



On an *Island High*

Fresh delivery allows Klosterman's of Puerto Rico to enhance quality, operating efficiency, growth potential in a captive island market.

BY STEVE BERNE

Being one of just a few wholesale bread and bun producers on the island commonwealth of Puerto Rico, Klosterman Baking Puerto Rico (K.B.P.R.), Toa Baja, must find ways to differentiate itself from the competition to maintain and increase market share.

Cincinnati-based Klosterman, with its three mainland U.S. facilities, was well established as a McDonald's bun baker when in 1998 the fast-food giant approached Klosterman with the opportunity to open its first offshore bakery. The restaurant chain was offered its single-source supplier the chance to expand to other markets: in this case, Puerto Rico and other Caribbean islands.

Laid out similar to Klostermans' other bakeries, K.B.P.R. uses a proof-and-bake method with sufficient automated systems to yield an efficient operation and consistently high-quality products. From the outset, all products produced at the bakery were blast frozen on site and stored in a freezer the bakery shared with an independent distribution company. Frozen products change ownership within the on-site warehouse as products transfer from one side of the freezer to the other.

"Because of specific laws, frozen products produced by U.S. companies delivered within Puerto Rico are able to take advantage of tax abatements," said Chip Klosterman, president. "This helped get the bakery off to a suc-



▲ Flags flying, [from left] Chip Klosterman, president; Ramon Aviles; Angel Martinez; Wilfredo Rivera, plant manager, K.B.P.R.; and Ramon Baez are ready and set to begin fresh delivery to McDonald's restaurants across Puerto Rico.

▼ Orlando Melendez, production, Q.A. manager, performs color meter, height and width measurement, and seed coverage tests prior to depanning baked buns.



successful start and establish us as a low-cost bun supplier.”

During the past two years, McDonald's varieties and restaurant volumes have increased significantly. This increase in volume and sales caused a supplies storage problem within each store.

The distributor delivered buns, along with other frozen items once every three days to each store, according to Wilfredo (Fred) Rivera, plant manager. This required each restaurant to hold up to three days worth of buns.

“There is only so much capacity within the in-store freezers,” he noted. “Buns are rotated with each location: newly delivered product into the freezer and tomorrow's buns taken out to thaw, leaving up to two days worth of

buns in the sandwich preparation area and four days in the freezer. Our decision to make a change was undertaken in an effort to alleviate some of the storage burdens at our customers' stores.”

However, the result of Klosterman's going to daily fresh deliveries, with its own route trucks and drivers, opens the bakery up for so much more. “It not only will allow us to offer McDonald's restaurants the highest quality products,” Mr. Klosterman said, “but it also presents a world of opportunities to provide new food service and institutional customers with fresh variety rolls and buns.”

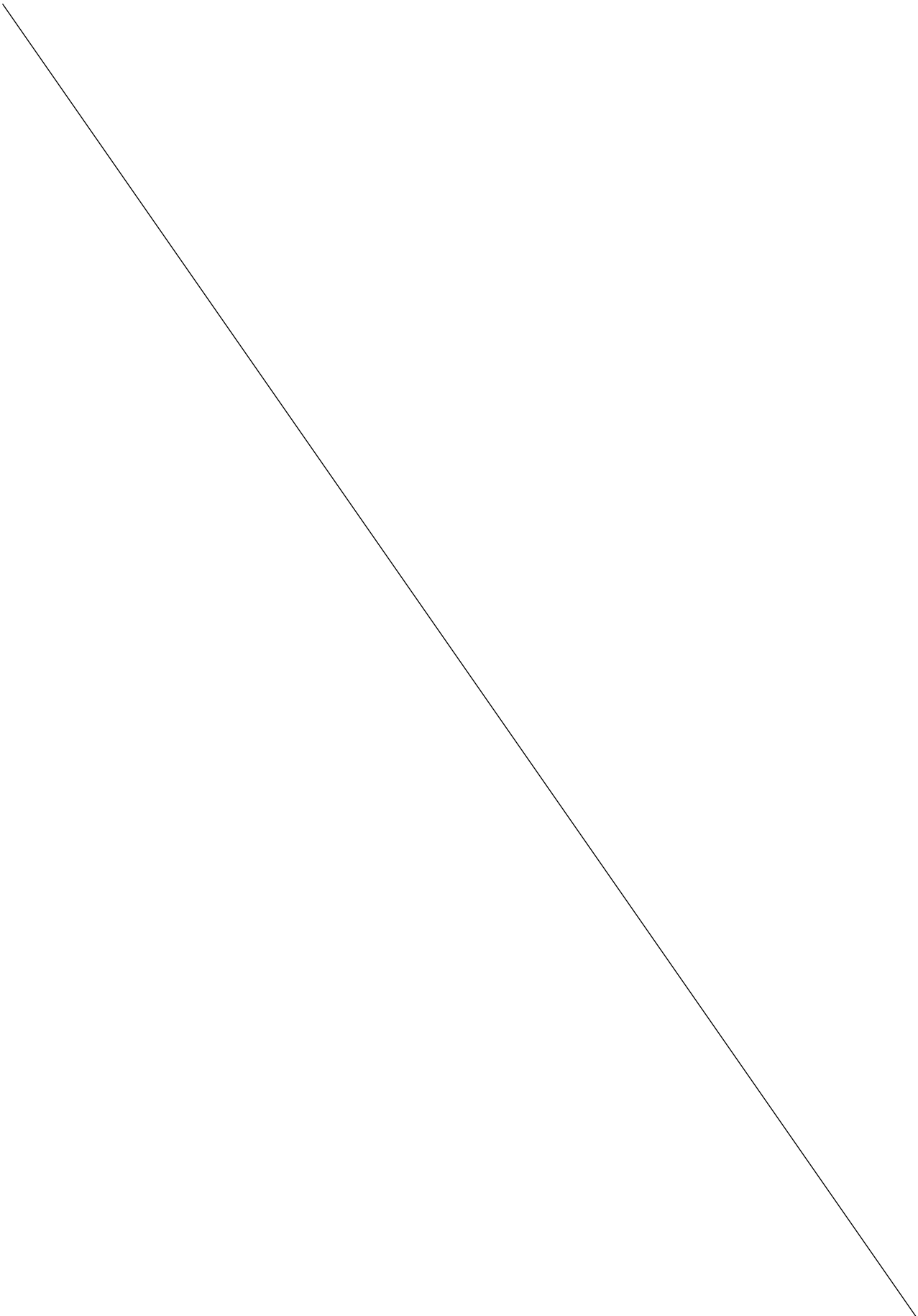
FRESH CONCEPT. Going to fresh delivery was no easy decision by Klosterman's corporate and local management. “After five years of focusing mainly on production improvements and maintaining quality within the production environment,

