

CANDY[®] INDUSTRY

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Securing success

Wolfgang Candy's executives: (Seated) Robert Wolfgang III, senior partner; William Schmid, senior partner; Mike Schmid, managing partner. (Standing) Brad McGlaughlin, managing partner; Robert Wolfgang II, managing partner; and Ben McGlaughlin, managing partner.



Securing success

A call to action by Bob Wolfgang and his son, Rob, helped recruit fourth-generation Wolfgang family members to the candy business. The move injected energy as well as management expertise.

By Bernard Pacyniak

It began with a phone call. Actually, several phone calls. Three years ago Robert Wolfgang II, president of Wolfgang Candies, recognized that time was fast approaching for him and his partners, William Schmid and Dennis McGlaughlin, to deal with succession, an issue that often paralyzes family businesses.

In this instance, Bob's son, Robert Wolfgang III (Rob), was well entrenched in the business, handling operations. Nevertheless, in a family confectionery business such as Wolfgang's, oversight of manufacturing

tends to be all-consuming, be it scheduling production, tracking labor or servicing equipment. That, coupled with the recent retirement of William Schmid, sent a strong signal to senior management that it was time to pass on the reins in a measured and meaningful manner. Hence, the need for some fresh blood to help Rob grow the company.

So when Bob became exploring the possibility of getting the family's second cousins involved by talking to their mothers and fathers, namely the Schmidts and McGlaughlins, he knew the chance of luring other



At a glance



Headquarters: York, Pa.

Plants: 3 (100,000 sq. ft. of manufacturing, warehousing space)

Employees: 130 (peak season)

Sales: \$10 million (Candy Industry estimate)

Output: 2,300,000 lbs. annually

Products: Chocolates; hard candies; brittles; chocolate-covered pretzels, miscellaneous.

Business breakout: Fundraising – 65%; contract manufacturing – 15%; retail – 5%; wholesale – 15%

Brands: Wolfgang

Management: Robert Wolfgang II, senior partner; William Schmid, senior partner; Dennis McGlaughlin, senior partner; Mike Schmid, managing partner – marketing; Steve Schmid, managing partner – fundraising sales; Ben McGlaughlin, managing partner – finance and administration; Robert Wolfgang III, managing partner – operations; Brad McGlaughlin, managing partner – product development.

(Opposite page, left) Wolfgang Candy's fourth generation of managing partners: (From l. to right) Ben McGlaughlin, finance & administration; Rob Wolfgang III, operations; Steve Schmid, fundraising sales; Brad McGlaughlin, product development; and Mike Schmid, marketing.

members from the fourth generation back into the business was — at best — a long shot.

After all, both Mike and Steve Schmid as well as Ben McGlaughlin had finished college, embraced non-confectionery careers and were in the midst of raising their respective families in places other than York, Pa. And Brad McGlaughlin was playing professional soccer.

Fortunately, the initial feelers about returning to the family business came at an appropriate time.

In Mike Schmid's case, a fast-paced sales and marketing career with a hi-tech firm, was placing constraints on the equally important phase of starting a family. Ben, whose career with a health care company had reached a crossroads, was also looking at options for the future. Steve was also updating his resume. For Brad, the clock was ticking down after eight years of pro ball.

Thus, when Rob invited Mike, his brother, Steve and Ben to meet him in a bar in Washington, D.C., he was unsure of what the evening would bring. Several drinks and hours of discussion later, the cousins pledged their support, everyone literally inking their commitment on the ubiquitous cocktail napkin.

What seemed incredibly doable in a bar proved a bit more challenging in real life. Both Ben and Steve lived and worked in Philadelphia. Mike would have a longer journey, coming over from Norfolk, Va. And Brad would have to hang up his spikes.

Family and relocation issues aside, there were still compensation and managerial responsibilities to resolve.

