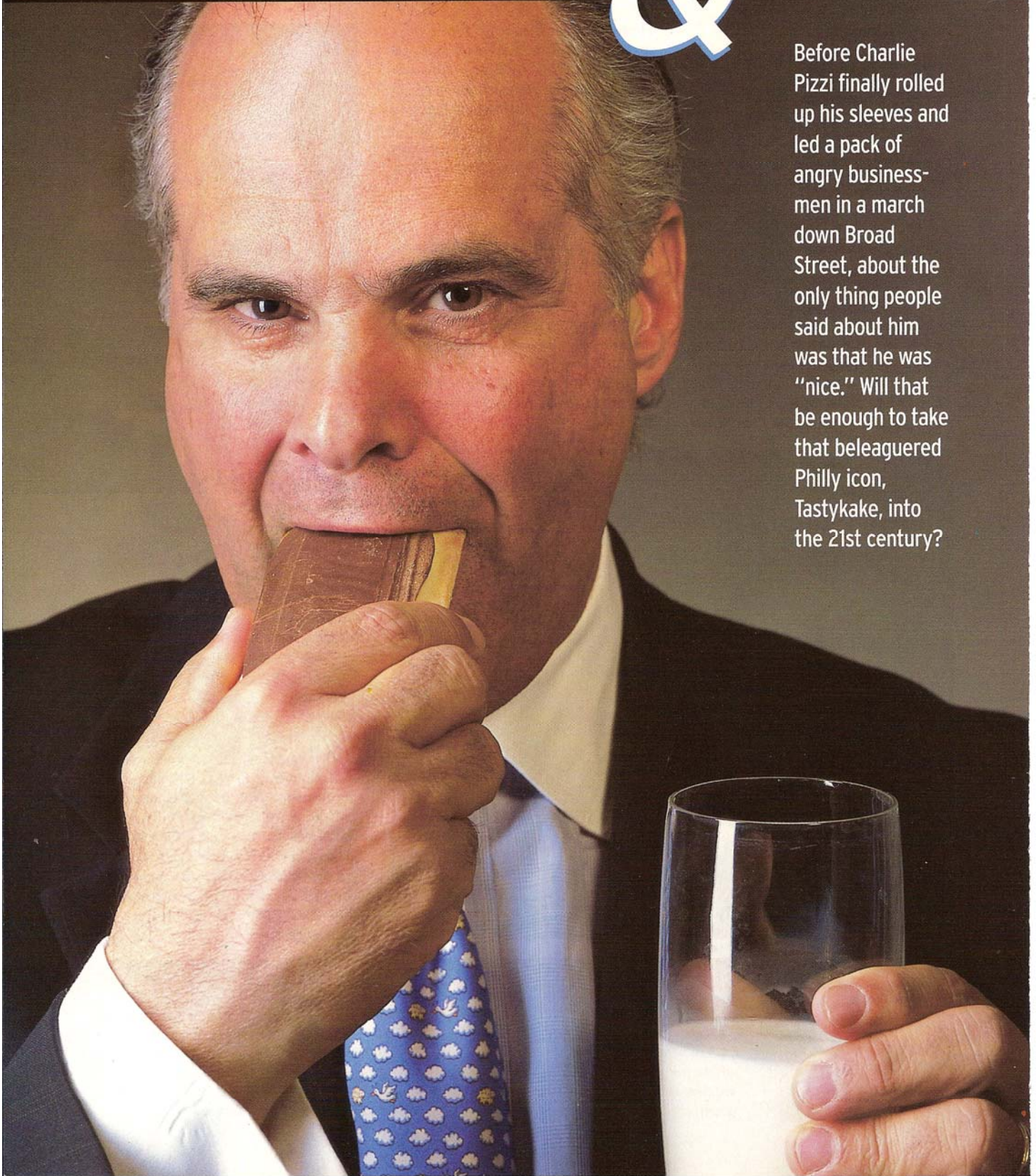


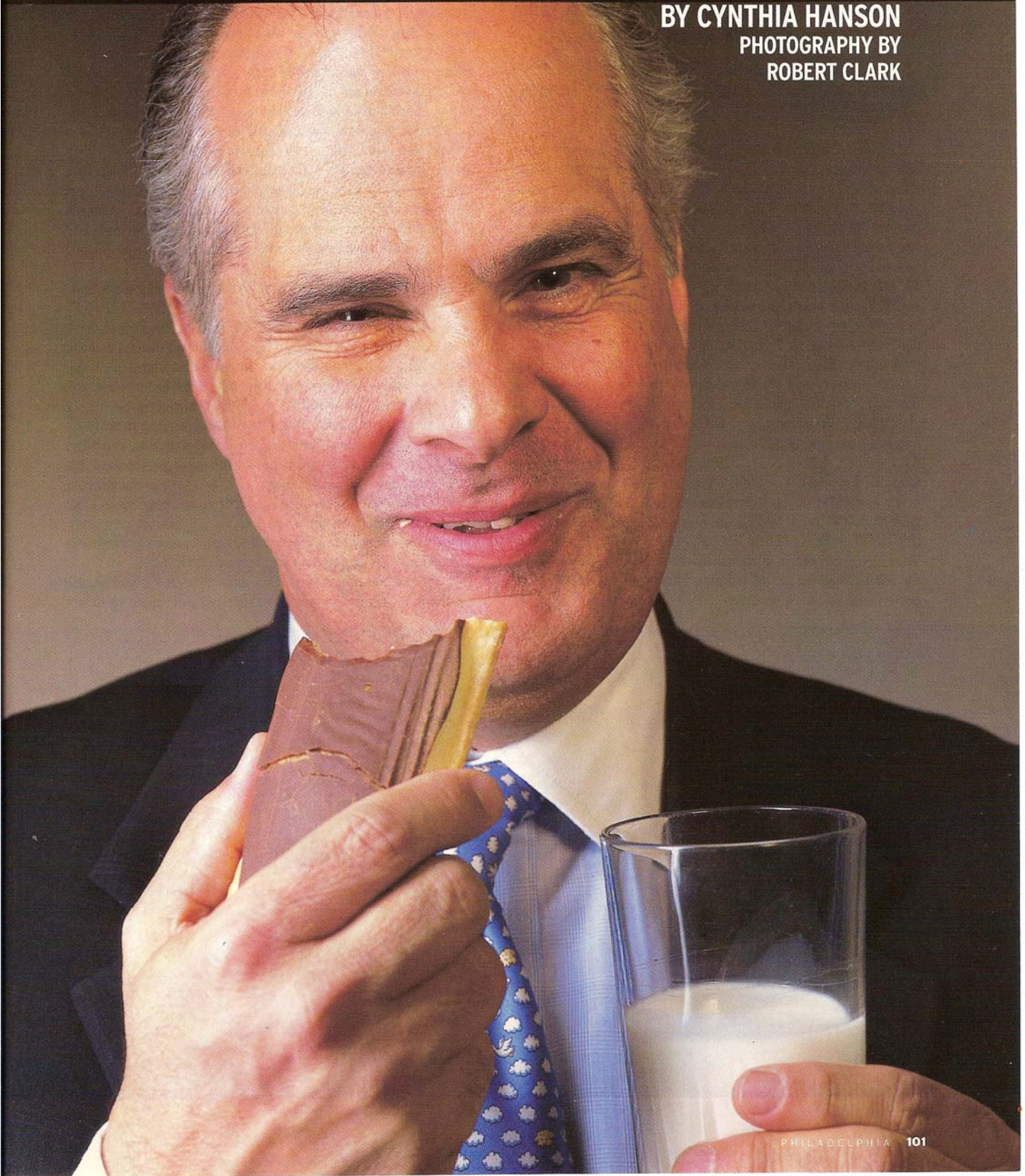
CHARLIE & THE

Before Charlie Pizzi finally rolled up his sleeves and led a pack of angry businessmen in a march down Broad Street, about the only thing people said about him was that he was "nice." Will that be enough to take that beleaguered Philly icon, Tastykake, into the 21st century?



KRIMPET FACTORY

BY CYNTHIA HANSON
PHOTOGRAPHY BY
ROBERT CLARK



On a chilly April morning, Charles P. Pizzi, his wavy silver hair covered by a net and his navy pinstripe suit protected by a white lab coat, pushes open the wide double doors of the Krimpet department at Tasty Baking Company, strides over to the fast-moving conveyor belt, and watches beige frosting roll from a machine onto the tops of butter-scotch cakes.

