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Cache, airport may trump lower costs for corporate headquarters recruitment

By Richard Craver - Winston-Salem Journal – December 10, 2017



Doughnuts make their way down the line at Krispy Kreme in Clemmons

Location, location, location isn't just the key for buying a house.

It's becoming increasingly important for corporate headquarters as well, as represented by the apparent decision by Krispy Kreme Doughnuts Inc.'s management to move pieces of its mission-critical operations from Winston-Salem — its home for 80 years — to Charlotte.

The company has not disclosed what corporate units will be moved to Charlotte and where it will plant its flag.

Sources have told the Journal that senior management, marketing, training, construction and design employees would be among those moving to Charlotte or being hired there, while finance and information technology jobs would be moving to a smaller space in Winston-Salem.

The planned shift raises the questions of how much is Krispy Kreme willing to pay for the cachet of having an operational address in Charlotte and London and tapping into their talent pools for digital and technology workers, compared with the lower cost of doing business in Winston-Salem.

Krispy Kreme also will become a smaller fish in a bigger corporate pond in Charlotte, compared with being a stalwart in Winston-Salem.



Krispy Kreme Headquarters Pictured on Knollwood Street

Krispy Kreme acknowledged in a statement Wednesday that entering different workforce markets is critical to its digital and global transformation even as it reaffirmed its pledge to keep its global headquarters in Winston-Salem.

“We told employees that as we chart our path forward, we know that the structure we have today is not the structure we will need to accomplish this ambitious mission,” according to the statement.

“In order to best position our talent and infrastructure to enable that growth, we are making necessary, but difficult, changes to our business.”

The Charlotte move appears to have the blessing of JAB Holdings Inc., Krispy Kreme’s privately held parent company that’s based in Luxembourg.

Analysts and economists speculate that the Krispy Kreme move could foreshadow a larger domestic strategy by JAB that brings the headquarters of affiliated food companies to Charlotte, such as Caribou Coffee and Einstein Bagels. Krispy Kreme shares its chief executive of 17 months, Mike Tattersfield, with Caribou.

Spurring part of the speculation has been the news that Tattersfield, and his wife, Christine, spent \$1.37 million to buy a house on Lake Norman in Cornelius, according to real-estate records.

Corporate competition

The recruitment of corporate headquarters are “now in play like never before,” said John H. Boyd, a principal in The Boyd Co. Inc., a New Jersey site-location consulting company.

“As companies continue to examine their bottom line in response to global competition and the uneven economic recovery, their focus is increasingly turning to the remaining piece of the restructuring pie — the corporate headquarters,” Boyd said.

“Just ask Fairfield, Conn., still reeling from General Electric’s announcement that it will be moving its headquarters to Boston, or Bergen County, N.J., faced with the loss of its prized Mercedes corporate head office to Atlanta.”

As for the planned Krispy Kreme operational move, Boyd said “it’s more angst for the Triad and a sugar high for Charlotte, which has always focused a big part its economic development program on attracting corporate headquarters.”

Boyd said the “elephant in the room” when comparing Charlotte and the Triad for a corporate headquarters is a truly international airport.

“Charlotte Douglas International’s robust hub schedule is a real key, especially as it relates to nonstop flights to London, and connections to JAB Holdings Co.’s top executives in Luxembourg provided by American, British Airways and Finnair,” Boyd said.

That access trumps an overall 7 percent lower cost to operate a corporate headquarters in the Triad than in Charlotte, Boyd said.

“Class A rental rates in Charlotte average \$28 a square foot and are as high as over \$40 in some premier areas of the office market,” Boyd said. “The average cost range for Class A space in the Triad region is \$20 to \$21.75 a square foot.

“Sales taxes are also lower in the Triad at 6.75 cents per \$1 vs. \$7.25 in Charlotte.”

When asked how the Triad can compete to retain and recruit corporate headquarters, Boyd said “one thing could be to leverage the redevelopment momentum being demonstrated by downtown Winston-Salem.”

“It can focus on more entrepreneurial head offices that leverage the region’s lower operating cost profile, positive business climate and the downtown appeal — especially to the coveted millennial workforce — of the emerging new Winston-Salem.”

Local history

Krispy Kreme has been rooted in Winston-Salem for more than 80 years, a source of local pride and national and increasingly global branding links.

So much so, that the company's "hot now" sign and glazed doughnuts have become as synonymous with Winston-Salem as Hanes underwear, Camel cigarettes, BB&T banking and Texas Pete hot sauce.

Before Wednesday's announcement that it was eliminating 90 administrative-support jobs, Krispy Kreme had 150 employees at its Knollwood Street headquarters and 554 employees overall in Forsyth County, according to the latest workforce total the company provided to the Winston-Salem Chamber of Commerce.

Krispy Kreme has been privately held since July 2016 when it was bought for \$1.35 billion by JAB Beech, a subsidiary of JAB Holdings. At that time, JAB Beech pledged to retain local management, local headquarters and local workforce.

Krispy Kreme confirmed Oct. 27 it was creating an operational presence in Charlotte.

The sources say a potential move to Charlotte would be part of an overall JAB effort to raise Krispy Kreme's profile as a premium global brand. The company statement appears to confirm a transition of some international operations by referring to a new office in London in 2018.

Winston-Salem Mayor Allen Joines said he told Tattersfield that "we told him we would be happy to work with them on whatever issues they have, and he said he would give us that chance, particularly with the new space needs," Joines said.

Joines said he has heard, and sources have told the Journal, that Krispy Kreme is saying it is struggling to find skilled workers in Winston-Salem, and that some officials new to the company say Winston-Salem is proving to be a challenge to recruiting potential employees accustomed to living in a bigger city.

Joines stressed that finding and attracting talent has not been a major problem for its largest corporate citizens, although the city helped form a talent consortium with area universities to help train local residents to work for Inmar Inc.

"Even given the skill challenges most every company faces these days, our corporations are finding the talent they need to make the hires they need," Joines said.