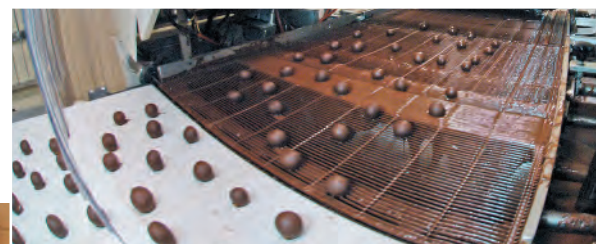


But as Mike points out, those were dealt with head on. In fact, both issues turned out easier to deal with than everyone expected. First, the senior partners saw to it that the compensation package was lucrative enough to entice the younger generation. And secondly, each new Wolfgang family member drew upon his respective strength and settled into an appropriate niche.

Thus, Mike would oversee marketing; Ben would handle finance and administration; Steve would



(Clockwise, from top to bottom): Managing partners Mike Schmid, Rob Wolfgang III and Brad McGlaughlin scoop up fresh raspberries and blueberries before they undergo a patent-pending process, which involves a double dose of chocolate on a Kreuter enrobing unit. The cooled chocolates are then hand-trayed before they are individually flow-wrapped and then either packaged into stand-up pouches or clamshell berry baskets.



PRODUCTION PHOTOS BY VITO PALMISANO



Richard Van Dyke checks the size on chocolate drops being produced on the company's Aasted-Mikroverk one-shot depositing line. The unit can turn out about 6,000 lbs. during an 8-hour shift.



ture," he adds. "We had an aging accounting and inventory system. Ancient is what it was. From our standpoint, it was obvious that we need more sophisticated tools and products."

A quarter of a million dollars and several months later, the company was equipped to join the 21st century.

Another change involved the marketing emphasis. As Ben, the man responsible for tracking expenses, asserts, "We're spending much more money on marketing."

Still, those efforts remain tightly controlled, with monies focused on local media spending complimented by well-placed public relations efforts designed to entice national coverage, adds Mike.

But probably one of the most significant changes involved the family itself. Prior to Mike, Steve, Ben and Brad joining the company, there were 47 shareholders with Wolfgang Candy Co.

It was a case of the founding family handing down stock to their offspring, each generation doing its part. And while it made for a great family reunion, it didn't do much for running the business.

As Ben explains, most of the shareholders were simply concerned about getting their dividends at the end of the year. "They weren't interested in rein-

vesting in the company like we were."

Consequently, the company talked to its bankers in order to secure a loan to buy out most of its shareholders. Today, there are only 12 principal shareholders.

"It gives us a much smaller shareholder body that's comprised of like-minded individuals," says Ben.

By streamlining ownership, management now had the opportunity to review the business and implement changes where necessary.

Easier said than done, notes Mike.

"When a company has been doing the same thing in the same market for 85 years, change is tough," he says. "One of the first items on the agenda was to get out of the fundraising mindset."

That's not to say Wolfgang Candy is abandoning the fundraising marketplace. With 65% of its sales coming from fundraising, it's important to take care of the cash cow.

"The Wolfgang brand has been associated with fundraising for 85 years," Mike explains. "It's not a bad thing to be associated with. It's helped develop mindshare as well as demand."

The problem rests with the fundraising sector itself. During the 1990s, fundraising – specifically candy sales – underwent tremendous change. Fundraising organizations were faced with a much broader selection of products ranging from paper wrap to mugs, from chocolates to bracelet charms. Even multinational confectionery concerns opted to jump into the sector, an area once served primarily by regional, family-based companies.

And while regional loyalties are hard to displace, the landscape was changing. Consequently, Wolfgang, which had become a household name for thousands of families, had to adapt. Continued consolidation and changing consumer buying patterns stifled growth in the sector.

"Auntie May will always buy whatever little Johnnie brings," explains Mike. "Today, however, she may only buy one package, unlike the times she bought five."

That, coupled with the rapid changes

focus on fundraising sales; Rob would remain in operations, but with Brad at his side, thus ensuring a fourth-generation connection to the production floor.

"All of us were able to bring something to the table from our own careers," explains Mike. "What's wonderful is that all of us can contribute by sharing our principals of business from different perspectives."

Of course, implementing those principals can prove daunting when there's 85 years of tradition prevalent.

