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Perfect Timing

Father-and-daughter team: Bryana Ganong, product development manager, and David Ganong, president, Ganong Bros. Ltd.

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Perfect Timing

New sales, new products, a new addition and a new generation have revamped this Canadian company's business plan, accenting aggressive growth and sharper focus.

by Bernard Pacyniak

In the past, society could mark time through generations; a gentle reckoning that encompassed between 25 and 30 years. The pace of technological advancements during the last 20 years, however, coupled with their impact on society and its mores, have shattered that traditional yardstick for humanity.

Today, societal changes come in increments of five, rather than 25 years. Transformation rather than tradition rules.

As a result, businesses — particularly family-run operations — have had to adjust their strategic plans significantly during the last decade, bobbing and weaving to marketplace forces that come and go in much shorter and faster intervals. Many have opted out of this constant flux, becoming another statistic within the consolidation craze.

Others, such as Ganong Bros. Ltd., have found a way to manage that change, even successfully combining transformation with tradition.

As David Ganong, president of this fifth-generation family business, relates, the company has itself changed remarkably since *Candy Industry* last visited the St. Stephen-based confectioner in 1998.

At that time, Ganong Bros. had just sold its joint-venture operation in Thailand, escaping the economic collapse that infected that part of the world – the so-called Asian flu – by a mere few weeks.

While Ganong would love to claim clairvoyance, he affirms that it was merely "good timing" to have sold off the company's stake in the Asian business. At the same time, ongoing consolidation of the Canadian retail trade sent clear signals that there would have to be some adjustments in business strategies in St. Stephen.

"There were going to be fewer large customers for us to do business with," he explains. And while Ganong Bros. had a strong regional presence in Canada's Atlantic provinces, it became obvious that a more national presence had to be established.

"We had just finished going through our own product consolidation, allowing us to place greater focus on fewer products," Ganong says. "We were also in the beginning stages of formulating our three-year strategy, which called for stronger development of our Canadian boxed chocolate and fruit snacks business."

To replace the Asian export business, the company also decided to turn its attention closer to home, that is North America, and specifically, the United States. At the time, exports south of the border accounted for barely 6% of all company sales.

"We realized that we could only count on moderate growth for our brands in Canada since we faced multinational competitors, such as General Mills with its *Betty Crocker* brand in fruit snacks, and Hershey and Nestle in the boxed chocolates segment."

As a result, Ganong believed the company needed to become "more proactive in pursuing private label accounts" as well as "forging strategic partnerships that were not equity-driven," namely contract manufacturing.

"It was important for us to bulk up our business, take on competitive size," he explains. To do so, Ganong recognized that by going after long-term contractual business, the company would also have to modify its manufacturing processes, investing in capacity and / or space.

One of the first strategic partnerships that the company forged involved Toronto-based Kerr Bros., a similarly sized confectionery company.

"They did a lot of interesting things, and as a result we hammered out a pro-

At a Glance
Ganong Bros. Ltd.

Headquarters: St. Stephen, New Brunswick, Canada

Sales: $20 – $30 million (*Candy Industry* estimate)

Employees: 250

Plant: St. Stephen (155,000 sq. ft.)

Output: 15 million lbs. annually

Brands: *Delecto, Ganong Family, Sunkist Fruit First, Sunkist Fruit First Chews, Fruitful, Pal-O-Mine*

Management: David Ganong, president; J. Marc Lefebvre, v.p. & cio; Doug Gaudett, corporate treasurer and cfo; Richard Fulton, v.p – production; Greg Fash, v.p. – strategic marketing; Harold Ryan, logistics manager; Dana Branscombe, v.p. - sales (Canada); and Terry Arthurs, v.p. - sales (United States).

Ganong Bros. sports a new father-and-daughter look: Bryana Ganong, product development manager, and David Ganong, president

EXECUTIVE AND PLANT PHOTOS BY VITO PALMISANO

duction swapping agreement," Ganong explains. "We produced Scotch mints, but so did Kerr Bros. They actually did a better job of it. So we had them do our Scotch mints while we sold them our jelly beans. The move enabled us to get out of a production process where we weren't especially competent and build up those processes where we were experts."

