

Crowley Cheese Resumes Production Under New Management; New Pricing Strategies

Healdville, VT—The country's oldest cheesemaking plant is back producing and selling cheese under new management after mounting losses forced the company to suspend production late last year.

The new lead investment team of Crowley Cheese Company, Inc. was welcomed aboard with this dilemma: how do you take a historic yet antiquated facility using the most expensive ingredients and the least-efficient production capabilities, and manage to turn a profit?

The company, headquartered here and founded in 1824, makes a raw milk, washed curd cheese. For people growing up in Vermont, passing through the state or being introduced to Crowley Cheese one way or another, it's very much a favorite cheese and a venerable brand, said Galen Jones, new lead investor and company president.

Those are the things that attracted the investor group that acquired Crowley in the mid-1990s, he said.

"There was an abiding faith in the strength of those things, and the importance of Crowley as America's oldest cheese factory – but the operation had simply not been profitable," Jones said. "A lot of money was invested with no return, and the company suffered mounting losses over the years."

Jones, a management consultant, is applying his experience in strategic planning, finance and operations to Crowley's production. His wife Jill Jones, a former marketing executive, is taking the lead on revitalizing the company's sales and marketing efforts.

There were changes in management over time, but the bottom line was they basically ran out of money and patience, Jones said. When the

economy tanked, that was the coup de grace because it got so much worse.

Jones became interested in the investment after having spent considerable time in Vermont and due to his longtime relationship with many of the company's initial investors.

"I thought with some luck and sustained attention, there was an opportunity to bring it back and make it a viable business," he said.

Production resumed in late June. The simple change is that the company's price point is higher. Before the shutdown, Crowley Cheese sold for between \$12 and \$15, depending on size. Now the company is looking to sell at anywhere from \$18 to \$20.

"There had not been close attention paid to the economics of the business," Jones said.

"This is an extremely inefficient way to be making cheese. We're making it in small quantities in an antiquated facility using pretty much the most expensive ingredients available, and so there's a lot of overhead in the physical plant and labor that gets priced into the cheese," he said.

The price point for Crowley cheese in the marketplace was never commensurate with the reality of production costs, Jones continued.

To make this cheese work in the small volumes that it's produced – those economics are particularly difficult, Jones added.

Our immediate imperative is to serve customers that bought from us directly – especially during the holiday period. Focus of Crowley's initial production has been filling these orders. The company is exclusively selling direct orders at present.

The big question for the business as we move forward is how do we find an appropriate balance between



direct sales to the consumer and selling through third parties, Jones said.

"Either we need to be at a higher price point to make this work economically at the volume Crowley traditionally produced, or we need to achieve a higher level of production with relatively small margins that actually adds up to something," he continued.

The company typically makes cheese four days a week. It's producing more cheese now than it has in the past few years – consistent with what Crowley has traditionally considered "full production" – between 80,000 to 100,000 pounds per year.

Marketing strategies are primarily online, using the most obvious and economical tactics – website, email, and the possibility of social networking tools. Crowley Cheese also sent out its traditional holiday catalog this week, which has always been an important generator of business.

Also to gather attention, the company took part in the Vermont Cheese Festival this summer, and a number of statewide harvest festivals – typically several per weekend, Jones said.

Crowley's workforce remains largely the same: cheese maker Ken Hart and cheesemaking assistant Kimberly Farrar. Working on the sales and marketing side with Jill Jones is Joanna Tanger, who is responsible for orders and shipping.

Longtime general manager Cindy Dawley has recently relocated, and the company is currently looking for a replacement.

Over the next few years, Jones said he would love to find real success with direct sales in order to financially stabilize the company.

"The interesting opportunity beyond that is that this really is a great cheese, and a great brand and a great story, so I think it's intriguing to think about what sort of volumes might be possible over time," he said.

"Of course, that raises questions about the ultimate production capacity of this facility, or other options we might need to look at to make that work," Jones continued.

Before Jones became better acquainted with the business, he said he thought new product introduction was the obvious solution to increased sales.

"But as I got to better understand

the dynamics of the product and brand – how distinctive Crowley cheese is and that Crowley means something very specific – I'm not sure I see any great wisdom in rolling out additional kinds of cheese under the Crowley brand," Jones said.

The company already offers a variety of flavored cheeses, but it's the same basic cheese with various flavoring ingredients.

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—Galen Jones,
Crowley Cheese

"What I do see is that there are efficiencies from a sales and marketing perspective that could be extended to other cheeses, and they wouldn't necessarily need to bear the Crowley brand," he said.

"There are a lot of spectacular artisanal cheeses being made in Vermont at this point, but I think the challenge is to achieve more scale in the marketing and distribution of those products, and so I think that leaves open the question of how best we all might work together to make that happen," he continued.

For smaller cheese companies currently suffering from economic fatigue, Jones invoked the old cliché that "the day is always darkest before the dawn."

"The hard thing for small businesses is lack of capital to sustain them through hard times. If you don't have it, you don't have it."

"As an artisanal cheese producer, I see a healthy and growing interest for the product on the part of the consumer, even in these difficult times," Jones continued.

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