"I like to begin my tours here," he explains, as the now-frosted Krimpets whiz past en route to the next part of the production line, where they'll be wrapped in cellophane and packaged for distribution. Pizzi reaches for one, but stops when he catches the eye of Joe Carboy, the bakery's operations director. Carboy's expression makes Pizzi feel like he's back in Catholic school and the nun is going to send him to the principal's office for bad behavior. "I'd sample my way through the bakery if I could, but Joe won't let me," he says, with a shrug.

In October, Pizzi, 52, became the new president and chief executive officer of Tasty Baking Company, the 89-year-old icon whose Tastykakes are as synonymous with Philadelphia as soft pretzels and cheesesteaks. But in recent years, Tasty Baking's fortunes have fallen, a result of management missteps, an industry slowdown, and competition from Entenmann's and Hostess, among other factors. In 2002, the company lost \$4.3 million. Earnings are down, the stock price is tumbling, sales are flat, and the brand is a bit stale.

It's up to Pizzi to revitalize Tasty Baking and lead an expansion that will turn Tastykake into a nationally recognized brand. When he was hired last fall, there was a chorus of skepticism from naysayers who insisted he was the wrong man for the job because he lacked baking-industry experience and had never run a public company.

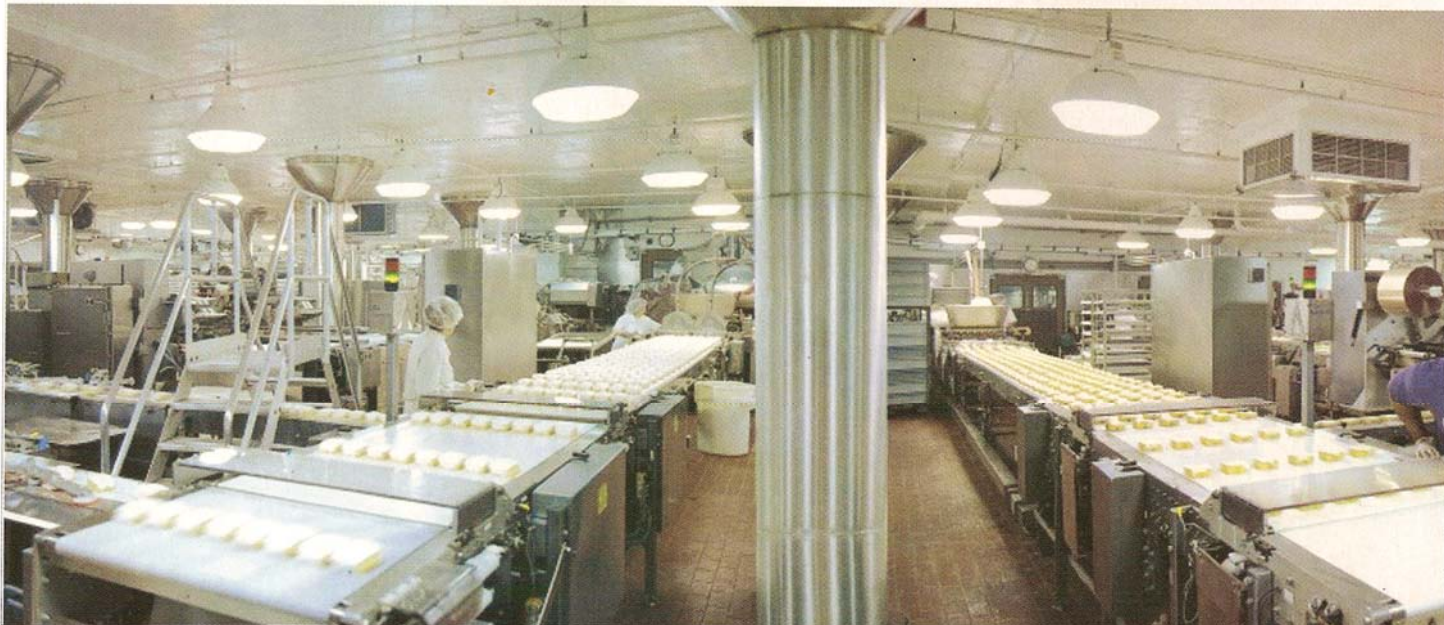
But in his first six months as CEO, Pizzi has moved post-haste to implement change: Four senior executives left the company, and he replaced them with young hotshots in the food industry. He hired Berlin Cameron/Red Cell Advertising, a prominent Manhattan agency that's run by Philadelphia native Andy Berlin and that handles the Coca-Cola account, to develop Tasty Baking's first advertising campaign in a decade. He painted the trucks of Tasty Baking's owner-operators, the 465 salesmen who deliver Tastykakes to convenience stores and supermarkets; added 13 routes on Maryland's Eastern Shore; and dispatched more than 100 executives, managers and board members to ride the routes to see how the business works. And he shuttered 12 failing retail thrift stores and suspended distribution in unprofitable West Coast markets.

