

# ACQUIRED TASTE

By Tom Johnston, senior editor

Memphis, Tenn.-based Monogram Food Solutions is gobbling up meat companies like a tourist on a plate of ribs at a Beale Street BBQ joint: There was Al Pete Meats (Pete's Pride corn dogs and breaded patties), American Foods Group's meat snacks division (Bull's, Hannah's, Dakota and O'Brien's beef jerky brands) and Wild Bill's Foods (beef jerky). And that's just the last six months.

Previously Monogram bought Trail's Best (meat snacks), Circle B (smoked sausage) and King Cotton (hot dogs and lunchmeat). It also has snapped up licenses for NASCAR, Jeff Foxworthy and Bass Pro Shops jerky brands, among others.

Along the way the company has acquired manufacturing plants in Chandler, Minn., Martinsville, Va., and Muncie, Ind., where the company is working on an expansion to add hot dog production where corn dog breading operations already exist. Monogram has doubled its revenue since its founding just five years ago.

"There are more challenges than I think you can anticipate when starting a business from scratch, but those challenges are also the reason you do it — they invigorate you," says company President Wes Jackson, who left a flourishing career at Sara Lee Corp. to help launch Monogram.

He's sitting at the conference room table in Monogram's brand new offices, so fresh in early September that signage for the building's exterior and reception desk had yet to arrive. The company's test kitchen still lacked tables and chairs.

The frenetic pace belies the very deliberate strategy underlying it: To find underutilized meat

**A small start-up company, Monogram Food Solutions is making big moves in the meat snack industry as an experienced management team executes a savvy growth strategy.**

At a Neely's Bar-B-Que restaurant in midtown Memphis, Tenn., President Wes Jackson (left) and CEO Karl Schledwitz snack on Circle B smoked sausage, one of two brands Monogram Food Solutions bought in its founding acquisition in 2004.

Photos: Trey Clark





## COMPANY PROFILE

brands and meat plants and buy, license or co-pack them.

CEO Karl Schledwitz uses the analogy of developing a shopping center. “If anyone’s invested in one that is over half vacant, they know they’ve got an albatross,” he says. “If you take the exact same [property] and fill it with credit-worthy tenants, all of a sudden it’s something of an exponentially greater value.”

**S**chledwitz has left the building.

As Wes Jackson and his guests finish feasting on famous barbecue at a Neely’s restaurant in midtown Memphis, the CEO has taken to the parking lot to do what he does best: talk up potential investors on his cell phone.

“That was Fred Smith,” Schledwitz mentions, now driving away from the restaurant in his sporty Lexus. That would be Fred Smith, the president, chairman and CEO of FedEx Corp. The self-made Memphis mogul’s net worth is north of \$1 billion.

Farther down the road, Schledwitz draws back and forth on speaker phone with a high-profile civil rights lawyer, whom he’s paying big bucks to find a way to reinstate an old Memphis election law. Schledwitz, who started out as a Memphis-based campaign manager, keeps his hand and his money in the local political arena.

Next comes a call from a local reporter who is covering the upcoming election. Back at Monogram headquarters, Schledwitz is still crafting quotes for the reporter as his passengers exit the car.

“Karl knows everybody,” Jackson says.

No wonder the native Memphian has raised more than \$80 million in venture capital.

**C**apital improvements to accommodate expanding production throughout Monogram’s operations are going smoothly in Chandler, Minn. And so Ches Jackson heads to Martinsville, Va., where



### AT A GLANCE

**Company:** Monogram Food Solutions

**Location:** Memphis, Tenn.

**Founded:** 2004

**Leadership:** Karl Schledwitz, chairman and CEO; Wes Jackson, president; Don Brunson, chief operating officer; Ches Jackson, president and chief operating officer (meat snacks division)

**Main products:** Sausage, hot dogs and meat snacks including beef jerky and beef sticks for retail

**Production facilities:** Chandler, Minn.; Martinsville, Va.; Muncie, Ind.

**Employees:** 600

he will oversee integration of Wild Bill’s offerings into production there. Ches, Wes’s twin brother, is president and chief operating officer of Monogram’s meat snacks division. He has been traveling five days a week lately, checking up on plant operations.

“We’ve got a lot going on,” he says, driving and talking on his cell phone after a visit to the Chandler plant in late September. “But I’m having a good time.”