"First, the company had to undergo a philosophical change," says Ben. "There was this infusion of managerial talent."

With that talent were certain expectations. One of those involved information.

"We had to rebuild our IT infrastruc-

occurring with fundraising customers themselves — “the PTA [Parent Teacher Association] mom in charge of the fundraiser will not likely return the next year” poses challenges for those supplying the products.

To supplement its business, the company has quietly diversified its efforts to include contract manufacturing (15%), retail (5%) and wholesale (15%), essentially boxed chocolates.

“We’ve been doing some contract manufacturing for the last 15 years,” says Mike. “The problem has been that we haven’t put our name out there. So we’ve been pigeonholed to a certain extent as a fundraising company.”

That is changing. In fact, the company has done much more contract manufacturing during the last five years. Word has slowly circulated amongst other manufacturers that the company has both the capability and the expertise to produce a broad range of products. In fact, such word-of-mouth helped propel Wolfgang into the sports licensing candy bar business.

“PLB Sports is a sports marketing company that specializes in matching athletes to products,” says Mike. “They were the ones who tied in Doug Flutie to *Flutie Flakes*. Well, Carmelo Anthony, who grew up in Baltimore and led Syracuse to a national championship, was looking to raise funds for his local charity as a member of the Denver Nuggets. So PLB Sports came to us to produce a caramel bar. All we had to do was manufacture the product; they would take of everything else.

“It was the first sports candy bar we did, and frankly, it helped put us on the map nationally.”

That national attention prompted a call from Fred O’Dell, a friend of Bob Wolfgang’s who just happens to manage a charitable foundation for Mike Mussina, a star pitcher for the New York Yankees. In this instance, Wolfgang was



Jason Boyer adds peanuts to a Savage fire kettle as he prepares to make a batch of the company’s famous peanut brittle. Senior citizens from Enfield and Wallingford, Conn. look on as Boyer and co-worker Andrew Smith pour the batch onto a water-cooled table. Smith runs the roller to cut the brittle into small segments. Finally Rob Wolfgang III uses a replica Civil War sword to separate the brittle from the table for packing.

charged with not only producing the bar, but merchandising and marketing it as well. Thus, the Moose Bar, a milk chocolate and peanut butter bar was created.

“We have it in about 260 Weis and Giant Food stores and it’s doing quite well,” Mike says.

The latest sports candy bar now being produced by Wolfgang involves the Baltimore Blast, the city’s indoor professional soccer team. The rice crisp/milk chocolate bar features a coupon and is sold in convenience stores. Part of the Baltimore Blast’s promotional efforts includes the team’s cheerleaders tossing the bars into the stands during the game.

And while the sports candy bar business has certainly brought welcome attention to Wolfgang regarding its contract manufacturing capabilities, the company has set its sights higher with a “breakout” product that it introduced at this year’s All Candy Expo.

“We were approached by Don Morando, the former owner of Queen



Anne chocolate-covered cherries, about one year ago regarding a patent-pending process involving chocolate-enrobed fresh fruit.” Morando had been testing his process for more than two years.

In development and testing with Wolfgang for 12 months, Morando and the company elected to launch two chocolate-covered varieties: blueberry



(Clockwise, from top to bottom): Chocolates are hand-packed and then weighed by Tricia O'Brien before they are boxed. Code dates are actually burned into the boxes by a Markem laser to prevent smearing before they are wrapped in Cryovac. Kathy Krout, store manager, displays the company's wares as well as other confections for tour visitors and customers. During tours, Bridget Schell demonstrates how to make raisin clusters in a small work area located within the retail store.



and raspberry. Using fresh blueberries and raspberries, the fruit is prepared using a patent-pending method before being bottom-coated and then double-enrobed in chocolate

After cooling the pieces are hand-trayed and then individually flow-wrapped before being placed into a standup pouch or a clamshell berry basket. A shelf-life of one year is guaranteed on the product.

"The new product line is a great idea for today's society, in which the majority of Americans are not getting the recommended daily allowance of fruit," says Mike. "Americans generally love choco-

late, so sweet dark chocolate-covered blueberries and raspberries represent a truly unique and delicious way to deliver the health benefits of fresh fruit."

