



Expanding the Refrigerated Footprint with 3PL Services

De Pere, Wisconsin USA Site Visit

June 2011

By

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Management:

Bruce Tielens, President and CEO

Greg Bredael, CFO

Randy Tielens, Executive Vice President

Dan Wallace, Director of Transportation and Operations

Establishing a Presence in Food & Beverage

WEL Companies was established in 1975 as an asset based refrigerated trucking company headquartered in De Pere, Wisconsin. Currently, it provides long haul, and regional, less-than-truckload (LTL) services throughout the lower 48 states, specializing in temperature-controlled and dry freight transportation. WEL has established a strong presence in the Food & Beverage vertical industry with a long list of marquee customers, including Kraft Foods, Nestle, ConAgra Foods, Minute Maid, BelGioioso, Schreiber Foods, Topco, Sara Lee and Andre Prost. While the majority of WEL's trucking services are common carriage, it also provides dedicated contract carriage to customers, like Churney Cheese and Tombstone Pizza (a Kraft Foods company).

While they have long since traded their tractor cabs for corner offices, the founding owners, Bruce Tielens, president and chief executive officer, and Randy Tielens, executive vice president, remain actively engaged in the day-to-day management of the business. The Tielens have established a core set of tenets that have been – and continue to be -- the driving force behind the business; establish long-term partnerships with customers, provide high quality and reliable service, and find innovative solutions to their customers' logistics needs. WEL's success is evident in the company's continuous annual growth and expansion of value-added services. WEL Companies' top line revenue grew by 14% in 2010 to \$171 million. Net revenue increased by 16.2% with an operating ratio of 96.4%. Growth service areas include:

- Refrigerated Trucking (Truckload, LTL and Dedicated)
- Box Car Trans-loading
- Container Stripping and Drayage
- Freight Brokerage
- Reverse Logistics
- Nation-wide Temperature-controlled and Dry Warehousing
- Cheese Storage (Aging), Financing and Processing

Building on a Base of Core Refrigerated Trucking Operations

WEL Companies' fleet began in 1975 with two trucks and has expanded by a 17% compound annual growth rate (CAGR) to 550 company owned units. Due to the economic downturn in 2008,

most carriers broadly pulled back on new equipment purchases. Yet, WEL has continued to invest in its fleet, thus creating a young and well-maintained fleet with an average age of three years. This contrasts with the trucking industry average of 6.7 years. WEL also owns 824 refrigerated trailers with an average age of four years.

The increasing trend in consumer preference for fresh and frozen prepared foods, benefits WEL Companies' core industry segment-- Food & Beverage. A&A estimates that U.S. third-party logistics (3PL) market revenues from this segment grew by 19% in 2010 to \$9.9 billion, excluding trucking revenue. Likewise, as a critical link in the food supply chain, WEL Companies benefits from industry growth.

Fleet operations are centralized and based at the De Pere, Wisconsin headquarters. WEL has a team of 40 customer service and driver manager resources to book loads, schedule appointments, dispatch loads and coordinate drivers. The core fleet management system is TMW System's Innovative TMS with full EDI (electronic data interchange) capabilities. This system enables customers to access order and shipment tracking information through a web portal. Tight control of shipment planning and tracking has allowed WEL to hold empty miles to 14%.

WEL works hard to keep its 531 company drivers and 27 owner-operators productive and get them home frequently. This is made possible by leveraging a team of 10 driver managers who work directly with drivers and coordinate with customer service. Consequently, driver turnover has decreased from 80% in 2005 to 50% last year, noting that the industry average in 2009 was 115%. WEL drivers haul 250 loads per day with a 98% On-time Pickup and Delivery. WEL's Damage Free Transit ratio has ranged from 0.08% to 0.25% of revenue since 2006. Currently of WEL's trucking volume, 70% are truckloads, 30% are LTL and only 5% is dry van. WEL Trucking maintains a "satisfactory" rating (best possible rating) from the DOT (U.S. Department of Transportation) and an ISS (Injury Severity Score) of 25 (below 50 is ideal).

