

Production, Technology & Product Development Solutions for a Changing Industry

SNACK FOOD & WHOLESALE BAKERY



Snak King's management team, (from left), Joe Papiri, Ron Jones, Mark Schieldge and Barry Levin

Snak King

The Comeback

KING

2008 EXECUTIVES OF THE YEAR



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AHHHH! They're BAAAACK! That's what the executives at Snak King want all of their customers to hear. Clockwise from top left: Ron Jones, Mark Schieldge, Barry Levin and Joe Papiri.



The Comeback KING

Snak King bounced back to business after a roof collapse and a factory fire only to learn that some disasters don't always end up that tragic.

By Marina Mayer

Once upon a time in the City of Industry, Calif., Barry Levin took over the reins of a struggling snack company. Within a year of starting with Snak King in 1978, Levin turned a company with anemic sales and a \$100,000 loss into a modestly profitable enterprise. Impressed by this turn of events, the company's three owners, all passive investors, invited him to buy one-third of Snak King's stock. Over the next five years, he purchased the rest of the business.

Almost 30 years later, Levin is the chairman and CEO of the West Coast snack manufacturer, known for its wide variety of products, including tortilla chips, pork rinds, cheese puffs, cheese curls, popcorn, nuts and trail mixes.

But his stroll over the castle's red

carpeted bridge didn't always appear to be heading for a storybook happy ending.

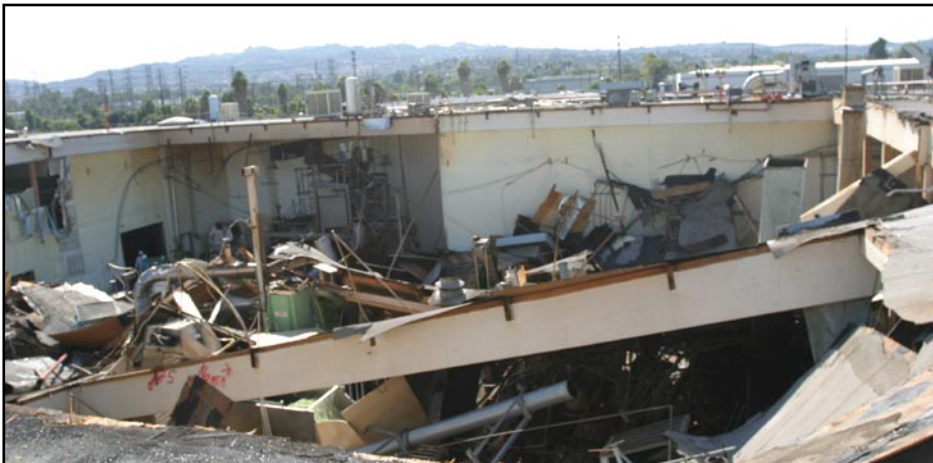
For starters, in October 2004, torrential rainfall triggered a massive roof collapse that disrupted operations so much that the future of the company was in doubt. Adding insult to injury, a couple of months later, a small fire broke out from a tortilla chip fryer, making the rebuilding process even more challenging.

Life in the snack industry became anything but a fairy tale.

Instead of throwing up their hands and walking away from this regal mess, the management team at Snak King resolved to rebuild their operation.

In fact, Levin says shutting down the operation or relocating it wasn't an option. Despite the two tragedies, Snak King had to come back.

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Before

Top left and middle: In October 2004, heavy rainfalls forced a 12,000-sq.-ft. chunk of roof to collapse and crash down on three tortilla chip lines, creating a three-year-long cleanup project and renovation of Snak King's facility in City of Industry, Calif. (Photos courtesy of Snak King Corp.)

After

Bottom: Barry Levin, company chairman and CEO, examines the refurbished roof with *SF&WB's* managing editor, Marina Mayer. (Photo by Vito Palmisano)



AT A GLANCE:

Company: Snak King Corp.

Location: City of Industry, Calif.

Web site: www.snakking.com

Products: Popcorn, cheese curls, cheese puffs, pork rinds, tortilla chips, veggie chips, nuts and trail mixes.

No. of Plants: One

No. of Employees: 330

KEY PERSONNEL:

Chairman & CEO: Barry Levin

President & COO: Ron Jones

V.P. Sales & Marketing: Joe Papiri

V.P. Operations: Mark Schieldge

V.P. Finance: Vesna Kelley

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It took the company three years and more than \$30 million to fully rebuild the plant and retool the operations to its current condition. Certainly, there were times when it seemed that the job would never get done.

Almost immediately after the roof collapse, Snak King's management team jumped into action to get the plant up and running. While employees waded through water to gather debris and remove chunks of the roof, Ron Jones, Snak King's president and chief operating officer, directed operations to clean up the usable equipment and put it into a configuration that would allow it to crank out products.

