



QUALITY CANDY: A LION IN THE MOUNTAINS

PROFESSIONAL CANDY BUYER heads to Southern California to take the wraps off one of the largest, least-known candy companies in America.

VISITORS ARRIVING AT QUALITY CANDY CO. INC.'s headquarters are likely in for more than a few surprises. Little more than an hour's drive Northeast of San Diego in the heart of the Cuyamaca mountains, the company's headquarters sits perched on a 40-plus acre hilltop site just outside the gold rush mining town of Julian, CA. Long a Southern California getaway destination, the town is best known for its romantic B&Bs, horse-drawn carriages, historic downtown shopping district and fruit stands overflowing with apples and apple pies. Lots of apple pies.

But of particular interest to candy buyers, Julian is also home to what Pierre Redmond, Quality's founder and chairman, describes as "the biggest candy company you've never heard of."

Given the company's historic concentration on the foodservice market, a niche that affords little recognition in the broader marketplace, Redmond's description of the company he and his wife Laurie started with a single used lollipop machine is not too surprising. Founded in the mid-1980s, the company has quietly built its reputation as the foodservice sector's leading

supplier of lollipops and hard candy.

But **PROFESSIONAL CANDY BUYER** reveals that situation is changing quickly as the company's upscale King Leo and old-fashioned Gilliam brands draw increasing levels of attention from buyers in specialty retail, supermarkets, mass merchandisers and club stores across the country.

Quality's foodservice and branded hard candy items are made in the company's plant in Tijuana, Mexico, but corporate offices and U.S. customer service operations are 4,200 feet up in the Cuyamaca range. Not only does the headquarters offer commanding views of the surrounding canyons with the Cleveland National Forest spread out below, it's literally part of the Redmond's mountaintop home.

But aside from its physical proximity to the family kitchen, nothing about Quality's operations should be confused with a run-of-the-mill, home-based business.

Despite its remote location, Quality's management and customer service staff are connected to customers and production facilities through an array of advanced communications technologies. From here, the Redmonds and their staff oversee the operations of the company's facility in Mexico, its nearby King Leo retail store and a growing roster of retail customers across the country.

Helping lead the charge into new markets is Chicago-based Al Bono, who joined the company as president and CEO in 2001. Together, the team has set out to establish Quality's reputation as manufacturer and marketer of brand name hard candy and specialty chocolate items.

In addition to its brands, Bono says the company's customer service department has been completely realigned to serve new markets.

"We're trying to be more attentive to our customers' needs so when they call, they only deal with one person. Each of our reps is now a specialist, so one person stays with an account from order through all the logistics, including billing."

According to Redmond, these and other initiatives are bringing enormous change to the once-quiet candy company.

Much is made about the economic advantages of manufacturing candy in Mexico, but few companies operating

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south of the border have compiled a track record to compete with Quality's. Conceived as a U.S.-owned and operated company, the manufacturer of pure sugar items produces an extensive line of hard candy, including starlight mints in a variety of trademarked flavors and colors, as well as discs, soft candy, lollipops and sticks. The most notable development of interest to buyers is the company's new focus on extending its King Leo and recently purchased Gilliam brands into retail channels.

Opened just the week before **PROFESSIONAL CANDY BUYER'S** visit, the King Leo store and Chocolate Factory is housed in a former apple store and cider-making facility. Transformed by Redmond to produce the company's specialty chocolate items and managed by Laurie, the facility opened with 23 employees, most in the chocolate kitchen where the company's King Leo Chocolate Peppermint Bark, King Leo English Toffee and King Leo Hot Drinking Peppermint Chocolate are handmade in small batches, packed in tins and shipped to retailers across the country.

In one-pound rectangular tins, King Leo Chocolate Peppermint Bark features layers of Belgian dark and white chocolate sprinkled with bits of the brand's peppermint sticks.

King Leo English Toffee is based on a family recipe made in a two quart saucepan by the Redmonds' next door neighbor. Still handmade, the toffee is full of whole almonds and covered with milk chocolate and walnut bits. After tasting it at a party, Bono took a sample to a Fancy Food Show.

His fortuitous whim paid off. He tells **PROFESSIONAL CANDY BUYER**: "I didn't want to make a big deal of it, and I wasn't trying to sell anything, but the feedback I got after a few of our customers tasted it was unbelievable." By the end of the day, he says, they had orders for 40,000 pounds of toffee and set about scaling up production.

Originally in limited distribution, Bono says the item is now gearing up for a national launch. But as Redmond notes, the decision to enter the national retail marketplace stands in marked contrast to the company's beginnings.

Rising Up From Anonymity

"We really didn't set out to become a big candy company," says the Maine native, former lumber mill manager and Washington economist. Redmond was lured to the West Coast from his job managing his family's mill, which made fine furniture parts and military gunstocks, after a tourist visiting the mill struck up a conversation that culminated in an offer to move west to join the visitor's foodservice company.

Around 1985, Redmond explains, he presented a plan to move a small portion of his employer's production south of the border, a proposition that apparently was not well received.

"To this day," he laughs, "I don't know if I was fired, quit, or just talked myself out of a job, but by the end of the day, I was unemployed."