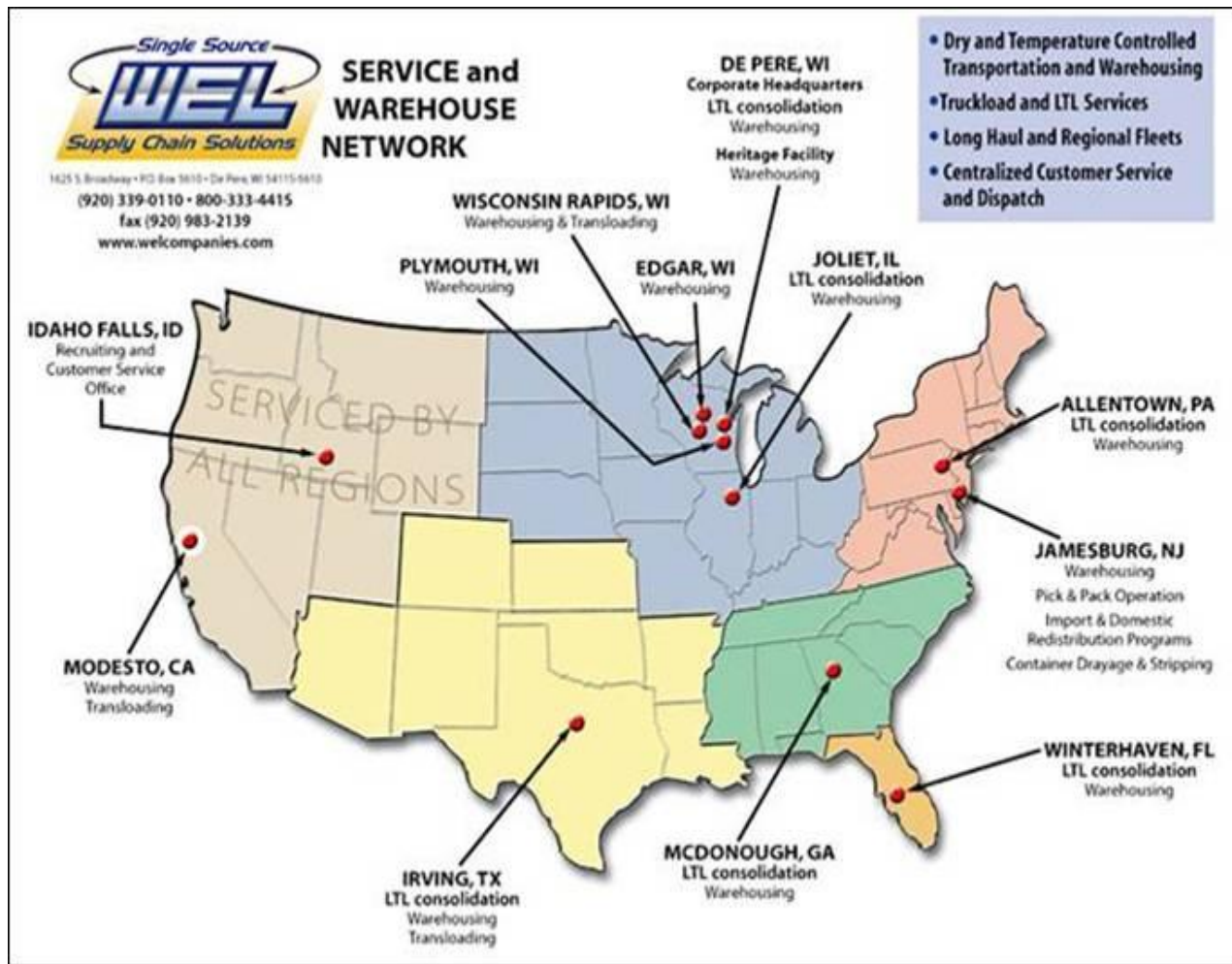
As one would expect from a top-notch carrier, WEL is a SmartWay™ Transport Partner. Having implemented recommended practices in 2007, WEL receives high marks (score of 1.25) for its efforts to minimize both fuel consumption and emissions. All fleet equipment is outfitted with idle APU (auxiliary power unit) reduction technology. In 2008, WEL purchased 70 engines with ULSD (ultra-low sulfur diesel) fuel, producing lower emissions.