Meanwhile, Joe Papiri, vice president of sales and marketing, accepted the aid of competing snack producers who offered to outsource or co-pack snack products. As a result, the company was able to provide a steady supply to customers and maintain position in the market.

During the rebuilding effort, Snak King hired Mark Schieldge as vice president of operations to oversee the major improvements of the plant.

Despite the benefits associated with installing new equipment, Schieldge says they still needed to do a lot of training and development of employees.

Plus, the overall layout of the operation needed to change because the new equip-



ment offered greater versatility to produce a wider variety of products.

“We were very creative in how we set up the production lines, to streamline and give the rebuilt plant greater flexibility,” Schieldge notes. “And we were still able to increase our overall output.”

The plant now includes state-of-the-art, automated production lines that provide not only increased capacity, but also enhanced product quality with greater consistency. With the greater output of production, Snak King’s sales team expanded to seek out new growth opportunities, Papiri notes.

And so what started out as the operation’s well-planned response to a disaster enabled it to come back in better shape than ever before.

Crowning Achievements

While resolving internal issues and adapting to what had become an ever-changing operation, the management team also had to stay abreast of shifting consumer and retail trends in the snack industry.

Snak King is no stranger to being on the cutting edge of what consumers want. Its family of brands — *El Sabroso*, *Jensen’s Orchard* and *Granny Goose* — has done anything but falter in the wake of tragedy.

The *El Sabroso* line, consisting of pork rinds, tortilla chips, cheese snacks and nuts with a tradi-

tional, full-flavor, Mexican-inspired taste, continues to expand. It is best known for its innovative seasoned tortilla chips, such as *Guacachips* with the real flavor and ingredients of guacamole right in the chip, *Salsitas* with real salsa cooked into the tortilla chip and *Jalapeños* with real jalapeños for a real nacho cheese experience.

The *Jensen’s Orchard* brand provides innovative and natural snacks such as Veggie Chips, Bruschetta Chips and Spinach and Artichoke Chips, to

consumers looking for new snacks that meet their changing demands.

Additionally, the *Granny Goose* line is made up of value-positioned snacks and is owned and marketed by Snak King.

At the end of the day, Jones says, Snak King products have to cater to consumer tastes that have become more sophisticated over the years. Shoppers are more demanding than they used to be about the ingredients that go into products, and snack foods still need to taste good.

Additionally, Levin says, changing demographics such as the growth of the Latino population are driving Snak King’s sales. These consumers place a greater focus on healthier and more natural snacks.

Moreover, the consumers’ continual quest for new and interesting snacks and flavors has been fueling the company’s business, Levin says.

Despite keeping up with what’s hot and what’s not, Papiri acknowledges that the company is selective about what trends it wants to pursue.

Overall, the health and wellness trend is one that the company keeps an eye on, Papiri says. Whether it’s organic,

ROYAL FAMILY

Shortly after the roof of its plant collapsed in 2004, the employees of City of Industry, Calif.-based Snak King Corp. resolved to achieve one goal — rebuild its kingdom.

Chunks of roof disrupted the tortilla lines, but the company refused to let the floodwater and debris get in the way of producing quality snack products.

“I have to say, our team was incredible. People spend a lot of money to go on team-building activities, where you climb ropes and hang upside down and blindfold and trust each other,” says Barry Levin, the company’s chairman and CEO. “[But] we had a team-building experience like no other, with everybody pulling together and figuring out whatever needed to be done and get it done.”

After three years of continuous construction and upgrades, the renovated operation houses state-of-the-art production lines and newly refined processes to turn out products that are better than ever. It took patience, persistence and a little help from their friends.

“I think our philosophy has always been to help other people, and I guess it was our turn to be helped,” Levin says. “We could have easily just said, ‘Hey, let’s take that insurance money and walk away and close the doors.’ But with all the people who were relying on us to support their families, we really didn’t even think about anything but getting up and rebuilding.”





natural, whole grain or lower fat, these are the niches the company does well in. It's a growing area and customers are more concerned about what they eat.

Consumers also are paying attention to the business' status in the community. For instance, the state of California continues to increase government regulations so that production facilities function according to eco-friendly rules. Snak King is evaluating such changes by using sustainable or compostable bags and recycling all shipping and storage boxes after use, Papiri explains.

The company, Papiri adds, has made innovations in the packaging area by introducing products in a matte finish bag as opposed to the typical shiny snack packaging. It's also using stand-up bags for improved merchandising and with zippers for consumer convenience in larger sizes.

Packaging design in general, Jones says, needs to evolve constantly so that product representation on the shelf stays fresh with consumers as they respond to and are searching for something new and exciting.

In addition to upgrading its products, the company also managed to chalk up more accolades even while weathering the storm and putting out fires.