Pizzi also is on a mission to change the culture at Tasty Baking, by increasing communication between salaried and hourly employees. So at least once a week, the diminutive and dapper CEO visits the mammoth bakery on Hunting Park Avenue, touring all six floors and mingling with workers—the majority of whom have spent their entire adult lives on a Tasty Baking assembly line.

"If you've been here 20 years, you're still considered a newcomer," Pizzi says, smiling.

As he makes his way through the bakery, employees leave their work stations to give him the rock-star treatment, rushing to his side and waiting for a private moment. There are hugs, high-fives and handshakes all around—to an extent that says this outpouring of affection is genuine, not scripted for an accompanying reporter. The din of the whirring machinery makes it impossible to hold lengthy conversations, but Pizzi greets every worker by name and exchanges personal words with each one—a compliment, a wisecrack, a question, a remark about the Phillies. He is gracious, working room after cavernous room with the adroitness of a politician at a campaign rally—a skill he perfected during his tenure as president of the Greater Philadelphia Chamber of Commerce.

In the taste-testing room, Pizzi finds Bridget Gallagher, the company's "senior sensory evaluator." For more than 27



INSIDE AN ICON: "If you've been here 20 years, you're still considered a newcomer," Pizzi says.

"FOR ME, THERE'S NOTHING LIKE PUTTING A CHOCOLATE CUPCAKE IN THE MICROWAVE FOR A FIVE-SECOND ZAP AND THEN EATING IT WITH VANILLA ICE CREAM."

years, Gallagher has sampled every ingredient the bakery has used and every batch of Tastykakes it has produced. Her palate is so sophisticated that with one tiny bite, she can tell whether a piecrust is a tad too salty or a cookie is a smidgen too oily. She has the final word on freshness—and if a first run doesn't taste just right, the machines are stopped, and the batter is remixed.

"Any problems today?" Charlie asks.

"Not yet," Gallagher replies. "Everything has tasted good. I'm waiting for the first run of cupcakes now."

Pizzi notices me sizing up the size of Gallagher and, reading my mind, asks her to explain how she can eat Tastykakes all day long and stay so thin.

"I take a tiny bite, chew it, and then spit it out," she says sweetly.

Outside the pie department, Karen Linton, the day-shift supervisor, who has worked at Tasty since 1976, tells Pizzi about the morning staff meeting. Vince Melchiorre, the new chief marketing officer recruited by Pizzi from Campbell Soup's Pepperidge Farm Division, unveiled the company's plan to add 20 percent more fruit to its pies, and sought the pie-makers' suggestions for enhancing the recipes. The fruitier pies will debut in June—the first in a series of product upgrades that will be promoted in radio spots and on billboards.

"We told Vince to watch the size of the fruit," Linton explains. "If the pieces are too big, they won't be tender." She pauses, then adds, "We've been holding these ideas for years, Charlie. We've always had something to say, but nobody ever listened before now."

That's the kind of bottom-up management ethic that Pizzi believes in. "The most important question a manager can ask employees is, 'What do you think?'" he says. "I don't know how to bake a pie, but these people do—and we must ask them."

MENTION "TASTYKAKE" TO A PHILADELPHIAN, and you'll evoke a smile and a happy memory—of finding a Coconut Junior at the bottom of a lunch bag; of washing down a Tastyklair with a glass of milk on a cold winter's night; of licking chocolate icing off the cupcake wrapper; of savoring Honey Buns at a family picnic. Ed Rendell is such a fan that Pizzi ordered 11,000 special packages of Peanut Butter Kandy-Kakes—with the message WISHING YOU SWEET SUCCESS on the wrapper—for

the Governor's inaugural ball in January. "Tastykake isn't like any other kind of product," Pizzi says. "This is a special product, with emotion tied to it. Everybody has a favorite way of handling their favorite Tastykake. For me, there's nothing like putting a chocolate cupcake in the microwave for a five-second zap and then eating it with vanilla ice cream."