Building on a Base of Core Refrigerated Trucking Operations: WEL Freight Brokerage
Freight Brokerage grew out of the trucking operation. WEL Trucking books loads to 108% of capacity and shifts excess or out-of-network demand to its Freight Brokerage division to source additional capacity. WEL leverages its access to refrigerated capacity with a growing base of 100 carriers. Using a small team of four, this division handles 20 to 25 loads per day, which generated \$10.5 million in gross revenue in 2010 with an operating margin of 15%.

While this division grew purely from opportunity and without additional focused effort, WEL recognizes the potential for both top line revenue growth and bottom line margin contribution from this business and is shifting greater emphasis and resources into its expansion.

From Cross-docks and Cheese Storage: WEL Warehousing
Expanding from its Midwest base, WEL Companies has developed a nationwide footprint for refrigerated warehousing with 16 facilities in nine states and 1.3 million square feet under roof. Of the warehouses, 60% are owned while 40% are leased. All of the warehouses are food grade and AIB (American Institute of Baking) certified with combinations of cooler, freezer and dry storage

space. Cooler and freezer space comprises 42% of the total space and 40% is dry storage with the remaining 18% of space taken up by docks, utilities and offices. WEL has a physical presence in the major geographic food distribution centers. Most of the facilities primarily function as LTL consolidation centers, such as Allentown PA, McDonough GA, Winterhaven FL, Irving TX and Modesto CA. Many of them have expanded to include services such as pick and pack, cold storage and trans-loading, such as Joliet IL, Jamesburg NJ, and De Pere WI. About 40% of WEL's facilities have direct rail access.



WEL Companies has implemented the LogiMax warehouse management system (WMS) to manage cross-docking, pick/pack and inventory management. LogiMax is a browser-based system designed for 3PL warehouses. The system provides multi-customer and inventory control with integrated RF (radio frequency) data collection, third-party billing, report writing and customer web self-service. It's a mid-market system with functionality that includes:

- Automatic queuing of fulfillment orders based on inbound carriers;
- Advanced put-away logic that recognizes velocity, stackability, date mixing rules, and maximizes space and cube utilization;
- Real-time data on unexpected or time-critical deliveries that require attention;
- Automatic generation of compliant labels for ready-to-stage pallets;
- Direct pallet building for split-case and case picks based on item crushability;

- Replenish interleaved forward pick locations;
- Automatic order sorting by requested ship date;
- Employee productivity monitoring using time standards;
- Automatic enforcement of product consolidation, rotation and location rules;
- Elimination of paper from the entire warehouse; and
- Order checking and loading tasks ensure order and load integrity and detailed loading diagrams.

WEL Companies works with a number of cheese producers, such as Great Lakes Cheese, BelGioioso, Schreiber and Churney Cheese. For cheese companies, WEL offers specialized services to support cheese aging, financing, shredding, and packaging. Each type of cheese has specific aging requirements that require temperature-controlled storage in specialized reusable containers, and periodic testing. Recognizing the customer need, WEL established a Cheese Financing business to purchase cheese from producers, storing it and then re-selling it in bulk or packaged form, using outsourced cutting/shredding and packaging services.

Growing 3PL Services

By luck or by design, the Tielens picked a growing industry segment to establish a trucking and 3PL services business. Despite the challenges of a tough economy and downward pressure on freight rates, WEL Companies has benefited from its emphasis on serving the Food & Beverage industry. WEL's top line revenue continues to increase. While freight rates continue to improve with increasing demand and tightening carrier capacity, WEL is also benefiting from its expansion of 3PL services for both value-added warehousing and freight brokerage services. Holding true to its core tenets of long-term customer relationship building, high service performance and innovative logistics solutions, WEL is well-positioned for continued growth and profitability.

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