. Krueger pursued food service accounts so she could keep her employees busy year-round, leading to contracts with restaurants such as Max & Erma's and Bob Evans.

The original headquarters was a 1,200-square-foot building in Grandview, which was vacated after a couple of years for a 10,000-square-foot facility on Johnstown Road before Krueger headed in 1994 to the current 17-acre campus in Westerville—with room to expand, which Krueger plans to do soon.

Another major boost came in the early 1990s when Cheryl & Co. began selling to airlines, landing accounts with U.S. Air and Delta. More growth came from the Internet division in the late 1990s, when the daughter of Krueger's assistant, a Harvard student, built a site for the company. And then 1-800-Flowers.com came calling.

There's been a cost for all the professional success. Krueger has been through three marriages—the latest was with Tim Horn, who was vice president of human resources at the company. They divorced about two years ago. "The cost of working long hours and working hard has had its toll on my personal life," she says.



Room With A View 2005

A BENEFIT FOR GOODWILL COLUMBUS

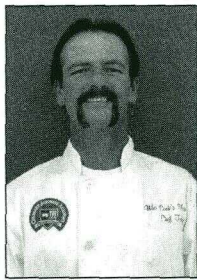
June 11, 2005
7pm-11pm

Call 614.410.0426 for tickets

From the terrace of presenting sponsor Chase Home Finance

Sumptuous hors d'oeuvres & cocktails, dancing & live music, silent & live auctions

Dance to the sounds of Dwight Lennox & the Lennox Avenue Express



Who Cooks For You?

The Dining Out / DriveThruAlternative

A Personal Chef Service provides great tasting, healthful, affordable meals enjoyed in the comfort of your home. A convenient and affordable solution to the age-old question: "What's For Dinner?"

Customized Menu • Complete Grocery Shopping • Meal Preparation in Your Home

People from all walks of life are hiring a Personal Chef Service; busy professionals, families on the go, people with special dietary needs and senior citizens. *It's not just for the rich and famous anymore.*

Chef Terry
Member, United States
Personal Chef Assoc.

Who Cooks For You? Personal Chef Service • (614) 527-7339
www.uspca.net/oh/whocooks4u • e-mail: floudens@columbus.rr.com

columbusmonthly.com

- Write a letter
- Read stories
- Order subscriptions
- (Jet a restaurant rating
- Request a media kit
- Send calendar listings
- Check out **Exclusive Homes**

Another way to get your *Monthly* fix 1

The smoothest place on your radio...

Smooth Jazz
103.5/104.3 WJZA

In December 1984, Carol Walker was diagnosed with lymphoma and cancer of the bone marrow. "She was reluctant about going to a hospice environment, so for that last 16-month period, she lived with me while she went through incredible doses of chemotherapy," Krueger says. "Eventually it overtook her body and she died in my home."

The death of Walker at age 33 deeply affected Krueger. "I saw the look on her face-she looked so happy and at peace, that I know she's in a better place," she says. "I have very strong religious convictions and that you are here as a service. Seeing that at that stage of my life made me realize that it's not about what you amass here, it's about what you give here."

Honoring a request by Walker, Krueger began a scholarship fund for Cheryl's employees. It was the first of many charitable efforts the company has since made, both for its staff and others. Krueger waives the fee for all speeches, asking that funds be donated to the James cancer center, in recognition of Walker and Cheryl's father, Bill, who's a five-year cancer survivor. Cheryl's gives free cookies at the stores to any student, including adults taking continuing education courses, who earns an "A" on a report card. The company also waives shipping fees for cookies mailed to American soldiers in Iraq or Afghanistan, donates leftover cookies daily to the Mid-Ohio FoodBank and Meals on Wheels (among others), supports mentorship and entrepreneurship programs at several high schools and provides emergency funds to employees through an Elsie Krueger Fund, established after Elsie died at age 99.

Krueger also sits on the board of the James, and she is president of the board at Columbus Academy, where her 16-year-old son is a student. Headmaster John Mackenzie has been impressed by her involvement. "She has no sense of superiority. She's a mom who is very dedicated to her son," he says. "She's been great to us because she is so committed to education."

Along the way, Krueger has racked up awards for her leadership and success as a female business leader, including being selected as "Entrepreneur of the Year" by *Working Woman* magazine in 1999 and inducted into the Ohio Women's Hall of Fame.

"I think it's permissible to guide one's life by your moral values, and I think making good fundamental decisions in the business, based on values, is why we've been successful," Krueger says. "I want to be sure I prepare this business in such a way that it survives long after I'm gone. In my wildest dreams I never thought it would turn out this way." •

Susan K. Wittstock is a freelance writer.