Our love affair with Tastykakes began in 1914, when Philip J. Baur, a Pittsburgh baker, and Herbert T. Morris, an egg salesman from Cleveland, came to Philadelphia to produce cakes that would be delivered fresh to bakeries every day. Their standards were high: Only farm-fresh eggs, Grade A creamery butter, real milk, cocoa, and spices and natural flavorings would do. After Morris's wife sampled some cakes and pronounced them "tasty," the partners dubbed their operation the Tasty Baking Company and soon came up with a catchy name for their wares: Tastykakes. They wrapped the Tastykakes in wax paper and used a horse-drawn buggy to deliver them in Germantown.

Eighty-nine years later, Tasty is the fourth largest baking company in the United States, and one of the last publicly traded manufacturers based in Philly. It has gross annual sales in excess of \$255 million, nearly 75 percent of which comes from the Mid-Atlantic states, and it employs 780 bakery workers between its two facilities—the main operation in Nicetown, and a smaller one in Oxford, Chester County.

But there are difficult days ahead for Tasty Baking, widely considered a target for takeover by a larger food company. In 2002, the company failed to meet its projected earnings for all four quarters, and its stock has lost 50 percent of its value, plunging from a 52-week high of \$18.58 in April 2002 to a low of \$7.20 in February.

So what happened? Industry experts attribute Tasty Baking's troubles to several factors: a sweet-baked-goods category that grew by just two percent last year; price wars that have made it difficult for Tasty Baking to compete against industry giants; and a series of misguided decisions by Pizzi's predecessors.

"The pressure to turn a profit sometimes led the previous management to make short-term fixes that didn't work in the long term," says Philip Baur Jr., a Tasty Baking director and the son of the company's founder. "We missed out by not advertising. We overdid the sales promotions—two Tastykakes for \$1. Slashing prices got volume up, but cut into profits. It can get to the point where people expect the price to be low, and they'll buy (continued on page 128)



[Butterscotch Krimpet]



[KandyKakes]



[Cherry Pie]

(continued from page 103)

for price, not quality. Several board members have agreed that we were not tough enough in questioning the old management team's plans and decisions."

Given the challenges facing Tasty Baking, Pizzi was an unlikely replacement for Carl S. Watts, who retired as CEO last year after 35 years with the company. Pizzi's background was in economic development; he had led the Chamber for 13 years and previously served as the city's commerce chief. He'd also dabbled in real estate and worked on Mayor Rizzo's 1975 re-election campaign. Not only did Pizzi lack expertise in the packaged-foods and snack-cake businesses; he also didn't know anything about brands. Plus, he'd never worked in direct store distribution or managed a public company. "I thought it was a bad decision," says Mitchell Pinheiro, an equities analyst at Janney

phia. It was time to look closer to home.

"If I had to choose between two equally qualified candidates for CEO and one was local, I'd choose the one who was local," Baur, the Tasty director, says without apology. "There's a culture to every company, and all you have to do is look at Genuardi's to see what can happen when outsiders take over a company and try to make violent changes. I thought it was important to have a new CEO who is sensitive to the culture at Tasty Baking and its people."

As suburban readers will recall, Genuardi's is the family-owned supermarket that lost some of its luster—and market share—after being sold to Safeway Inc., the nation's third largest supermarket chain, in 2001. Customers reportedly complained about a plethora of changes, from too many Safeway brands and shoddy customer service to changes in the recipes at the in-store bakeries.

To avoid a Genuardi's-style fiasco, Tasty

(he's a member of the Philadelphia Cricket Club) or own a vacation home (he just bought one in Ocean City) or become a CEO and travel in the rarefied circles of the Main Line moguls he once served.

"I'll never forget this one guy who drove a Rolls-Royce," says Pizzi. "When I was shining his shoes, he told me that the most important thing—in business and in life—is to be the very best at what you're doing, no matter what it is. As a bartender, I was privy to conversations about business problems and solutions. I saw that there was a proper order to conducting business, and that proper etiquette is as important as the substance of the discussion. I also learned that confidentiality is really important, and I think learning that lesson early in life helped me work effectively behind the scenes at the Chamber."

The gentlemen of Aronimink exposed Pizzi to more than just business protocol; they took him under their wing, displaying

"WE'RE NOT CHANGING THE FOUNDATION OF THE BUSINESS. THIS IS LIKE TAKING A FINE ANTIQUE AND BUFFING IT UP."