Quality got its start in 1986 when Redmond crossed into

Mexico with little more than a truck full of used lollipop machinery and a modest business plan. Rebuilding the equipment himself, Redmond and his first employee, Javier Tamayo, set about cobbling together a one-line production facility.

The basic idea, he says, was to simply make and sell enough foodservice lollipops to enable the Redmonds to stay in California and raise their family.

That the plan worked beyond expectations would seem without question. Today, about 400 employees, Tamayo still among them, manufacture a growing line of foodservice, private label, contract manufactured and company-owned brands at Ducamex, the company's recently expanded 80,000-square-foot hard candy manufacturing facility.

Given Quality's long-time emphasis on supplying lollipops and such hard candy flavor innovations as Spi-C-Mints, Choco-Starlights and key lime disks, among many other items, the company's relative anonymity is somewhat understandable.

"It's actually been helpful for us to be under the radar," reveals the enthusiastic Redmond, equating the company's recent emergence in the retail market to the surprise attacks mounted by *Star Trek's* Romulan empire. He says:

"Foodservice has been our cloaking device, and it's enabled us to become a well-established, 17-year-old company. Now, our thrust is going to market with our King Leo and Gilliam brands."

Today's Quality Candy is, in many ways, a direct reflection of its hands-on founder. A nationally ranked runner, on- and off-road bicycle racer and Ironman competitor, Redmond still enjoys visiting the plant and participating in the planning process for plant improvements.

"I'm an operations guy, and my background is in manufacturing," Redmond says. "I've been able to get us to where we are by turning out quality foodservice, private label and contract manufactured products. Bringing Al Bono into the company is really helping us move beyond that."

According to Bono, the company's decision to emphasize its brands is beginning to pay dividends.

"2003 was truly a breakout year for us," he says. While acknowledging foodservice remains an important piece of the company's mix, he says King Leo continues to gain distribution. He cites Restoration Hardware, Neiman Marcus and Saks as having played a large role in expanding the upscale brand's national presence.

Further boosting visibility, Bono points out, is a major club store chain's recent regional authorization of 340-ct tubs of King Leo soft peppermint items, as well as placement of the brand's seven-ounce bag line in a Midwest grocery chain and its acceptance by a major mass merchandiser.

Redmond adds: "The volume from where it was when I bought it has grown significantly. 2000 was our first full year with it and since we've been broadening the line and expanding channels, we've had a four-fold increase."

Among the newest additions to the line are King Leo Valentine Heart Tins filled with white Belgian chocolate topped with crushed lemon hard candy, as well as 12-ounce, windowed gable-top boxes of King Leo Peppermint Sticks.

We're the biggest candy company you've never heard of

PIERRE REDMOND
Quality Candy Co. Inc.

Smaller gable-top presentations showcase peppermint, strawberry and key lime sticks in tinted boxes.

Quality's 2003 acquisition of the Gilliam brands has further helped solidify its move into the branded arena. The traditional stick candy line includes Old-Fashioned Stick Candy, as well as Old Paduke, Lil Paduke, Baby Paduke and Paduke Jr. sticks.

"The Gilliam line of sticks and drops really has that old-fashioned candy store appeal," Bono says, adding the full line of 36 old-fashioned flavors in a variety of sizes finds particular success in mom and pop stores, tourist areas and such family-oriented companies as Cracker Barrel restaurants.

But while its brands hold true to their heritages, Quality is not content to rest on its traditional laurels.

Building On Legacies

"King Leo is a 100-year-old brand," Redmond says, noting that while the peppermint sticks have long been a regional favorite, buyers in other parts of the country are catching on fast.

"When we brought the brand from Standard Candy Co. in 2000, it had a long track record and a strong regional following, particularly in the Nashville area. Now that we've taken it national, I'm just amazed at the response we're getting — from all parts of the country."


As evidence, he points to the sales generated by the company's web site. "I expected a lot of orders from Nashville,

but they came in from the four corners of the country and everywhere in between. It might not be Coca-Cola, but it's a real brand that has real appeal all over the country."

Redmond and his team carefully maintain the century-old stick candy's brand integrity — it's still made from the original recipe and packed in collectable 1.5-pound blue retro tins. But in the past two years, the line has been extended with new flavors, forms and packaging to meet the needs of a buyers in a variety of trade classes.

For example, King Leo sticks are in original peppermint, as well as cinnamon and clove varieties packed in 1.5- or two-pound blue or red tins; 12-ct peg bags in 60-ct bushel peach baskets and 48-ct trays. Other recent additions include Big Sticks, one-ounce wrapped peppermint sticks in 36-ct displays, giant-size four- and five-ounce sticks, super sour fruit sticks in bags, bushels and trays, and a line of wrapped soft, puff-shaped candy in peppermint, key lime, chocolate mint, root beer and strawberries & cream varieties.

And what does all this hold in store for Redmond and the company's tight-knit team of chocolate, toffee and hard candy makers?

"By the end of the year," he says, "I expect half our sales will be of products that didn't exist a year and a half ago, to customers we also didn't have. It truly is a reinvention of the company." 



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