In 2006, Snak King received the "Excellence in Business-Manufacturing" reward from *Los Angeles Business Journal* and

Snack Food & Wholesale Bakery magazine crowned the company with its annual "Snack Manufacturer of the Year" award. Levin, a former chairman of the Snack Food Association, was honored by Ernst & Young as "2007 Entrepreneur of the Year" for greater Los Angeles.

But it's not just the honors that hold a gratifying place in his heart.

"It's an honor to receive the awards we've received, but really the acknowledgement is for everybody in the company," Levin says. "The greatest reward is working with people who enjoy what they do every day."

Ensuring Success

Looking back at the spate of unfortunate instances, Levin, Jones, Papiri and Schieldge are quick to note that having sufficient insurance coverage helped save the company from literally collapsing under the weight of its own roof.

"Mind you, you want insurance," Levin says. "It's really not for the minor daily fender benders shall we say. It's really for the catastrophic challenge, the [one] that's so big that you can't afford to overcome it without insurance."

Jones advises all snack producers to have an emergency plan in place and to continually review insurance policies on a regular basis.

Despite the chain of unfortunate events,

Hail to the King

Unlike in college, life gives experience first and lessons later. If that's true, the executives at Snak King have received a fistful of degrees from real life school of business.

Snack Food & Wholesale Bakery selected Barry Levin and his team at Snak King as our executives of the year. Over the years, they persevered and even thrived despite the challenges they have encountered. It took not only strength, but also teamwork, dedication, a laser-like focus on customer service and the pure will to succeed at times when many businessmen would have thrown in the towel. These are the character traits found in leaders not only in business or the snack food industry, but also in every walk of life.

Congratulations to the executive team at Snak King Corp.

— Dan Malovany, editor

Jones says, the company is better off now than anytime within the last 10 years.

The company, Papiri adds, will continue to flourish despite government regulations, a changing retail environment and increased competition in the salted snack market.

"[In five years], I think we'll still be having fun," he predicts. "We know what challenges are ahead."

In the meantime, the ability to weather the bad times and the determination to come back stronger has provided additional payoffs.

"You surround yourself with good people that have positive attitudes in life," Jones says, "and it becomes contagious."

That approach combined with a knack for innovation helps companies like Snak King overcome any obstacles, Levin says.

"You come up with an idea, you design a product, you design a package, you put it on the shelf," he notes. "So the great thing about this industry is that you have the ability to be creative. How much better can life be?"

Together, they hope to produce snacks happily ever after. **SF&WB**





Royal Treatment

A roof collapse forced Snak King to redesign and rebuild its West Coast operation. Now, the company is celebrating its new look.

By Marina Mayer

Just last month, Snak King Corp. celebrated the four-year anniversary of its tragic roof collapse. It was a disaster that started when a 12,000-sq.-ft. chunk of roof destroyed three tortilla chip lines and brought production to a halt. The company's line of signature products, including tortilla chips, pork rinds, cheese puffs, cheese curls, cheese popcorn, nuts and trail mixes, stopped as plant employees were transformed from machine operators to clean-up artists and eventually to plant rebuilders.

It was a "royal disaster" that normally wouldn't warrant a celebration by any other company some time later. But the folks of Snak King don't operate like any other company.

After giving the plant a makeover and redesigning it for increased efficiency, they do, in fact, have something to celebrate.

Putting the pieces back together took three long years, beginning with the clean-up phase. In only a short few weeks, employees removed the roof remains, relocated the useable equipment into more accessible areas of the plant and began churning out products.

Next, says Mark Schieldge, vice presi-

Veggie Chips, a staple of the company's *Jensen's Orchard* brand, churn inside a seasoning tumbler and then fall into a bucket elevator prior to being weighed and bagged.

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Top: Mark Schieldge, vice president of operations, explains to Marina Mayer, *SF&WB's* managing editor, how production works at Snak King's 177,000-sq.-ft. plant. Bottom: Here, freshly made Veggie Chips cool before falling into a seasoning tumbler and travel into a retention hopper.

dent of operations, the company redesigned and reengineered the production operation over a two-year period while continuing to satisfy customers' needs with a significantly reduced production capacity. However, the sales team's opportunities to sell were limited. Snak King just couldn't produce enough volume to solicit new business.

As a result, the snack manufacturer didn't launch new products for a while as a result of capacity constraints, Schieldge says. Management couldn't get into the plant to actually work on the plant trials.

"Now that we have the capacity," he says, "we're trying to approach new product development in a logical manner, get down there and work through the plant trials."

Snak King now is focusing on new initiatives since the plant is up to speed with greater capacity and improved efficiency.

"Product development has always been a big focus for us," says Barry Levin, chairman and CEO of the City of Industry, Calif.-based operation. "So one of the things we've done recently is to expand the marketing and R&D departments [to focus on new products]."

The kingdom was beginning to come together.

Full Speed Ahead

The company has restarted its new product efforts, thanks in part to the company's new state-of-the-art lines that are housed inside the 177,000-sq.-ft. facility.