Montgomery Scott in Philadelphia who downgraded Tasty's stock from a "buy" to "hold" the moment Pizzi's hiring was announced last August.

Terry Bivens, an equities analyst at Bear Stearns & Co. in New York City, disagrees: "When Lou Gerstner went from running RJR Nabisco to running IBM, there was a great outcry. People said, 'What does this guy know about technology and computers?' Guess what? He didn't know shit about them. But IBM did extremely well, and one of the things that a CEO does is set the tone for the organization and put the right people in place. You've got to give Charlie a chance."

Even so, Pizzi's appointment was highly unusual. "Gerstner didn't have computer experience, but he had run a big public company, so I don't think it's a good comparison," Pinheiro says. "I can't think of anybody with zero experience in the food industry who's currently running a large food company—except Charlie Pizzi."

TWO YEARS AGO, WHEN CEO CARL Watts announced that he planned to retire in 2002, Tasty Baking launched a national search to find his successor. After 18 months, the directors had yet to find the right man. All of the leading candidates—a group of about 15 from across the country—were more interested in cutting costs than in growing Tasty Baking, and as outsiders, they didn't understand what the Tastykake brand means to Philadel-

Baking's directors believed they needed a guy with deep roots in Philly—a guy like personable Charlie Pizzi, who had management experience, degrees from La Salle and the University of Pennsylvania, and a Rolodex the size of the Philadelphia telephone directory. Pizzi was born and raised in West Philly, the only son of a cement mason and his wife, a homemaker who kept the couple's five children well fed and well dressed, in perfectly ironed clothes. From his late father, Pizzi inherited a strong work ethic; from his mother, he learned modesty and punctuality. "My mother said that if you're really good, you don't have to blow your own horn—others will know," he explains. "One of the reasons I'm always on time for meetings is that my mother issued an edict: No matter where we were or what we were doing, we had to be sitting at the dinner table when my father got home at 5 p.m."

At age 12, Pizzi got his first job, delivering the *Evening Bulletin*, and after completing his route each day, he rewarded himself with a Tastykake—a Coconut Junior, chocolate cupcakes, or a peach pie. At 14, he was pushing grocery carts at the Penn Fruit in Bala Cynwyd, and by 16, he was working at Aronimink Golf Club in Newtown Square, where he observed a more privileged, exclusive way of life. He spent eight years at Aronimink, advancing from shoe-shine boy to waiter and, finally, bartender. While he mixed martinis, Pizzi never imagined that someday he'd belong to a prestigious club

a graciousness and generosity that he adopted and has practiced throughout his adult life. "I was blue-collar, a kid who traveled by bus up West Chester Pike and then thumbed a ride from 252 to get to work," says Pizzi, who lives in the city's Andorra section with his wife, Elise, and the youngest of their four sons. "Yet the members were all so very kind. They gave me a chance and told me that success was available if I worked hard. They gave me internships at their companies and expressed confidence in my ability. I learned more at Aronimink than I did in the classroom."

In 1989, shortly after he became president of the Chamber, Pizzi was invited to be a guest at Aronimink. As he walked the fairways, dozens of silver-haired members called his name and waved, and Pizzi felt as though he was living out the American Dream. "I was finally on the other side of the bar—getting a drink instead of giving one," he recalls wistfully.

In Pizzi, Tasty Baking found the consummate business and political insider. He was known for building relationships inside and outside the Chamber—the key to his successful tenure, according to Ronald Rubin, chairman and CEO of the Pennsylvania Real Estate Investment Trust. "Charlie's greatest strength is that he's very likable," he says. "Charlie attracts people to him."

Indeed, Pizzi has an extraordinary personal touch. He's the type of boss who calls a senior executive to make sure he got home safely on a stormy night, and who sends

birthday cards with handwritten notes to every employee. He makes coffee for staff meetings, sends roses on Secretary's Day, and brings souvenirs back from business trips for staff members. "You have to demonstrate loyalty in order to get it," Pizzi says of his management style.

Throughout his career, Pizzi avoided the media spotlight and public controversy, preferring to work quietly behind the scenes. He rarely took credit for his achievements, preferring to share the glory with others. "I really view myself as a facilitator, an enabler," he explains. "At the Chamber, I moved people to the table, and once they were there, decisions were made, and solutions reached. I never minded being in the background."

