

Pet Insight

August 2019



Special Report: Tractor Supply
Leading Retail Pet Executives
Category Analysis: Litter

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INTERVIEW



Charlie Nelson, President, KLN Family Brands

What made joining and now leading your family business meaningful?

I certainly viewed joining as a challenge, specifically leading the 3rd generation of a family-owned company and what that means as we head into the future.

From a standpoint of being in a leadership position, I view it as an honor. We have an unbelievable workforce, from production to sales to everything in between. It's an amazing group of people. More than anything, it is humbling to be one of the leaders of this company.

When involved in a family company like ours in a smaller community, it's more than just a company; you're representing the family and community. A responsibility comes with that as you work hand in hand with the community to grow and stay in the forefront of the industry. There's a lot of moving pieces. It brings the opportunity to work with a lot of different groups along the way inside and outside of our organization. It is real fun to be involved.

As president of KLN Family Brands and Tuffy's, which accomplishments are you the most proud of?

I look at it from two sides; I am very proud we have stayed true to ourselves in the pet food industry. Our ability to remain committed to our independent pet retailers, while becoming market and industry leaders with our strategy and approach is important to me personally. I value how we've built our business and our relationships with independent pet retailers. We wouldn't be here without them, we never forget that and we never will. We haven't changed our strategy or more importantly our

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values to accomplish the things we have achieved. I'm proud of that.

I also look at it from an employee standpoint; we employ approximately 500 people in a small community, which is a delicate balance in itself. We continue to focus on providing the best working environment we can. We proudly offer tremendous benefits: free healthcare, our own in-house clinic and free medications to ensure unsurpassed health care access to our employees. Our ability to offer those in-house benefits and items like 401k, housing assistance and many additional benefits demonstrate our commitment to a family atmosphere and continual care for our employees. Simply put, our employees are why we are here. At the end of the day if our employees are as proud of what they do as I am of them, I am both happy and grateful.

What are 2-3 things you appreciate the most about working in the pet industry?

Easy, passion. We have been involved in other industries. The pet industry brings the most passion of any industry we've been involved in. The hard work you see in this industry, especially coming from the mom and pop store owners, seeing how service still matters, knowing a handshake still matters, relationships still matter—these are traits which have been lost in other industries. These traits still feel like an important part of this industry making it enjoyable and fun. We can still sit across the table from someone and truly talk about relationship and partnership and do some fun business together. I appreciate that.

At the end of the day we're doing what's best for our furry family members that often don't get a choice. We're

providing them the tools to be healthy and at the end of the day there's a lot of passion in that.

As a family-owned company, what differentiates Tuffy's from other manufacturers within the pet industry?

This is a very attractive industry for investment. Private equity dollars are flowing in leading to ownership structures that look very corporate. Quite honestly, Tuffy's has respectfully taken advantage of that because we continue to answer only to ourselves and our customers. We make decisions every day that are best for pets, employees, partners and our community. It's what we believe in and what works for us. In general, you see fewer family-owned businesses out there, let alone in this industry, and it differentiates Tuffy's. When we decided to part ways from Chewy for example, we didn't have a board meeting, review financials or make a bunch of phone calls. We have a principle that we believe, "Say what you mean—and mean what you say." Our key people sat down and made the decision based on principle and our commitments. It took a few minutes. It illustrates how we can move relatively quickly and make decisions that meet our values and commitment to our partners.

As an entrepreneur, which of your father and grandfather's traits do you have in common that help you to succeed?

The first thing that comes to mind—it's a little tongue in cheek—is like them, I lack patience. There is a constant drive, a constant sense of urgency which truly helps us to continue to

Interview: Charlie Nelson, KLN Family Brands

move the needle as a company. Another family trait which has helped us to succeed is compassion. We have a lot of compassion for people in general and for our employees, combined with a passion for giving back to the community and organizations. This allows us to never lose sight of why we're in the pet industry. I've often said, "If we aren't here to make a positive difference, then why are we here?" I firmly believe that.

How has your professional experience informed your leadership style?