The tortilla chip lines, one of the casualties from the roof collapse, now are outfitted with PLC-controls where recipes are downloaded and automatically adjusted to set points. One of the lines pumps out 5,000 lb. of tortilla chips per hour while the second pumps out 2,800 lb. of chips per hour.

The other lines that are not fully PLC-controlled operate under strict process controls that require a line supervisor to manually complete control sheets against the specifications of the product, whether it is popcorn, pork rinds, nuts or extruded cheese snacks. Doing so enables the operation to maintain consistent product quality

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Snak King's Veggie Chips are made with potato, tomato and spinach flavors and are popular among consumers in search of healthy alternatives to the conventional potato chip.



Ramon Avila, packaging specialist, has been part of the Snak King family for 29 years.

from shift to shift, Schieldge says.

“We utilize computer programs to capture the production output and compare that against our standard output so we can identify if we’re running at the proper efficiency or if we’re below,” he explains. “It’s the supervisor’s responsibility then to diagnose why [lines] are running below standard and address that in a corrective action.”

Meanwhile, the management team completes weekly plant inspections to ensure equipment is operating safely and efficiently.

Moreover, the maintenance department employs a computerized system to track the plant’s parts inventory, equipment breakdown history and work costs by line.

The company uses historic trends and upcoming promotional activity to forecast demand, order raw materials and put together the production plan, says Ron Jones, president and chief operating officer.

Additionally, the sanitation department operates under a master schedule and uses standard operating practices, or SOPs, which identify how each piece of equipment needs to be cleaned. The sanitation team self-audits

its work and then relies on a secondary audit completed by the quality team for verification. Third-party audits, many done by Snak King’s customers, verify that the company’s total quality systems are effective.

Each private label customer performs its own type of audit, resulting in a much tighter ship, Jones says, and because Snak King co-packs and manufactures private label products and snacks sold under its own brands, the operation has to be more demanding on quality and consistency.

From a production perspective, the plant follows strict processing procedures with regards to formulas and batch sheets.

The plant supervisor and equipment operators review the raw materials that will be used on each product run while the quality control team verifies the materials being used.

Confirming what’s being produced against what’s listed on the package runs in a similar fashion. The supervisor and quality control team compare the information on a package against the list of materials being used to ensure the line is producing exactly within the listed specifications.

The plant runs three, eight-hour shifts, five days a week. All products are made-to-order and ship within a week. Overall, about six lines run simultaneously. After five days of production, each line shuts down for two days of sanitation and maintenance.

“We don’t run every line every day,” Jones says. “We have more processing capability than we need on a daily basis.”

As a result, the company staggers production to allow operators to move from one line to another to produce additional products or to learn how to make different items.

Most of the lines operate under similar procedures. Bulk ingredients are piped in and incorporated in an automatic blender. All incoming ingredients contain disclaimers for allergen and organic materials, which is crucial for complying with U.S. Department of Agriculture organic certifications or to meet Kosher criteria for some products.

On a typical tortilla chip line, the ingredients travel through a series of rollers and sheeters, then through a roller cutter that creates the snacks’ shape before they’re fried at an average of 350°F. Then

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Arturo Lopez, tortilla chip operator, tracks the progress of one of the three tortilla chip lines on a PLC-controlled machine.



the product cools briefly before traveling through a seasoning tumbler.

The tortilla chips then head to automatic scaling and bagging in a form/fill/seal bag. At various stages throughout the entire process, product quality is constantly inspected.

Finished goods are packed into master cases, sealed, palletized and stretch wrapped prior to loading for shipment.

The company relies on software to manage raw material, packaging and finished goods inventories. All raw materials and packaging are tracked using bar code “license plates.” At critical stages in the production process, each raw material’s “license plate” is scanned for up-to-the-minute inventory adjustments. This procedure fits nicely within Snak King’s overall just-in-time, produce-to-order system.

For security, all Snak King employees enter the building by swiping an employee identification card. The card’s six-digit identification number tracks when the employee enters and exits the building and clocks in and out for breaks to program-matically manage payroll.

Heading into the future, Jones says, the biggest emphasis will be on improvements to the plant on an incremental basis. That will be a sharp contrast to the massive overhaul that the company did over the past three years.

“Instead of gradually improving a manufacturing operation, we did it all at once,” he adds. “This has made for a substantially better operation than before the roof collapse.”

That’s something to celebrate, now that the hard work is all over. **SF&WB**

Editor’s Note: To learn more about Snak King, head to www.snackandbakery.com to search for previous articles written about the company.

Left: Maria Zarate manually inspects the final packaging and enters the finished goods production records in the inventory control system.

Right: Vesna Kelley, vice president of finance, helps monitor the production lines to forecast various expenses, such as ingredients, supplies and maintenance.

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