If Monogram’s management team is having fun welcoming Wild Bill’s to the fold, it stems from the extent to which this latest purchase exemplifies the Monogram strategy for profitable growth.

First, Wild Bill’s products — beef jerky and sticks, among them — are in the company’s core competency in terms of

Having completed the acquisition of Wild Bill’s beef jerky, Monogram Food Solutions now makes more than 50 product SKUs across at least seven brands.

sales, marketing and production expertise. Monogram started with the acquisition of King Cotton and Circle B brands from Sara Lee in 2004. In 2006, it bought the Chandler plant and Trail’s Best.

Second, as a category leader nationwide, the brand already has a lot of equity. Third, it’s only available in 6 percent of the nation’s convenience stores, meaning it has a tremendous amount of growth potential. Fourth, Wild Bill’s helps fill capacity at — and therefore boost the value of — the Martinsville plant.

As a bonus, Wild Bill’s uses a unique production process, which includes an old-fashioned method of hand-hanging beef strips on rods. That offers a point of difference to present to large retailers.

Underutilized brands are one asset Monogram targets; underutilized plants are another. As was the case with its other two production facilities, Monogram bought the Martinsville plant on the cheap because it was operating at well below its capacity and its owner was eager to sell. Meanwhile, the facility is quite modern, with a strong management team in place, making it a great value.

The entire package has proved appealing to those “high net-worth individuals,” as Schledwitz describes them. Investors

## COMPANY PROFILE

see a niche with businesses that big industry players don't want and like-sized competitors can't finance in today's economy. "It's a simple strategy," Schledwitz says, "and it's working."

By the time its recent acquisitions and roll-ups are completed this year, Monogram will have three plants operating at optimal capacity. All together, the company now makes more than 50 product SKUs and employs some 600 people.

**W**es didn't leave Sara Lee in a huff. He had spent 10 years with Jimmy Dean Foods and had enjoyed what was then a \$20 billion company's model of treating divisions as independent operating companies. The structure provided a great training ground for honing business skills in sales, marketing and operations.

But by the time Wes had become one of the youngest-ever of Sara Lee's division presidents, the company began consolidating, and, he says, "it really didn't feel entrepreneurial anymore." At 43, he left Cincinnati and came home to Memphis to help Schledwitz form Monogram.

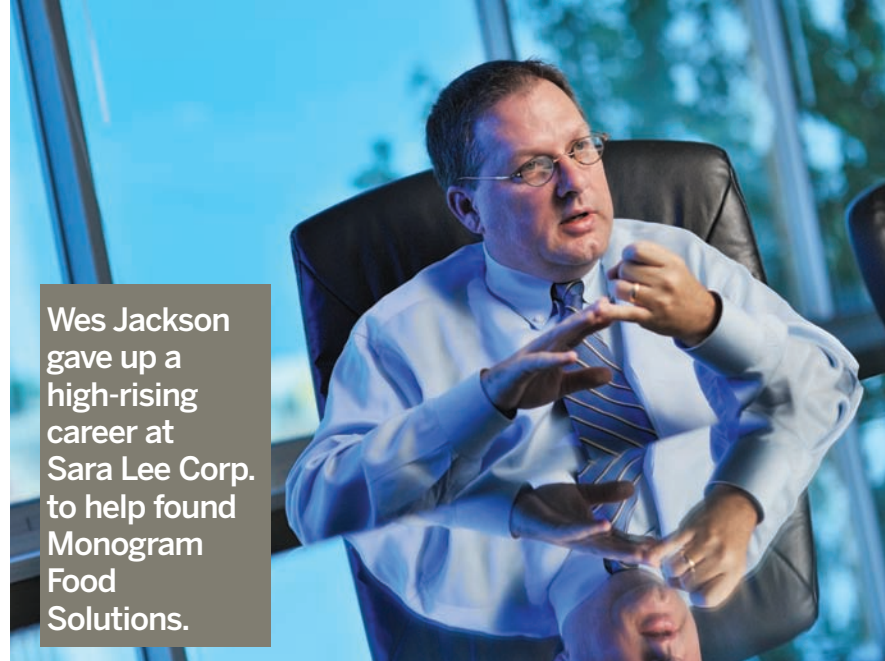
Before long, Wes summoned his twin brother. Ches had a successful sales and marketing career going at ConAgra Foods, but he jumped at the opportunity to rejoin Wes professionally 20 years after they cut their teeth at Union City, Tenn.-based Reelfoot Packing Co.

