



Cold Business, Cool Enterprise

Richmond Cold Storage has built a thriving enterprise in refrigerated warehouses by combining old-fashion values with a commitment to state-of-the-art technology and best management practices.

By James A. Bacon

Frank E. "Pepper" Laughon, Jr., the snow-haired CEO of Richmond Cold Storage, refuses to divulge his age but concedes that he's "as old as dirt." He grew up in a different era than today's fast-paced knowledge economy, that's for sure. In the early 1950s, his father's cold storage and ice business still had hand-push carts and horse-drawn wagons. For summer jobs, he worked 17-hours a day, seven days a week, delivering 300-pound blocks of ice -- at least that's how he remembers it. His father thought the grueling physical labor was perfectly appropriate for his son.

Laughon's values hearken from the past as well. He still believes in the old-fashioned virtues of honor and integrity, which he makes every effort to instill in his workforce. Lying to management or a customer, he says, is a firing offense. Lie, he says, and "you go up in a puff of smoke."

Laughon talks of treating

employees like members of an extended family -- some have worked for him for decades. He worries about the company's reputation, not its "brand." He builds business by cultivating long-term partnerships, not chasing the latest deal. In short, his priorities are the antithesis of those found on Wall Street. "We're not driven by quar-



Pepper Laughon

terly reports," he says. "We're not seeing how big we can get. We're looking to see how good we can be. We thrive on excellence."

While its core values may be rooted in the past, Richmond Cold Storage is one of the Greater Richmond region's more progressive enterprises. The business of man-

aging refrigerated warehouse space -- the company unloaded the ice business in the 1980s -- may not sound glamorous, but RCS is very good at what it does. It is a pioneer of ISO standards for quality control, and an early adopter of energy-conservation technologies and practices. It is also an industry leader in implementing information technologies and scanning equipment to manage inventory.

"For a traditional industry -- the food warehousing industry -- Pepper has been a visionary," says J. William Hudson, CEO of the International Association of Refrigerated Warehouses. "He understood the role of his company not only in this country but globally. ... As chairman of this international association [several years ago], he had the attention and respect of industry leaders from around the world."

In a highly competitive and fragmented industry, Richmond Cold Storage is a major player, Hudson says. There are 1,200 cold storage warehouses and 380 companies in the United States alone. RCS is the 13th largest in the U.S. and 17th largest worldwide.

For Laughon, the road has been long and winding, with

many mistakes made and lessons learned. Laughon's father acquired the company in 1949, running both the cold storage and the ice company. Laughon attended Randolph Macon College, and then was called up by Uncle Sam for a two-year stint in Germany, where he specialized in aerial photography. While there, he raced sports cars all over Europe. He was enjoying himself, he recalls, and he had no desire to take over the family business. But his father's health was declining, and he was compelled to go home and help out.

Richmond Cold Storage endured some lean times as Laughon consolidated ownership of the company, bought out minority shareholders and struggled to pay down debt. The original ice business wasn't growing, and finances did not permit much expansion into more promising businesses. "We had a lot of bad years," he says. "We



began to focus on the cold storage and logistics aspects of the business."

Eventually, Laughon figured he could gain a competitive advantage by acquiring new technology that did a better job of controlling temperature and humidity, two critical variables in refrigerated-warehouse quality. All he needed was some capital. His long-time bank turned him down. Undeterred, he pitched another bank. "I said I don't have a contract -- just a concept." Then he adds with his dead-pan sense of humor: "Like a bunch of dummies, they lent us the money."

That decision launched Richmond Cold Storage into expansion mode. The technology worked as promised. Before long, the company developed a reputation for being able to do things that other people couldn't do. "Some of the people who come to us have big problems," Laughon says -- if they didn't have problems, they wouldn't bother coming. "We've bailed out a lot of people in serious trouble with their storage and distribution issues."

Building on strong customer relationships, Richmond Cold Storage began expanding

beyond the Richmond region in the mid-1980s. The company constructed a new warehouse a year for four years, and more in later years. Occasionally, RCS strayed from the basics, "When we didn't focus, we'd get our butts burned," Laughon says.

But Laughon got it right more often than he got it wrong. Today, the enterprise operates 13 facilities in Virginia and the Southeastern U.S. -- 60 million cubic feet of warehouse space in all. The largest facility is located in Tarheel, N.C., where it serves the pork industry, but the flagship, where management tests new technologies and processes before implementing them across the company, is near Richmond International Airport.

