

WAREHOUSING AGED TO PERFECTION

Sometimes outsourcing partnerships are just meant to be, like cheese and crackers, wine and cheese, and WOW Logistics and Wisconsin Aging and Grading Cheese (WAG). If there's one thing synonymous with Wisconsin, it's cheese. The state ranks first in cheese production in the country, cranking out more than 2.5 billion pounds annually. Naturally, cheese production and distribution are an intrinsic trade for an acquired taste.

Third-party logistics company WOW Logistics has built a value proposition around aging cheddar since 1977, when it first opened a 108,000-square-foot warehouse facility in Wisconsin Rapids.

The Appleton-based company was the brainchild of two co-founders—Harold Schiferl and Don Utschig.

“Harold Schiferl had the idea, as he was a warehouse manager for a competing business; Don Utschig had the warehouse construction background; and I brought the accounting piece,” recalls Tom Oswald, current president of WOW Logistics.

The three worked together to secure financing and build a warehouse. Demand took care of the rest. The company grew its customer base around the paper industry, attracting clients such as Consolidated Paper. Cheese companies soon followed.

“It was a basic transactional warehouse arrangement,” says Oswald. “We grew with the paper and cheese industries, which are both big in Wisconsin.

“The transition from paper to cheese was natural,” he adds. “We built a refrigerated warehouse facility in Schofield specifically to distribute Parmesan cheese.”

The transportation brokerage part of the business evolved in 1998, when a customer inquired whether WOW could help manage refrigerated transportation in and out of their warehouse facility. At the same time, the 3PL devised a new value-added financing program to help customers reconcile and defer the carrying costs of aging cheese for long periods of time.

“We were already holding our customer's cheese for three months to one year, so it made sense for us to take ownership of that stored product and remove the financing from their books,” says Oswald. “Cheese wholesalers often possess inventory for one year before they can sell it. It began with one client in 1998, and we realized we could build the service incrementally.”

This is the value proposition Ken Neumeier embraced when he decided to start his own company in May 2000.

“My vision was to be a third-party procurement company,” says Neumeier, president of Wisconsin Aging and Grading Cheese. At the time, many businesses were downsizing and eliminating that function. There was an opportunity to fill this niche—to procure, grade, warehouse, and finance cheese.”

As a Wisconsin-licensed cheese grader, Neumeier knew the industry and was looking for a partner that could help with storage and distribution.

“Ken shared his business plan, and it fit with ours,” says Oswald. “We had the facilities and warehouse space, and could secure inventory financing for him.”

Under its current arrangement, WAG buys directly from cheese factories and works with them to have product made specifically to customer orders. If cheese is purchased to be sharp, WAG cures and grades that order to meet customer's flavor and functionality preferences. The wholesaler then stores inventory with WOW Logistics in temperature-controlled space.

WAG customers are high-end cheese users. Because the product is so valuable, its storage environment—including humidity, temperature, and security—is tightly controlled.

The cheese industry also operates on tight margins, which makes WOW's financing program a major value-added incentive for customers.

“One truckload of fresh cheese can cost between \$60,000 and \$100,000,”



Wisconsin Aging and Grading Cheese wedges inventory at WOW Logistics' refrigerated warehouse facilities, then slices and dices orders per customer need.

Neumeier says. “When you buy multiple loads daily, and don't move them frequently, that's a lot of tied-up capital cost.”

Having a third-party partner that can manage both warehousing and financing, and shares this level of commitment and service, is critical.

“I entered this partnership thinking long-term,” says Neumeier. “I'd rather do things once than twice, and WOW met my requirements from the start.”

As times have changed, Neumeier has been able to engage and leverage his 3PL relationship to grow his business. WOW has helped WAG find storage facilities and space in other parts of Wisconsin, as well as Idaho. It also helped the wholesaler become more efficient, separating warehouse space into three different sections for different temperature controls, and created a USDA grading facility, where WAG customers can inspect cheese. Finally, it helps broker transportation capacity as necessary.

The partnership works both ways. WOW Logistics has used WAG as its in-house cheese-grading department for other customers.

Any way you slice it, WOW and WAG are aging outsourcing to perfection.