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Growth Strategies



Rick Schlapman, national sales manager for food products for WOW Logistics, shows off just one shelving area of WOW's cheese warehousing area at the company's Little Chute site. This particular warehouse holds cheese at 38 degrees, but depending on the type of cheese, it can be kept between 25 and 50 degrees. The Business News photo by J.A. Robb

Cheese-financing plan spurs WOW growth

Program represents about 25 percent of Appleton company's warehousing business

By Betty Wall

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For a manufacturer, it's important to get your product out the door. Sell it sooner rather than later. Storage can add a lot to the cost of a product, but what if you make a product that has to be aged, such as fine cheese?

One Appleton company has found a way to turn time into money by financing and storing cheese for their customers.

At any time, millions of pounds of bulk cheese can be found in the coolers of WOW Logistics, a public warehousing company with multi-temperature facilities. The company stores and ages about 500 million pounds of cheese every year. They also finance the cheese while it sits and ages, freeing up millions of dollars for their customers.

Cheesemakers want to sell their cheese right away because they can't afford to tie up their products for such a long time. They need to be paid to continue more cheese production.

WOW works with brokers, who don't want to pay for the cheese to sit and age. Eventually, the brokers will sell the cheese to processors that actually prepare the final product that we buy on store shelves. WOW's customers are able to utilize their money for the months or years the cheese has to age. At the completion, WOW Logistics sells the cheese back, with their fees included. The cheese-financing program has proven to be highly successful.

With fine cheese, older is better.

"Similar to wine, good high quality cheese gets better with age. We only get involved with cheeses that have a greater value at the end of the aging process, primarily cheddar and hard Italian cheeses like

Parmesan, Romano, and Asiago," said Rick Schlapman, WOW's National Sales Manager for Food Products.

Schlapman said that his responsibility is to serve as a liaison between customers and the company, helping guide customers through the cheese-financing program.

"It's really not a complex process. These individuals are buying bulk cheese on the open market that they want to age. They ultimately plan to sell the cheese to somebody down the road. They are usually not speculating or hedging that the market is going to go up," said Schlapman.

"Today, we have about ten or twelve customers where we act as their bank. Instead of going to their financial resources to purchase cheese, they will use our resources to acquire, store, manage, and age the cheese. Typically, when we purchase cheese for somebody, we are doing it because they are aging it.

Cheese is usually aged for a minimum of three months and sometimes as long as 12-14 months. WOW finances bulk cheese, often 500 pound barrels or 640s, which are boxes holding 640 pounds of cheese.

WOW Logistics, with offices and headquarters on West Wisconsin Avenue in Appleton, has been in business since 1977. The company has a total of 160 employees at multiple locations throughout Wisconsin, a facility in northern Illinois and one in Jerome, Idaho. WOW has approximately 6 million square feet of total warehouse space, with more than one-half million square feet that is refrigerated. They do not own any trucks but do provide transportation brokerage.

Currently, the company operates refrigerated facilities in Little Chute, Schofield, Marshfield,

Wisconsin Rapids (the largest at 170,000 square feet), and Jerome, Idaho.

Schlapman said that the idea for the cheese-financing program originated in the late 1980s. "The first cooler facility was a joint venture between WOW Logistics and Kraft Foods. At the time, WOW had submitted a proposal to Kraft to add cooler space to support their cheese needs for various products. So, that's how it got started in the very early years, and it kind of grew from that point."

WOW stores cheese from all over the United States as well as foreign countries. Schlapman said that after aging, processors will prepare the cheese for end use. He says that the "Dairy State" is a very good location for WOW Logistics because Wisconsin is home to so many large cheese processors.

Cheese financing, which represents about 25 percent of WOW Logistics' overall business, has been profitable for the company. "Cheese financing helps add to our bottom line. The client is able to defer all the costs of the cheese: purchasing, handling, and storage. We have a formula to show them what the storage will add per pound per month to the value of the cheese. It makes the cheese more valuable at the end. We know the costs exactly, down to fractions of a cent per pound," said Schlapman.

He said the challenge is to continuously monitor the program. "We have a lot of cheese and a lot of dollars going in and out all the time. Keeping that in line is very critical. There's no question about it: this program has helped our company grow. The cheese-financing program is really the catalyst to keeping all of our coolers full. We've added quite a bit to our facilities over the past several

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— Rick Schlapman, national sales manager for food products for WOW Logistics, Appleton

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years. In rough numbers, in 2005 we added about 50,000 square feet of cooler space due to the cheese program."

Schlapman believes that despite competition, Wisconsin will continue to be a leading cheese producer. "Wisconsin is still the number one cheese producer, but California is nipping on our heels. We won't hold that title for long, but Wisconsin still makes the highest quality cheeses. And that is not going to change."

He says there are several reasons why Wisconsin cheese is the best. "It has a great deal to do with our old established dairy herds that we have here in Wisconsin and certainly the cheese artisans who have been making cheese for so many generations. Wisconsin is poised to continue to produce high quality cheese. It would very difficult for any other state to surpass our quality."