

Nelson-Jameson's New East Coast Location Boosts Strategy Of Providing Next Day Service

Marshfield, WI—Aerodynamically the bumblebee shouldn't be able to fly, but the bumblebee doesn't know that so it goes on flying anyway.

That's an old adage often quoted by Earl Nelson, former chairman of Nelson-Jameson, Inc. It's also a philosophy that current leaders of the company still live by when making decisions about directions of the company.

Nelson-Jameson, Inc., a distributor of a wide variety of products used in the dairy, food and beverage industries, represents over 750 suppliers and carries about 25,000 products.

The company recently finalized plans to locate a new branch office in York, PA. The York location will be the company's fourth branch office strategically placed to serve a next-day service radius.

“We don't claim to be the low price provider of product. But if you took the whole market basket of goods, we will be your low cost provider.”

-Jerry Lippert,
Nelson-Jameson

“We've always thought of ourselves as that bumble bee,” said John Nelson, son of Earl Nelson and current chairman of the company. “We're something that probably shouldn't fly, theoretically. But we do. We do a lot of diverse things, but we have been doing it for a long time so we just keep doing it.”

While management fads come and go, Nelson said none of them has had the staying power of the philosophy of service and emphasis on customers' needs that has been a critical part of Nelson-Jameson since day one.

The York Branch And Taking Sister Company Nationwide

Nelson-Jameson's core business is the dairy industry, with 55 percent of the company's gross margins coming directly from the cheese industry.

When discussing new branch locations, the company has traditionally looked to areas of the country where the dairy industry is strong.

“If you take the larger dairy, which includes on-the-farm production, you're talking probably about 75 percent of our business is dairy,” said Jerry Lippert, president of Nelson-Jameson. “When we look to grow in the other sectors of the food industry, we use our experience in the dairy industry as an entry point into the marketplace.”

The York location complements the Marshfield, WI, Turlock, CA,

and Twin Falls, ID, locations, and will service the East Coast.

“It's already a strong region for us,” Lippert said. “We're excited at the opportunity to better serve our current and future customers with the branch.”

In addition, the York branch location will also house Nelson-Jameson's sister-company, Kaestner LLC.

Kaestner specializes in complete project work, including engineering and installation service.

Lippert believes there is an intrinsic value to Kaestner that complements the offerings of Nelson-Jameson.

“The idea is to increase Kaestner's presence in existing plants as a firm specializing in smaller projects. We think there is a real niche serving to the small food processing company,” Lippert said. “We aren't looking to do the greenfield projects at Kaestner. We're good at the small projects, adding a line here, increasing production 10,000 pounds there. We're more efficient in those terms.”

Nelson and Lippert are very interested in developing Kaestner with current Nelson-Jameson resources and capitalizing on synergies between the two companies.

Branch Strategy Has Long Roots

In the early days of the company, Nelson-Jameson was located south of Rockford, IL.

As the company grew, it relocated its headquarters to Marshfield, WI, to better serve its customers and to be closer to the heart of the Midwestern cheese industry.

Later, Earl Nelson decided to open the company's first branch in Richland Center, WI, and followed that one up with one in the Green Bay in 1979.

“Part of the whole idea of branching came from my father's belief that the salespeople should be able to sleep in their own bed at night,” said John Nelson.

“At the time I arrived in 1992,” Lippert said. “John already had a national strategy involving six branches that would provide next day delivery service for most customers.”

It is John Nelson's belief that next day service is an important piece to making the products and services distributed by Nelson-Jameson the most cost effective for customers.

“We don't claim to be the low price provider of all products,” Lippert said. “But if you took the whole market basket of goods and services, including carrying inventory and next day delivery, we will be your low cost provider.”

With that belief in mind, the company looked at the map where it already had business to decide the best locations to set up branch offices and warehouses.

“The idea was, where the cheese industry is, we were going to be, as

well,” Lippert said. “That doesn't mean that that's all we're going to service because what we provide is good for all food processors. But we use dairy as an entry point into a marketplace.”

Heading West With The Dairy Production Changes

The Western region of the United States officially took key dairy production leads starting in the mid-1990s.

John Nelson wanted to develop a branch in California more than a decade before that. It wasn't until 1993 when the company officially had located to Turlock.

“We admit to not being very fast,” Nelson said.

From the time the company first started getting business in California to the time it opened in Turlock, the company developed a lot of business there, and was promised “a bunch more if we went out there,” Nelson said.

“The move to California was based on the comments from our customers,” Nelson said. “They'd call us and say, ‘We need this first day air.’ And then they say ‘boy those fees are really high,’ so from a service perspective and from a cost perspective, we needed to be there.”

“We made the calculation. There is available business and then there is existing business and existing has a heavier weight than potential business, that is part of the reason we landed in Turlock,” Lippert said.

In 2001, Nelson-Jameson announced plans to locate a second branch in Twin Falls, Idaho.

While the Turlock operation has been able to service all of California, the Twin Falls branch has been able to support all of Idaho, portions of Washington and Oregon, and most of Utah.

Looking South For Future Branches

Lippert said the company already has sights on the next two areas of growth.

“Well, we're at four and number five will be in that south central region which will probably wind up in the panhandle of Texas, or somewhere around there,” Lippert said. “Number six, which we don't think is a priority right now, will be in that southeastern part of the country.”

The expansion to that future Texas location will take the company into familiar territory as far as the food industry is concerned.

“It will be our goal, in a relatively short time, to double our business in the south-central part of the US,” Lippert said. “It's a beef and poultry region, and we've served that industry in other parts of the country.”

“Each branch is unique. Every geography is different for the food industry,” Nelson said. “The constituent pieces are different. There are more wine operation customers in California than in Wisconsin. Areas are unique in potential customers. Our current branches, York included, and

future branches will be developed along those lines, of what is needed by customers in those areas.”

Other possibilities for future strategies being considered are “boutique” branches.

“There are pockets in the US where smaller branches may be required,” Lippert said. “Some customers and some areas want a more local source. Sometimes you do it for freshness, local preferences, a local brand, other times the issue is the cost of freight, so you acquire from local sources. We look at where the best sources are to stay regional.”

The Need For Distributors Larger Than Ever

The need for distributor companies has changed over the years. It used to be that, in the cheese industry, vendors utilized distributors to reach hard-to-get-to food manufacturers.

Today, distributors are more specialized in the services they provide.

We've become more about managing inventory, Lippert said. “Imagine a purchaser at a cheese plant having to work with over 750 vendors. What a headache.”

“Look at all the cost of doing business. All those transactions,” Lippert said. “We bring it into the warehouse and we take care of it so they don't have all these vendors doing duplicative stuff.”

Nelson said that it's easy to be shortsighted when you look exclusively at price. He said a lot of companies segregate their freight costs from their purchases of material.

“If you bring those freight costs back into the equation, and take a look at the total cost of acquisition, adding the cost of having inventory, and managing inventory, distributors are often your best option” Nelson said.

Lippert agreed that the total cost of acquisition is what needs to be looked at.

“Food manufacturers are operating in a very lean manner compared to what they use to. It really fits our model even more than ever,” Lippert said. “We're always going to be competitive on price, but whether you pay \$9.90 for that pair of boots or \$10.00, your total acquisition cost becomes the key thing. The benefit of our branches being a few minutes away reduces the total acquisition cost.”

“We've always had a history of being somewhat flexible,” Nelson said. “We try to plan long-term and put things together in such a way that there aren't any surprises.”

Nelson-Jameson can't completely know what the future will bring, but like that bumblebee, they know what works, so they continue to fly, making little changes as circumstances suggest. **FR**