we entered a whole new world of challenges, but ones we can certainly conquer,” said Mr. Rivera. “We anticipate very little change to the production side other than minor alterations to scheduling. The biggest changes were the physical addition of three loading bays, 10 route trucks, two vans, a sales manager and the numerous route/salesmen needed to make fresh delivery happen.”

With the conversion to fresh delivery, Klosterman anticipates significant growth in volume and product offerings. “We have huge capacity with the current operating line to produce products for new food service customers, whether they need hamburger, hot dog, breakfast (Pan de Aqua) or steak-type buns,” Mr. Klosterman said. “We have a water splitter and triple splitter, so new product opportunities are widespread. Other equipment can easily be incorporated into the production line allowing us to produce anything from Kaiser rolls to seeded dinner rolls and other products.”

Steam capabilities in its oven allow the bakery to produce a unique product — the McCriollo bun — for a special morning sandwich sold at the restaurants. “It is the island's version of the Egg McMuffin or biscuit breakfast sandwiches,” Mr. Rivera said. “It is a crusty hard roll with bacon or sausage, egg and cheese. It is a tremendous seller here.”

K.B.P.R. has the synergies of the company's stateside operations, which offers its own regional clients more than 300 SKUs. “We have hundreds of recipes and ideas at K.B.P.R.'s disposal and the know-how to produce them



efficiently,” Mr. Klosterman said. “We also have the talent of Fred Rivera, a graduate of the American Institute of Baking’s baking school. He handles all test runs and most product development from this end. We have a real one-two punch of knowledge and capabilities for the future.”

ROLLING ‘EM OUT. Route-truck roll-out was scheduled in phases. Test runs began in mid-May. Driver salesmen made dry runs of their routes, learning timings and directions between stops during this initial phase. In this phase, they also began picking up empty plastic trays from customers.



Fresh deliveries officially began May 18 for San Juan metro-area customers and June 1 for the rest of the 10 island routes serving the 100+ McDonald’s locations.

At press time, all was going smoothly with the transition. According to Mr. Klosterman, the bakery received many positive comments regarding the improved freshness and quality of the product, and good feedback on the alleviation of space constraints in restaurants’ storerooms.

Driver salesmen use Route Tek route software and Norand handhelds, but order processing, inventory and route scheduling are directed from the company’s Cincinnati office via direct-line download. All accounting, receivables and payables are also handled from the corporate office. An automated clearinghouse system is used for electronic payments of customer invoices, so there is virtually no paperwork, and payments and transactions are never a concern to drivers.

The majority of K.B.P.R. customers are located in the San Juan area — where more than 50% of the island’s population lives — and they will be served by four of the 10 routes. Other routes go to every corner of the island. “Our longest route covers more than 250 miles and goes over the island’s central mountain range,” Mr. Rivera said.

Each salesman has an assigned territory and is responsible for developing relationships with current customers. They also have the opportunity and incentive to solicit new business from hotels, restaurants and other institutions.

PARADISE CHALLENGES. Tourists come to Puerto Rico for the warm weather, relaxation and an attempt to capture some of the islander’s inherent laid-back attitude. That sounds nice for vacationers; however, two of these tourist pleasures — weather and attitude — don’t bid well for a commercial bakery.

When building and running a bakery in a tropical island climate, there are a few points of differentiation compared with operations in the continental U.S. “Our ovens use propane versus natural gas, which is not available here on the island,” Mr. Rivera said. “We also have our own water filtration system for incoming ingredient water, since we can’t guarantee the absolute purity of the city water or well water coming into the plant.”

