

# Fact Sheet 1: The Chocolate Company



Image Source: <http://www.hersheyarchives.org/Default.aspx?Page=MilkChocolate>

Imagine a world without chocolate bars and you'd be back in the '70s – the 1870s, that is. But that began to change in 1872 when a teenager named Milton started working at Royer's Ice Cream Parlor and Garden in Lancaster, Pennsylvania.. It was here at Royer's that Milton learned the skill that helps make our lives a little sweeter today.

## Milton the Proprietor

At Royer's Milton learned how to make candy from boiled sugar. He also learned how to manage workers, control inventories, and price products. When he was 18 years-old, he decided to take his skills to Philadelphia and start his own business. With the financial backing of his mother's family, he opened the Spring Garden Confectionary Works in 1876.

Milton's new business was a proprietorship, a company owned and run by one person who receives its profits or bears its losses. The business grew at first but eventually ran into difficulties. Despite more money from his mother's family and Milton's long hours and hard work, it failed in 1882.

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## Stuck on Caramel

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After his business failed, Milton then went to Colorado in search of silver but ended up working in - you guessed it, a candy shop.

The shop produced caramels with an innovative process that used fresh milk. The caramels were softer, smoother, tastier, and had a much longer shelf life. After learning how to make the caramels, Milton went to New York City to start another candy business. His mother's family again provided the funds. Again the business began well, but in the summer of 1886 it ran into trouble. Unable to pay a large loan for his candy making equipment, Milton experienced his second business failure.

Penniless, he returned home to Lancaster, Pennsylvania. Despite this, he decided to start another candy business. Lacking financial help from his family this time, he rented a small warehouse room. He began producing candy and selling it from a basket during the day. His sales increased, so he moved to a larger location. To make enough candy, however, Milton had to borrow money to buy an expensive copper boiling pot. When the loan came due, he couldn't repay all of it. Fortunately, this time a British importer came to the rescue after discovering the flavor and shelf-life of Milton's caramels. The importer began ordering large quantities, so Milton's sales and income soared. At last, Milton had succeeded. His third company, the Lancaster Caramel Company, was prospering.

## Chocolaty Dreams

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In 1893, Milton attended the World's Fair in Chicago. An exhibit of a chocolate-making system from Germany greatly impressed him. He decided to concentrate on making fresh-milk chocolates instead of caramels. While most people had never even heard of milk chocolate, Milton was hooked on it. "Caramels are too rich to eat every day," he said to a relative. "I am going to concentrate more and more on making chocolate because I believe it will be a more permanent business in the long run." <sup>i</sup>

The Swiss had developed a technique for making milk chocolate, but the product was very expensive. Milton believed he could make high-quality milk chocolate at a price most people could afford. But accomplishing this goal would be a difficult task requiring a willingness to learn from mistakes:

"He had no knowledge of chemistry to help him. It took him years of messing around in overalls to discover the basic procedures in the manufacture of milk chocolate. He felt his way from experiment to experiment, undaunted by failure and elated by success." <sup>ii</sup>

Milton's perseverance paid off when he finally discovered a process for making affordable milk chocolates. In 1900 he sold the Lancaster Caramel Company for \$1 million, a huge sum in those days. The money from this sale was used to build a plant in a rural farming area of Pennsylvania. Milton knew that the local dairy farms could provide lots of fresh milk. The area also had many industrious workers, and nearby Philadelphia and New York had supplies of imported sugar. The opening of the plant marked the start of the Hershey Chocolate Company.



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## Chocolate Corporation

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The Hershey Chocolate Company grew rapidly and began introducing new products. Hershey's Kisses appeared in 1907, Mr. Goodbar in 1925, and Hershey's Syrup in 1926. But the company's continued growth would require large inflows of new funds. To raise the money he needed, Milton Hershey decided to incorporate the business and sell stock to the public. A corporation can raise substantial sums from investors because it offers them attractive features. One of them is "limited liability," which means an investor's potential loss is limited to the amount invested in the company's stock. Another attractive feature is a corporation's long life. A corporation is a separate legal entity, just like a person, so it lives on even if its founders or managers leave or die.

In 1927, the business became a corporation and changed its name to the Hershey Chocolate Corporation. It sold stock to the public to fund its continued growth. In 1968 it changed its name to the Hershey Foods Corporation to recognize its growing line of products. Its name changed once again in 2005, when it became the Hershey Company to reflect its global growth (stock symbol: HSY).

Milton Hershey passed away in 1945, but his company continues to thrive today as a separate legal entity. We owe him a great deal for persevering and making the world a sweeter place.

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<sup>i</sup> *Hershey: Milton S. Hershey's Extraordinary Life of Wealth, Empire, and Utopian Dreams*, Michael D'Antonio, Simon & Schuster, New York, 2006, p. 89.

<sup>ii</sup> *The Search for the Perfect Formula: Hershey's Milk Chocolate*, Hershey Community Archives, <http://www.hersheyarchives.org/Default.aspx?Page=MilkChocolate> .

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