For the most part, RCS customers are large grocers and food processors who don't want the headaches of running massive refrigerated warehouses themselves. It takes a special set of skills to manage energy -- running the huge chillers that keep warehouses at a constant 32 degrees is very expensive -- and to work in freezing indoor conditions. In the Richmond facility, where RCS stores ice cream, temperatures must be maintained at

If you live in the Mid-Atlantic and like to eat ice cream, the odds are pretty good that your cookies 'n' cream spent time at the RCS facility near the Richmond International Airport. The cold storage warehouse dedicates thousands of square feet of shelving to storing pallets of ice cream. Temperatures are maintained at a constant -17F degrees to ensure that the ice cream does not crystallize.

a bone-chilling -17 degrees Fahrenheit to keep the ice cream from crystallizing. Says Hudson: "These are big, complicated buildings. To maintain control of them, and make them work well, is quite a challenge."

RCS expanded its Richmond facility last year to serve an ice cream company that distributes three major brands from Richmond throughout a territory stretching from New York to Atlanta. The expansion, exudes plant manager Alan Carmichael with a metaphorical flourish, took the plant to a whole new level: "from an overnight motor lodge to a Marriott Hotel!"

One reason that food manufacturers outsource their cold storage business is that their shipments fluctuate seasonally. By serving some 20 or more companies, a company like Richmond Cold Storage can even out the fluctuations and keep its expensive facility running at high capacity. Any time there's a vacant space, RCS's sales force works the phones to fill it up. Over the years, Richmond Cold Storage has picked up a lot of miscellaneous business, everything from chili peppers to tree seedlings, an Indian canoe dug out of the ground that needed refrigeration to keep it preserved - even books and documents frozen after a big flood to preserve them for posterity.

Poultry, beef and pork are RCS's meat and potatoes, so to speak, but the growth in prepared foods has been a boon as well. Frozen french

fries represent another growing market. Traditionally, Idaho potato processors shipped their product to east coast markets by truck. Rising fuel costs have made railroads more price-competitive, however. And the Richmond warehouse, which is located on a CSX rail line, is well positioned to capture some of that business.

Quality control is paramount, explains President Michael McClendon, who joined the company in 1995. Temperature fluctuations can cause food to crystallize. And it's important not to let product to stay frozen too long. The goal at Richmond Cold Storage is to rigorously track every shipment in and out of the warehouse and, not only that, to keep a record of its temperature.

"Measure, measure, measure," is the mantra, followed by, "Document, document, document." RCS was one of the very first cold storage warehouses in the U.S. to adopt ISO standards. As of February, of the 25 auditors in the United States certified in ISO 22000, four worked for RCS, says quality control manager Bryan Reedy.

Richmond Cold Storage also is investing heavily in information technology. Its WMS, or warehouse management system, is the brains of the building. "Our technology is so cutting edge," boasts Laughon, "that the software company had to change *its* processes!" Simultaneously, RCS is moving to a system of

bar-code scanning for every shipment in and out of its warehouses. The goal is to create a seamless transition between RCS' IT systems and those of its customers so that customers can track down any pallet of product and know exactly where it is at any point in time, McClendon says. By tracking the activities of employees, the IT system also allows management to streamline work flows. "We have utilized RF technology for a long time," he says, "and this really takes it to the next level."

Laughon's philosophy is to give his employees a lot of latitude and see what they can do. He expects managers to stay on the forefront of new technologies and evolving markets -- learning the business better than anybody else. For example, he says, the company wants to get into the business of handling feta cheese and olive oil from Greece. These are foods with very different properties and production processes than pork, pizzas and poultry. Laughon dispatched a young employee on a months-long assignment to Greece "to learn the entire manufacturing and supply chain" by working at different businesses at every stage.

The big food companies are large organizations. They tend to be slow to change, declares Laughon. "We're nimble. We're very, very flexible. We don't have a big bureaucracy -- we don't even know what bureaucracy is!"

Laughon may be a septuagenarian who remembers the days of hand trucks and horse-drawn wagons, but he doesn't act his age one bit. "We try to stay three steps ahead of our customers and the food industry in general," he says. "We try to read where they're going and get there before they do."

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