That decision allowed Ganong to convert its bank of hards pans and specialize in soft pans, an area where the company was both more competitive and more proficient.

"In a small way, we began doing the same things that the bigger players were already doing," he says.

The bigger players, specifically those in the United States, were also sharply focusing their businesses to extract cost savings. As a result, many were looking at farming out their lower volume products to manufacturers who could take advantage of lower ingredients costs, such as sugar.

"We saw the opportunity to do contractual work for large international companies," Ganong says. "At that time, there was a large movement of production capacity from U.S. manufacturers to Canada and Mexico. To my way of thinking, it was a combination of three factors: first, the lower cost of sugar; second, lower labor costs; and third, the increased cost of greenfield operations. Consequently, we were able to take advantage of rationalization and outsourcing going on across the border, particularly in those areas where we have competency."

That competency breaks out in four general areas, Ganong explains. About one-fourth of the company's business involves boxed chocolates, the second quarter encompasses fruit snacks, another quarter bagged non-chocolate items such as jelly beans and fruit jellies, and the final quarter takes in a broad range of miscellaneous candy pieces, many of which are chocolate-coated.

Having shifted the company's focus, it now was a matter of working the plan.

Cognizant that strengthening Ganong Bros. as a national player in Canada was key, the company committed itself to an expanded marketing campaign.

"We targeted our resources on the boxed chocolates and fruit snack segments," explains Greg Fash, v.p. – strategic marketing. The new emphasis proved timely since both segments featured multinationals that were also bent on increasing their presence in the marketplace.

(Left) Kathy Smith (background) and Edith Sewell check peppermint patty centers as they head toward enrobing while Debbie Trafton, a 27-year Ganong Bros. employee packs the chocolate-covered patties into plastic trays.

On the fruit snacks side, the category experienced an influx in licensed characters. Given the resources available, it was both imprudent and impossible for the company to compete on that level.

Ganong Bros., however, had acquired the license to market and manufacture *Sunkist* brand fruit snacks from Lipton and Sunkist in 1997. The challenge facing Ganong Bros. was how to overcome heavy promotional spending and strong brand recognition by competitors.

"We definitely felt the *Sunkist* range needed refreshing," Fash says. "So we looked at what the name evoked in consumers. *Sunkist* says citrus, nutrition, global brand. Moreover, consumers who purchase fruit snacks understand that they are buying a product that's great tasting, and that the product contains fruit juice. But as one consumer told us in a focus group, 'Fruit snacks are just barely above junk food.'"

And there lay the opportunity.

Those same focus groups found an enormous amount of trust by consumers in the *Sunkist* brand. As Fash points out, "The promise of *Sunkist* centered around delivering real orange purée."

It was up to the Ganong Bros.' research and development team to develop a fruit snack containing the highest percentage of fruit on the market. Fortunately, the company's experience with fruit-based products enabled it to draw upon in-house expertise as well as from suppliers to fashion a high-fruit content product using frozen fruit purée.

To underscore its accomplishment, the company relaunched the *Sunkist* brand under the Fruit First moniker.

"We had a major struggle with the regulatory people at first," says Fash. "The problem was documenting that, indeed, fruit purée, was our No. 1 ingredient. I think we would have gone to 50% fruit purée if necessary in order to get approval for our Fruit First name."

And while the move increased the company's ingredient costs "substantially," it also clearly differentiated Ganong Bros.' product from every other fruit snack on the shelf.

Armed with a marketing campaign that included television advertising, couponing and sampling, the company took its story to the retail trade.

"They clearly understood the positioning and became excited about the launch," Fash says. Priced as a premium product, Fruit First quickly made inroads into the competitive fruit snacks segment. Last year, according to AC Nielsen data, Fruit First posted a 115% jump in sales. As a brand, Fruit First ranks second in total fruit snack sales, trailing only General Mill's powerhouse brand, *Betty Crocker*.

Such success has convinced Ganong Bros. to extend *Sunkist's* promise to another demographic, namely adults.

"We all know that adults eat their children's fruit snacks," Fash says. "What we wanted to do was leverage our Fruit First equity, but gear it toward adult tastes. As a result, we've introduced Fruit First Chews, snacks that come in three adult flavors: tropical, assorted fruit and tart 'n tangy."