Growing up, I played competitive sports which certainly led to a competitive leadership style.

A second leadership style, which I probably learned from people before me, is we are big believers in wearing whatever hat you have to wear that day to accomplish your goal. We believe in rolling up our sleeves and getting the job done rather than discussing titles around here.

When we interview potential employees, one of the last things we say is, "Be prepared". Be prepared to do what it takes to get the job done. It might require a different hat. Nobody is above anything within our organization or else you just honestly can't work for us.

A third leadership style is making sure we have talented people sitting in the right seat on the bus. If we surround ourselves with great people, as I've been fortunate enough to have, there's a lot less micromanaging going on. We can focus more on troubleshooting specific challenges.

Who would you say is your mentor(s), and why?

Both my parents come to mind. Certainly my dad due to my involvement with him from the business standpoint and learning from him along the way and observing him. I'd also say my mom as she is a caring and giving person who believes in service to others.

Certainly a number of coaches who I've been fortunate enough to play for growing up. I had the opportunity to play for great people—not just great coaches, but for great people.

What motivated Tuffy's to open a new manufacturing facility, and how has that new capacity changed

your approach?

First, from the standpoint of expanding our manufacturing facility in Perham, it hasn't changed our approach; we focused on safety, quality and environmental impact while designing a facility to support the growth of our brands and a handful of private label partners. It allows us to continue to grow jobs and provide more products for our retail partners along the way.

Recently we broke ground on a new dog and cat treat manufacturing facility in Delano, Minnesota, outside of Minneapolis. This facility allows us to expand our capacity while also positioning ourselves to offer more functional and health targeted products for both our own brands and some of those very same private label partners of ours.

How does being accessible to your retail partners allow for Tuffy's to have more solid partnerships compared to other manufacturers?

We build trust through stronger communication. Our doors, our phone lines are always open. We make it a point to bring retailers to our community as often as we can to show them not just our facility, but our community. Show them our school system, show them our hospital and clinic and really make it clear to our retail partners they are as responsible as anyone for the growth of our community. Having healthy companies like ours in a smaller community allows the community to remain aggressive and progressive like our hometown of Perham has been able to be. When we say "thank you" to our retail partners we truly mean it. Not just from the standpoint of "thanks for bringing in our products," but "thanks for being part of a really wonderful community". A big focus of ours moving forward is improving our communication, further building trust and continuing to show our gratitude to our retail partners.

How does Tuffy's demonstrate its commitment to supporting independent retailers? Why is that important for Tuffy's?

Our actions. Period. Full stop. When I shared, "say what you mean and mean what you say"—it is real for us. We don't sell Petco, PetSmart, Amazon—and now Chewy because we said we wouldn't.

We work as closely with our independent retailers as anyone in the industry. We have a commitment to 40+ sales people on the street every day whose job it is to build strong relationships with retailers. We sit down and discuss how we can grow, what's important for them, what's important for us—we listen as much as we talk and find a way to grow our business together.

What are the top priorities you're focusing on in 2019 and into 2020?

Top down, we are a very good company that strives daily to be a great company. We make phenomenal products that perform and offer value. We are a company of incredible people—driven by a passion for pets and by what is right. We need to focus on sharing that message better and providing value added information to pet owners to drive them in to retailers asking for our products. We are deep into efforts to improve our marketing, branding and packaging, and I'm excited to watch those efforts come to fruition in the very near future.

The industry has been hit with its share of change and challenge. The disruption from e-commerce, consolidation at manufacturing, wholesale and retail levels, the infusion of venture capital and DCM all present challenges. Some of the best conversations I have had with our independent retailers are centered around these challenges. I'm grateful that a mutual support for each other and for pet well-being permeates those discussions. The challenges truly offer an opportunity for all of us to continue our path from good to great.

When times are good you don't learn a great deal about your team and your relationships with others. Times like this illustrate clearly who your partners really are. When there's a bit of conflict, that's when you find out what you're made of. This is such a strong and passionate industry with a strong base of independents that we're going to come out on top of this thing as long as we work together and keep our focus squarely on pets where it belongs.