Wolfgang's promotional materials on the new products stress the health benefits of both, with blueberries ranking "high in antioxidant activity, anti-aging and disease prevention" while red rasp-

berries have "substantial quantities of ellagic acid — a phenolic compound known as a potent anticarcinogenic/antimutagenic compound.

"What's wonderful about this process is that you can take any fresh fruit and enrobe in chocolate and produce a shelf-stable item," says Mike. We've experimented with pineapples, cherries and mangoes."

But what's even more wonderful is the fresh fruit taste, an explosion of juices that requires popping the entire chocolate into one's mouth. According to Rob, the sensation intensifies after a few days.

"The sugar in the chocolate begins to break down the fruit, so that after a day or two of being enrobed, the chocolates are really juicy," he says.

Prior to introducing the product at All Candy Expo, Wolfgang sent out samples of the product to its brokers, completely packaged.

"We received considerable feedback," Mike says. "More importantly, they loved the product."

As a result, Wolfgang Candy formed a separate partnership with Don Morando known as Wolfgang Specialty Products, with each owning half of the new company. Schmid credits H&N packaging with helping the company get the stand-up pouch and individual flow packs ready within a short timetable.

Currently, the product is being produced on a Kreuter enrobing line, which is housed in the company's No.3 building. It was in that same building that William Schmid, Mike's father was born, an indicator of how relevant and immediate the Wolfgang heritage is in the company.

Capable of enrobing 600 lbs. an hour, Rob doesn't have any qualms about meeting demand, given production currently runs only one shift. Building No. 3 also houses a second enrobing line, the company's kitchen, an NID starch mogul line, which produces the famed peanut butter marshmallow pieces, and a wafer/depositing line used to produce nonpareils.

Currently, milk chocolate production

Cover Story Wolfgang Candy

tops dark with an 80% to 20% ratio. Nevertheless, dark chocolate output has been picking up, asserts Rob.

In Building No. 2, the company operates several automated lines, including an Aasted-Mikroverk one-shot depositor, a Whetstone moulding line, a chocolate and inclusion cluster line and a custom-built solid chocolate moulding line.

The third manufacturing site (Building No. 1), which contains offices and a retail shop, is primarily used for warehousing and packaging, although it does contain the company's standup pouch unit.

"We invested in the machine about seven years ago," says Rob. "It was designed to replace our resealable tubs. The cost of the tubs had continued to rise, so we opted to shift to stand-up pouches. The machine paid for

itself within a year from the materials savings alone, not even factoring in labor."

Admitting that perhaps the company was slightly ahead of its time, Rob notes that Wolfgang had to work a bit to convince customers about the packaging change. Nevertheless, once the larger confectionery and snack companies made the switch, everyone fell in line.

Does that mean the fourth generation enjoys pushing the envelope as means of moving the company forward? Yes and no. For Rob, Mike, Ben, Steve and Brad, it's simply a matter of reviewing existing practices to see if they make sense in today's business environment. It's also a case of embracing the technologies, services and expertise available, be it in-house or outsourced.

For example, earlier this year, the company's retail shop became North York's first "wireless hotspot." Thus,

local businessmen or students, in truth any laptop-toting individual, were able to tap into Wolfgang's high-speed wireless Internet access while sipping on a chocolate coffee or nibbling a truffle.

It's also about continuing factory tours, which not only takes visitors through the family museum, but whenever possible, up close to production processes. In early June, the company participated in York's Manufacturer Days, which brings in thousands of people as part of factory tours throughout the area (Harley Davidson, Utz, York Barbell, to name a few). Mike estimates that this year's tour garnered 3,500. In total the company sees about 10,000 visitors, many of which make a purchase after the tour. Last year, tours generated about \$500,000, roughly half of the shop's annual sales.

But perhaps the most radical move by this fourth generation was their decision to come back to York, Pa., and help their second cousin grow the business. Ironically, that call involved such old-fashioned characteristics as heritage and heart. ☺



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