Although the company remains in the midst of presentations to retailers, it believes the new product will help make fruit snacks a bona fide option for the adult snacking segment.

During the same time that the company developed and launched its new fruit snack campaign, it was also formulating an appropriate response to the boxed chocolates category.

Long a respected name in boxed chocolates, the company faced increasing pressure from changes in the retail sector – consolidation – as well as competitive assaults from deep-pocketed multinationals.

"Our first task was to better understand where we were in the boxed chocolates segment and where our competitors fit in," Fash says. "Boxed chocolates are extremely seasonal. Moreover, the category was becoming particularly crowded. The real issue,

Ganong Bros.' management team (l. to r.): Richard Fulton, v.p. – production; J.Marc Lefebvre, v.p. and cio; David Ganong, president; Harold Ryan, logistics manager; Greg Fash, v.p. – strategic marketing; and Doug Gaudett, corporate treasurer and cfo.

with the trade becoming more consolidated, was to become relevant. At the same time, we wanted to ensure that our products were well-positioned while simultaneously carrying a unique selling proposition."

Conscious that consumers held the key, Ganong Bros. turned to focus groups to help it hone its strategy.

"Boxed chocolates are an emotional purchase decision, as well as an impulse buy," he explains. "In addition, there's habit associated with the purchase. Consequently, we had to find a way to change certain consumers' habits."

In further analyzing consumer purchase decisions, the company discovered that there was "enormous support for a position that informed them about a company such as Ganong's, that is a fifth-generation Canadian confectioner."

Such "heritage" positioning suggested that the company "cared about its product, that chocolatemaking was considered a craft, and that the company had made a commitment to making its products," Fash says.

"Well, with that information in hand, we simply had to find other ways to market that heritage," he continues. Ganong Bros. had used a Ganong in the past to market their name and products, enlisting Whidden Ganong, past president and former chairman of the company, as a spokesperson in a television commercial.

"One consumer told us that he remembered seeing the commercial last Christmas, when in actuality, the last time it ran was 15 years ago," Fash recalls chuckling. "Consumers also told us that Ganong was a great, old established company, but that they didn't want to buy chocolates from their grandfather. There had to be a contemporary message exhorting them to buy chocolates from Ganong."

Little did Bryana Ganong, David's daughter, a product development manager working in the company's marketing department, realize that her job description would quickly change.

"Our advertising agency told us that there really was only one person that fit that bill," Fash says.

Bryana admits she wasn't comfortable initially with the prospect of being the company's spokesperson.

"I'm a private person and not used to public speaking," Bryana says. "At the same time, the rationale made sense. There aren't a lot of fifth-generation companies still doing business."

Moreover, as a Ganong, she – as well as her brothers, Aaron and Nicholas — had worked summers

(Above) Jerry Stever, machine operator, checks depositor (inset) on the NID starch mogul line, the "heart and soul" of Ganong Bros.' manufacturing operation in St. Stephen, New Brunswick, during jelly bean production. The jelly beans receive a final sugar coating before they are transported via a robotic tray delivery system to climate-controlled curing rooms.

at the plant doing a broad range of jobs.

"Chocolate packing was not one of my strengths," she says with a smile. "But it wasn't as bad as the Lucy episode."

Upon Fash's urging, she decided to take on the task of representing the company at a host of media events, store visits, etc. Soon afterwards, Bryana was cast into a new commercial, a memorable experience that took two 16-hour days and was shot in high heat and humidity in three different locations.

The 30-second spot thrust Bryana and the Ganong name into the spotlight, generating increased name recognition and, more importantly, sales for the company.

As proud daddy David notes, "Bryana projects well. She's seen by consumers as a young and vibrant person who is both articulate and committed to the business. What's key is that she believes in what she's saying."

So do consumers. Last year, *Delecto*, the company's mainline boxed chocolate offering, proved to be the fastest growing assorted brand in the category. In the year 2000, *Delecto*'s share of the assorted market approached 10%. By Christmas 2002, that share reached 18%, placing it second behind Hershey's *Pot of Gold*, and "nicely ahead" of Nestle's *Black Magic*.