"You either have an entrepreneurial spirit or you don't," Ches says.

Monogram's management team has top-level experience not only at Sara Lee and ConAgra but also Procter & Gamble, Kraft Foods and General Mills.

"Most of the people that have joined our team also had a bit of an entrepreneurial bug," Wes says. "Most also are investors in the company and have an equity position, which gives us a different feel and motivation. We're really building something for ourselves."

**A**t one point, Monogram woke up and



**Wes Jackson gave up a high-rising career at Sara Lee Corp. to help found Monogram Food Solutions.**

smelled the coffee — Emeril Lagasse's coffee, which the company had a licensing deal to make.

But that was back when the founders envisioned operating as a virtual company — other suppliers would make licensed and co-packed products and Monogram would do the selling and invoicing.

"We found out that being in the middle isn't a good place to be," Wes says. "The manufacturer is making margins; the retailer is making margins; the squeeze is on those that have no manufacturing capabilities."

In 2006, Monogram struck its first licensing deal with Foxworthy, and contracted Sara Lee to co-pack the product in Chandler, Minn. Right around "go" time, though, Sara Lee decided to sell the plant and its Trail's Best brand. The 100,000-square-foot facility provided Monogram its first opportunity to begin its own manufacturing operations. Meanwhile, Trail's Best gave Monogram entry into meat snacks, a nearly \$3 billion industry that has had double-digit growth over the last 15 years.

Above all, the transaction with Sara

Lee created a clearer identity for Monogram and a template for its growth strategy. "We had to put our blinders on and say, 'We're a processed meats company,'" Wes says. The company no longer will pursue any branded or licensing deals unless Monogram can manufacture those products in its own plants.

And that meant, no coffee.

**B**ack at the office, Schledwitz gives Wes a ribbing about his tie, impressed to see that the typically more casually dressed of the two is wearing one. He jokingly suggests that Wes remember to return it whence he borrowed it.

"I rented it for 24 hours," Wes plays along. Then he explains: "We're business casual around here, and Armani is business casual for Karl. He doesn't know what 'casual' means."

Schledwitz has been all business since his 20s, when he started in politics. The fund-raising boot camp in that field set the stage for a career in starting, growing and selling a variety of businesses.

"It's all about money," he says. "You have to learn how to raise money and

**"There are more challenges than I think you can anticipate when starting a business from scratch, but those challenges are also the reason you do it — THEY INVIGORATE YOU!"**

## THUMBS UP/THUMBS DOWN

### Thumbs up: Recession

▲ Monogram is seizing on opportunities afforded by the economic recession, which has forced large corporations to shed assets no longer within their core strategies and regional processors to look for buyers. Meanwhile, like-sized competitors are struggling to put together the financing necessary to make similar moves.

### Thumbs up: Product mix

▲ Monogram's focus on processed meats will serve the company well in the long run as consumers' taste for value is expected to continue even after the economy rebounds.

### Thumbs down: Growth strategy

▼ Many companies grow too quickly through acquisition, and controls go by the wayside. Time will tell if Monogram's management can keep up.

### Thumbs down: Brands

▼ Everybody's going the "brand" route in an effort to boost margins; making sure its brands win space on retail shelves and seize market share means hefty upfront investments.

the ship. Kaye is now among 50 Monogram shareholders.

Schledwitz's cell phone is always open for business, but his success hasn't made him cocky. Despite Monogram having come this far in five years, he knows his

company has its work cut out for it. "We have to digest these recent acquisitions and prove to our investors — and ourselves — that we can execute the roll-up we've undertaken," he says. "After we do that, we'll be back on the acquisition trail." ☺

market your candidate and issues in a way people are willing to invest."

Another skill Schledwitz honed in those days was the ability to build teams. "Clearly the success or failure of a start-up company revolves around the people you put together," he says.

When starting Monogram, Schledwitz summoned the consulting services of Leonard Kaye, a division president at Memphis-based Malone & Hyde Inc., then the nation's fourth-largest food wholesaler, when the Fleming Companies acquired it in 1988. Kaye had his doubts, but those were assuaged when he learned that Wes Jackson was steering