Pizzi is so circumspect that none of his friends or associates know whether he's a Republican or Democrat, and when they venture a guess, it's wrong. (He is a registered Republican, though he has supported candidates on both sides of the aisle.) He conducts business with a smile and a handshake, a diplomat whose gentlemanly style has been likened to that of former Chamber president and city councilman Thacher Longstreth, his late mentor. "Thacher had the ability to cut across social, economic and racial lines," he says. "If I had to pick one thing about him that I wanted to emulate, that would be it."

"I haven't met anybody yet who doesn't like Charlie," says Constantine N. Papadakis, president of Drexel University. "Charlie could get results smoothly and naturally, without being intrusive."

As the city's commerce director in the mid-1980s, Pizzi is credited with keeping the CIGNA Corporation headquartered in Philadelphia. His accomplishments at the Chamber include tripling revenues to \$12 million, increasing membership to 6,000, helping bring the 2000 Republican National Convention to the city, and initiating the Philadelphia Plan, which provided corporate seed money to new businesses in neighborhoods. He also produced a surplus for 13 consecutive years.

"Charlie didn't look to traditional chambers of commerce for how to run this organization; he looked to traditional business models," says Joe Mahoney, the Chamber's senior vice president of external affairs. "He ran it like a service business for the business community. As Charlie always said, 'We're not for-profit, but we're not for loss.'"

Still, some critics fault the Chamber for not assuming a more activist role and challenging City Hall. "Charlie is a yes-man," says one longtime City Hall insider. "Over the past 13 years, the city's business climate slowly stagnated—with no dispute or debate from the Chamber. I'm not saying it's Charlie's fault, but I didn't

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see him putting up any fight.”

Pizzi bristles at the criticism: “For people who say I’m not aggressive, well, I’ve always been aggressive, but I haven’t always marketed it. I’m aggressive in that I can dial the phone real quick. No one knows of the many crises that have been avoided and the opportunities seized, simply because I haven’t publicized them. There’s a big difference between being effective and being a rabble-rouser.”

Last year, Pizzi proved that he could be both. He was forced to reinvent himself, and it was his transformation into a feisty activist that positioned him for the \$400,000-a-year job at Tasty Baking. In February 2002, Judith von Seldeneck, then the Chamber’s chair, decided that the historically apolitical organization would challenge Mayor Street’s proposed rollback of the city’s wage-tax cut. Pizzi initially resisted. It wasn’t his style to confront City Hall, and besides, he’d already given tacit approval to Street’s proposal to reduce business tax cuts.

But after studying the wage-tax issue, Pizzi changed his mind and ultimately agreed that cutting it would be of greater benefit to businesses. For two months, he lobbied CEOs, Council members and community activists to support a bill, co-sponsored by councilmen Mike Nutter and Frank DiCicco, that would authorize a 12 percent reduction in the wage tax by 2007. What he did next was unprecedented.

On the morning of April 8th, 2002, as the disco hit “Celebration” blared from speakers on flatbed trucks, and news helicopters whirled overhead, the pin-striped Pizzi led a so-called “briefcase brigade”—a diverse coalition of 700 lawyers, accountants, representatives from the NAACP, hospitality-industry executives, real estate moguls and elected officials—in a march up Broad Street to the steps of City Hall. When it was all over, City Council passed the bill by unanimous vote.

Pizzi paid some personal costs for his triumph. A wheeler-dealer who’d avoided conflict, he had a public and acrimonious falling-out with Longstreth, who stayed away from key Council hearings on the wage-tax issue and then was absent for the actual vote in April, and who viewed Pizzi’s flip-flop as a betrayal. The mild-mannered Pizzi also made headlines thanks to a shoving match he reportedly had with Councilman Rick Mariano, who grabbed him to shake his hand. Of the incident, Pizzi will only say, “There was a bit of emotion and a little nudging, but we’ve both moved beyond it.”

Still, the briefcase brigade was Pizzi’s

finest hour, and it showed a different side of him. “I think it brought out a passion in Charlie that wasn’t evidenced before in public,” says deputy city controller Tony Radwanski. “Charlie showed that he could motivate a broad coalition of people, and that he was willing to take on a struggle.”