In addition to stimulating *Delecto* sales, the new commercial has also helped the company in launching a new premium line under the *Ganong Family* name.

The assortment features several new varieties, such as a white chocolate-covered dried cranberry, creamy maple,

Canada's chocolate town

No, the St. Croix River does not turn to chocolate on the first full weekend in August. Of course, just about everything else does in the town of St. Stephen, New Brunswick, during that time.

That's when the town celebrates its annual Chocolate Festival, a collaborative effort between St. Stephen and Ganong Bros. Ltd., the oldest, family-owned confectionery concern in Canada.

Started 18 years ago, the Chocolate Festival has evolved into a summer happening, drawing thousands of tourists into this quaint border town that sits on the northwestern side of the river.

"Chocolate Festival has become a major attraction for tourism," says Mayor Richard Brown. "It's received recognition all across North America as one of the top festivals."

Given the presence of Ganog Bros. in the town, it's not surprising that St. Stephen calls itself "Canada's Chocolate Town."

As the town's second largest employer, Ganong Bros. plays a key economic role in the city's livelihood, employing 250. The company's recent expansion has already added another 40 new jobs, with 25 more openings expected. For a town of 5,000, that's significant.

As Brown notes, such investment activity helps keep jobs in the town and spurs development. It also cements a long-standing relationship between St. Stephen and Ganong Bros.

"Ganong's has had a tremendous history here, going back five generations," he says. "Many people here have a personal relationship with Ganong, having worked there for years. It's a family-owned business that has small-town values. It's always been family-oriented and interested in the welfare of its employees."

For example, the town's Chocolate Museum, which is housed in Ganong's old manufacturing building, brought in about 16,000 visitors last year. Both St. Stephen and Ganong Bros. contributed $50,000 to open the site, which has become self-sufficient.

In addition, the city is working with Ganong Bros. on opening a new wastewater treatment facility, again a civic improvement critical to both. As Brown notes, St. Stephen represents, on a smaller scale, Canada's version of Hershey, Pa.

"In essence, what's good for Ganong's is good for St. Stephen's, and what's good for St. Stephen's is – in most cases – good for Ganong's," Brown says.

To celebrate its 130th anniversary, Ganong Bros. Ltd. invited company board members, 25-year employees, suppliers and St. Stephens's town officials to the newly constructed 19,000-sq.-ft. plant addition for cocktails and dinner.

which uses real maple syrup, and Empress orange, which uses as its center a real fruit jelly.

Bryana played a key role in determining the assortment, ushering in several new flavors, such as the "cranberry dream" varieties. And while David Ganong believes there's still work to be done to guarantee the success of the *Ganong Family* launch, there's little doubt that the company's "hip heritage" marketing plan, coupled with the growth of contractual accounts from the United States and Canada, set into motion an aggressive growth pace.

Ganong Bros.' sales grew by double-digits while sales to the United States jumped even higher. Today, U.S. sales account for 31% of the company's revenues, a six-fold jump from 1998.

As expected, the quantum leap in sales quickly placed new demands on manufacturing. Although the company had built a new $10-million, 135,000-sq.-ft facility in 1990, the plant was never designed to produce fruit snacks. In addition, the increased volume from both branded and non-branded sales meant the company would have to increase its capacity dramatically.

"Adding building space and purchasing equipment is an expensive endeavor," says Richard Fulton, v.p. – production. "First, we wanted to ensure that we optimized everything in our existing operation. What struck us was our inability to run all our equipment on a 24/7 schedule. So we took a look at our limitations. It was evident that it wasn't staffing. Then we analyzed the variety of product we manufactured and the different processing parameters for each. We looked at the pinch points and decided to solve them, one by one."

It quickly became clear to Fulton and others that there was a drying shortage in the plant's operations.

(Right) Rick Purcell, packing supervisor, peeks over trays of fruit jellies undergoing ambient drying. (Bottom) Boxes of the company's Sunkist Fruit First fruit snacks are checked for weight before heading toward cartoning.

"Candy needs to be dried between 24 and 48 hours," he explains. "If you can't get your items dried, you can't make new products. Thus, we sought to add drying capacity as well as increase the speed of our enrobing system by lengthening the line."

That effort, which began about two years ago, quickly evolved into a much more ambitious project.

