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Tilsner Carton ▶
Outside the box

MINNESOTA BUSINESS

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VIEW FROM THE TOP

Irwin Jacobs has become the world's largest recreational boat builder with his billion dollar Genmar Corp. What does he see from his IDS Tower office when he looks into the future?

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WEBSITE
REDESIGN
Make it a process
not a project





LEADER PROFILE

Name: Joel Tilsner

Title: President

Age: 49

Hometown: St. Paul

Education: B.S.
Business Administration,
University of Minnesota

First Job: Working in
Tilsner Carton warehouse.

Family: 2 Children;
Danny 21, Laura 19.

Best Advice You've Ever

Received: Be honest,
work hard and treat
people with respect.

Tilsner Thinks Outside the Box

Old-line carton company repackages itself BY Joe Delmont PHOTOS BY Silas Crews

If you want to find Tilsner Carton Company, you cut off I-35E on the east side of St. Paul, jig and jog on narrow streets past a sulen cemetery and a bunch of small old houses in a rather beat up residential neighborhood. At first glance the area seems to suit the old cardboard box maker. But looks can be deceiving.

Tilsner is celebrating its 90th year in business, and up until recently, it did business pretty much the way Isadore Tilsner did when he started the operation in 1918—buying and selling overstocks of cardboard boxes.

It had developed a diversified operation over the years, adding structural and graphic design services, custom boxes, point-of-purchase displays, and manufacturing and recycling of shipping pallets. Annual revenues topped \$20 million.

The family-owned business was profitable, yes, but it bumped along, its performance pretty much mirroring a fragmented box industry that was not showing much growth. On the positive side, the industry was enjoying near record prices, buoyed by high-test demand from China for linerboard, which is what corrugated cartons are made of.

Two Decades of Accelerating Change

In 1986, current owner Joel Tilsner, 49, took over leadership of the company, following the death of his uncle, Mike. That same year, the company moved to its present 200,000 sq. ft. location. The following year, Tilsner was joined by Len Mackley, general manager, and the company slowly began to change. Tilsner, who first started working at the company when he was in grade school, is sole owner of the company today.

It wasn't much of a business really, just a buy and sell operation. "Customers would come to us and buy used cartons," recalls Tilsner, who later joined the company full-time in 1978 when there were fewer than a dozen employees. "They didn't care about printing; they just wanted to move stuff from point A to point B as cheaply as possible."

Uncle Mike might buy a trailer load of an item and sell it. Fine. But then when customers would come back asking for more, he didn't have any. "They were close-outs," says Tilsner, "so he would have to get them made."

That was the beginning of Tilsner's stock box program, and the company stocks about 150 standard sizes today. At the same time though, they were still buying close-outs.

Soon Tilsner began buying manufacturing equipment to produce boxes so he could have more control of the operation. The company was

doing about \$4 million in revenue. He still remembers the \$168,000 he borrowed for equipment and how relieved he was when he paid it back. "I thought I had died and gone to heaven," he says.

A chunk of that annual revenue came from Tilsner's pallet business, another sideline it had started as another way to service customers.

But the industry was changing, and Tilsner continued to change with it.

"The used and misprint businesses were going down and customers who used to buy the bulk of it were going out of business; that business was disappearing," says Tilsner. "Customers were asking for specialized products, and we were farming those out. So, we started buying equipment to meet these needs."

Jump ahead to 1998 when the company's revenues hit \$12 million.

That year, Tilsner realized the opportunity for growth was in point-of-purchase displays with its existing design team. But, at the same time, he knew that customers weren't eager to buy these services from a box manufacturer. So, it went shopping for an acquisition.

It purchased a Kansas City point-of-purchase manufacturer, moved it to St. Paul, and integrated it with its existing design staff and services. Tilsner now was able to sell stock displays and pre-designed displays through its new subsidiary, Meridian Display.

"We felt there was more room to grow in selling displays, which are a value added product, rather than just packaging," says Tilsner. "We had some equipment and we bought some more."

Tilsner now was offering a variety of custom display services including multi-color printing, die cutting, and laminating through its Meridian operation. Customers could purchase from existing stock cardboard displays, adapt an existing pre-designed display or order their own custom designed display.

Meridian soon developed a popular one-day service selling stock displays. Using pre-designed displays, the company says customers can save on average \$5,000 on tooling costs.

"I thought I had died and gone to heaven"

—JOEL TILSNER

“Our goal is not to be just another box company.”

—JOEL TILSNER



A Turning Point

In 2005, company revenues had climbed to about \$15 million, but Tilsner knew it was time to create a long-range strategic plan. Tilsner was profitable, but the industry’s majors—highly diversified, vertically integrated companies that collectively held nearly 80 percent market share—were not doing well with their carton businesses.

The industry was highly segmented and small regional operations like Tilsner were surviving on small runs and quick turnaround projects that the majors didn’t want to handle. He turned to business consultant RSM McGladrey.

McGladrey surveyed Tilsner customers and the conclusions were disturbing, but held the potential for growth. Customers liked what Tilsner was doing, but they didn’t know about the company’s diversified capabilities.

“Customers said they bought boxes from us, but not pallets,” says Tilsner, “because no one ever talked to them about pallets. We realized we had a sales force but no coordinated marketing plan.” That was the next step.

Tilsner hired a marketing executive—Michelle Lee—who began coordinating the company’s marketing and communications efforts. The company spent an estimated \$500,000 on marketing efforts ranging from developing an upgraded web site, building a new trade show booth for Meridian, and creating unified logos and painting its fleet of trucks.

Perhaps more importantly, Tilsner reorganized the company’s inside and outside sales functions, bringing them together and training them to cross sell its products. Sales reps were given laptops and Blackberries and provided with inside sales assistants to service customers when the sales representative was not available.

Today, sales reps are better prepared to deal with customers before they ever call on them. “We used to go in, not knowing very much about the customer,” says Lee. “Now we’ve segmented our target customers by SIC code and we’re targeting them with direct mail.”

Tilsner has about 1,000 active customers and the average order is about \$500. “We’re getting more and bigger orders,” notes Tilsner,

“but we still have a lot of customers who buy 200 stock boxes at about \$150. And we have a lot of small customers who stop in all day long and buy 25 boxes.”

They might buy more, points out Lee, “But they still don’t realize what we have.”

BIZBRIEFING Tilsner Carton Co.

Headquarters: St. Paul

Inception: 1918

Revenue: Over
\$20 Million

Employees: 100

Description:
Manufacturer of
corrugated products

Web site: www.
tilsner-carton.com

LEADERSHIP & GOVERNANCE Management Team

President: Joel Tilsner

General Manager:
Len Mackley

**Human Resource
Manager:** Tracy
Schoeller

Sales Manager:
Mike Mackley

Marketing Manager:
Michelle Lee

The Future

Tilsner has taken several big steps in the last three years and Joel Tilsner has an ambitious five-year plan on the table. It calls for annual revenue growth of 10 percent and annual earnings gains topping that.

“We have to add sales staff and we have to go deeper into our major accounts,” he says. He plans to expand Meridian’s design capability as customers design more displays and to really grow the design service business.

And that means getting the word out about the company’s diversified capabilities.

“Our goal is not to be just another box company,” says Tilsner. A lot of people do what we do. But we do it all. We’re not the biggest in anything, but we try to have a lot available to our customers so they can get a lot in one stop. We do a lot for people; as much as they want or as little as they want, and we do it fast. “We built this place to be able to react, and that’s our culture.” **MB**

Joe Delmont is an award-winning business writer and editor based in St. Paul.