The 27,500-sq-ft plant is laid out for straight-line product flow using a sponge-and-dough process. Flour from ConAgra is stored outside in an Abtek silo. While ambient plant conditions are kept comfortable through air circulation, the weather can get quite humid. The

▲ Reconditioned mixers allowed Klosterman Baking an economical, yet reliable, way to enter the Puerto Rican market.

◀ Buns enter at the top of the proofer from the divider, then exit below on their way to the seeder and oven.

bakery recently added a temperature-controlled fermentation room for its sponges. It also depends on chilled water, two Baker Perkins glycol-chilled jacketed mixers, rebuilt by The Peerless Group, and a chilled ingrediator for its liquid ingredients, such as high-fructose corn syrup, to maintain consistent dough temperatures between 78°F and 82°F (26°C and 28°C). It avoids the use of ice if at all possible, although it does have those capabilities if needed.



“All production equipment was purchased with low maintenance and product consistency in mind,” Mr. Klosterman said. “Repair and maintenance of high-tech, highly automated systems are not something we could afford to have at this location.”

The bakery opted for an AMF Bakery Systems 6-pocket, K-head divider with dough pump. It also uses an AMF Do Flow system that is located just before the divider and helps even out gas development for a more consistent dough. An AMF Camtech Pan-O-Mat handles intermediate proofing and panning of dough into Durashield-coated pans from American Pan.

Using the 6-pocket divider, no pan turning is required. While the line is equipped with a pan shaker, the vacuum system that removes excess dusting flour is powerful enough to reseal dough pieces on the pans. A Burford mandrel seeder applies sesame seeds to the McDonald’s buns, if required, between the proofer and oven sections of the APV Baker automated proof-and-bake system.

Control-panel displays for the proofer and oven are bilingual to help eliminate communication gaps and are

◀ The linear design of the bakery situates product makeup at the front of the elongated building and the proofer, oven and cooling against the back wall.

linked with PCs in the office, so Mr. Rivera is always on top of activities in the bakery.

After depanning and cooling on a conveyor that travels above the freezer to conserve space, buns pass through a Lock metal detector before slicing and packaging. An AMF high-speed bulk packer wraps the pillow-packed

buns, which are automatically double-stacked in waiting trays after code dating via a Videojet system. Trays are manually stacked and rolled into the freezer or staged in the shipping area for loading on route trucks. A UBE autoloader bun bagger is also being added to provide packaged product for the marketplace.

Although distribution operations are converting to fresh delivery, the bakery will maintain its 4,000-sq-ft blast freezer and warehouse for new customers who desire frozen products.

With land being at a premium on the island, K.B.P.R. was able to reconfigure its receiving area to accommodate the three loading bays. No other physical changes were required.

“Design and layout of the equipment is very straight-line,” Mr. Klosterman noted. “All key positions and line operators are stationed at the front of the bakery, clearly visible to the line supervisor and plant manager through large windows from their offices.”

“This also allows the operators to see and easily communicate with each other,” added Mr. Rivera. “If there is a problem up- or downstream, everyone knows about it immediately and can take appropriate action. We currently only need 26 employees in the bakery, so this set-up works well for now.”

People FIRST

Klosterman Baking Co. believes so much in its people and its relationships with its customers that the company put them both directly into its mission statement. Klosterman even developed an acronym to help bring this message to its customers as well as its employees:



- Family:** Respect for personal balance and family life.
- Integrity:** We will do what we say.
- Respect:** Treat others as you want to be treated.
- Success:** Growth and training for all associates.
- Teamwork:** Working together as one to achieve.

Mr. Rivera holds quarterly, free-forum associate meetings at K.B.P.R. to discuss production, markets, business activities, changes, re-enforce safety and quality issues, HACCP principles, as well as air any concerns of the associates. Five straight years of superior ratings from A.I.B. inspections prove the success of the company's efforts.

When starting the offshore facility, Klosterman decided to use a bakery mix, created by American Ingredients, to ease and facilitate a rapid startup of operations. "We have since converted to scaling ingredients and additionally have reduced the number of ingredients going into the buns as well as the cost of production," Mr. Klosterman said.

While McDonald's mandates certain percentages of ingredients, it allows each bakery to make slight formulation changes based on differences in water, flour and operating conditions. Using Mr. Rivera's knowledge from A.I.B. and the conditions at Puerto Rico, Klosterman's reduced the number of ingredients while constantly improving the quality and consistency of the final product.

While McDonald's has operated in Puerto Rico for more than 35 years, its volume and distribution area in the Caribbean continue to grow. Klosterman Baking, now



▲ The 6-pocket divider eliminates the need to turn pans and offers the bakery additional volume capacity.

also firmly established in the island market, has its sights set on a bright future. So much so, the bakery recently acquired land rights to adjacent properties if and when the call arises for additional production lines and capacity. "*¡Hoy el mejorde Puerto Rico, mañana del mundo!* (Today the best in Puerto Rico, tomorrow the best in all the world!)" — the mantra of K.B.P.R. says it all. ■