"As we worked on expanding drying capacity, management realized that we needed to get bigger as a company. In this instance, production would lead the demand by having capacity available as business accelerated."

That realization prompted the management team to take a broader view of what needed to be done, such as outsourcing of certain products as well as moving dedicated, low-volume lines to accommodate the need for increased capacity for mainline products.

"The heart and soul of our plant is our mogul line," Fulton says. Beyond that, we have enrobing and panning. In reviewing what would be best for us, we established a three-phase plan, one that would allow us to meet projected demand."

Somewhere along the way, opportunity struck. As a result of contracts from companies in the United States and Canada, what was expected to take three years was condensed into one.

Fulton initially expanded drying room capacity by converting ambient drying space to hot rooms, adding two climate-controlled rooms, which boosted capacity by 25%.

"Of course, some products can't be dried in hot rooms, so we needed ambient drying space," he says. To accommodate that need, the company's three chocolate lines – two Greerco and one Carle & Montanari — were moved and expanded to areas previously used for storage.

A fourth enrobing line, in the process of being installed during *Candy Industry*'s visit, was added to ensure projected output.

"We moved our 'chicken bones' line to the cooking area, which enabled us to double the size of our panning room, where we created jelly bean-type products. We also moved a packaging line."

Naturally, space previously available for storage disappeared, necessitating warehouse rental. It was at this point that the company decided to build a 19,000-sq.-ft. addition. The $3.7-million expansion allowed the company to recover the storage space it lost as well as accommodate the new enrobing line. It also provided room for increased packaging capacity as well as a second

Mike Belyea pours just polished jelly beans into plastic bins as they await further drying.

mogul line, complete with its own kitchen, when needed.

Presently, the mogul line runs 24 hours, six days a week, Fulton says. He expects 24/7 operations to kick in soon this year. The result: Production in January jumped by 50%.

The focus today, he says, is to fine-tune operations and improve efficiencies.

"We installed a lot of things in a hurry," Fulton acknowledges. "We would install a line, turn it over to our operators and then get cracking on another line. Our people then took it over. What we're doing now is catching up on the training requirement as well as optimizing our efficiencies."

Whatever improvements Fulton can accomplish, however, may still fall short of requirements if the president has his way.

"We are pleased with our success," David Ganong explains. "But I've been around long enough to know that disappointments can hang around the corner. We're still relatively too small as a company. Our double-digit growth must continue forward. We have to solicit business aggressively on both sides of the border. A strong brand is the greatest security a company can have, and we have to work hard in building brands."

In reflecting on the future, Ganong takes comfort in what he perceives as positive trends for the company.

"On the non-chocolate side, the excitement is in branded, higher-value items" he says. We clearly see on our radar screens more value-added, individually marketed SKUs. Large numbers of drug store chains have realized

that individually marketed candy items have created growth in the category.

"On the boxed chocolate side in Canada, there's growing demand for more unique European items. We're going to see an evolution of boxed chocolates whereby the proliferation of SKUs will continue. There's greater diversity today than there was 10 years ago. "

As for the company's private-label and contractual business, there's little doubt that Ganong expects to see that increase. He sees U.S. sales growing, potentially representing half of the company's revenues. Ganong expects the company's strengths in boxed chocolate sales and fruit jellies to carry over across the border, even helping develop new niches.

"We have a 43% share of the fruit jelly category in Canada with our *Fruitfull* brand," Ganong explains. "Of course, the category is not fully developed in the United States. But, because the product, which is superb and comes boxed, is a year-long item, it can complement boxed chocolates. As a result, I think we can work to grow that category. I also see us having a greater presence in the boxed chocolate side in the United States."

Those are long-term – again the time frame today means five years and less – projections. On a more immediate basis, the company remains on full throttle. Ganong expects sales this year to jump another 20%. If January is any indications, sales are up 60% from year ago, the company should hit that number.

The pieces are in place to do so, he believes. If so, that could prompt another investment decision, a $5-million outlay for a second mogul line. But given the transformations the company's already undergone, it seems likely the move will be taken in stride.

Karen Johnson examines jujubes as they head toward a Hayssen form/fill/seal machine (inset) for packing into large-count cellophane bags.