After he beat City Hall, Pizzi knew that it was time to move on. “I didn’t want [the briefcase brigade] to be the beginning of the end,” he says. “I was in the best shape of my life, both physically and mentally, and I wanted to take on a new challenge.”

Pizzi had hoped to parlay his Chamber experience into a CEO job, the way his two immediate predecessors had—Nicholas DeBenedictis, now CEO of Bryn Mawr water utility Philadelphia Suburban Corp., and G. Fred DiBona Jr., now CEO of Independence Blue Cross. His effectiveness on the wage-tax issue so impressed DiBona, von Seldeneck and Ronald J. Kozich—three Tasty Baking directors who also serve on the Chamber’s board—that he was tapped to replace Watts.

“Once Charlie got out front on the wage-tax issue, it was clear that that style of leadership came naturally to him,” von Seldeneck says. “He can inspire people. He’s not afraid to take risks. He’s creative. He’s got vision. Those are the things you need in a good CEO in a turnaround situation.”

Despite his lack of baking experience, Pizzi is confident that he can lead Tasty Baking out of the red. “We’re not going to change the foundation of the business. We’re just going to enhance what we already have,” he explains. “This is about taking a fine antique and buffing it up. It’s like giving someone who hasn’t been to the salon in a while a day at the spa.”

And if his strategy doesn’t work? “As I tell my wife, if all else fails, I can still be a great bartender,” Pizzi says, laughing.

WHEN PIZZI ARRIVES IN THE DOUGHNUT department, he looks longingly at the boxes of chocolate-covered vanilla doughnuts speeding down the conveyor belt.

“How ‘bout it?” he asks operations director Carboy.

Carboy rolls his eyes. “All right,” he says, plucking one from the line and tossing it into Pizzi’s hands.

As Pizzi savors his midmorning snack, he stops to chat with Claudette Abram, a machine operator who asks about Tasty Baking’s stock. On this day, it opened at \$9.05, and Pizzi assures her that the company is on its way back. (As *Philadelphia* went to press, Tasty Baking was trading at \$9.)

“Our employees care about this company,” Pizzi says.

Next, he runs into Loletta Robb, a production supervisor who’s from Atlanta.

“Hey, Charlie,” she says.

“I can’t believe you’re still a Falcons fan,” he teases, shaking his head in mock disappointment. “You’re married to an Eagles fan. How can you still be for the Falcons after all these years?”

Robb laughs.

Their discussion quickly turns to business. In a few weeks, managers and shift supervisors will serve lunch to the bakery employees, as a way of saying “thanks” for giving the new leadership a chance and voting down a unionization effort by a 3-to-1 margin.

“We still need to find out what people want on the menu, so remind everybody to submit their requests,” Pizzi tells her.

As he heads to the cupcake department, Pizzi pauses to survey the men and women operating the machinery, who come from every corner of the city. “Strolling through Tasty Baking is like strolling through Philadelphia neighborhoods,” he says. “I like to be around Philadelphia people. This is real Philadelphia.”

FOR ALL OF PIZZI’S AFFABILITY, FOR ALL his high-level connections, for all his deep Philadelphia roots, is he truly the right guy to turn around Tasty Baking? Industry analysts say that it will take at least a year to see whether the changes he has implemented can begin to heal the ailing company. But so far, they like what they’ve seen.

“Charlie has done all the right things,” Bivens says. “He has set a great tone, and he’s delivered a better management team than I expected. We haven’t upgraded the stock, because the challenges are very, very real. But I wouldn’t underestimate Charlie.”

Pinheiro, the onetime skeptic, agrees. “I’m impressed by the speed at which Charlie is moving, the talent he’s hired, and the new energy at Tasty Baking,” he says. “Sure, he’s a nice person, but I think he’s a pretty fierce competitor, too. I get the sense that he brings a passion for winning to Tasty Baking, a ‘yes we can’ attitude. I give him an A-minus as a grade for his first six months. I can’t give him an A right out of the gate, not with the stock sitting close to its 52-week low. I have to give him something to shoot for.”

Pizzi is happy with that report card—and happy to be underestimated once again. “As Philadelphians,” he says, “we love to be in a fight and to be the underdogs. It’s the Rocky syndrome. They also say you can never beat City Hall. Well, I did. And we have the product and the people and the passion to win at Tasty Baking, too.”

Cynthia Hanson, a freelance writer in Montgomery County, grew up on Tastyklair pies. E-mail: mail@phillymag.com