StarTribune

Archway's signs point to success

• Storing and shipping signs for Target is a big job, but somebody's got to do it.

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Walk into any Target store, and look up. Look down. Look all around.

Every sign you see — from the "Expect More. Pay Less" ceiling danglers to the pumpkin muffin labels in the bakery to the signs on bathroom doors — has come through a single warehouse in Rogers, where workers for Archway Marketing Services have collected, sorted, packaged and sent them out.

"You wonder when you walk into a Target store, 'Who handles all this?'" Archway President Mike Moroz said. "It's a hidden business. But it's a huge industry."

Last year, the company pulled in $90 million in sales for its business-to-business operations, according to a recently released operations statement.

With a client list of about 50 companies — including such venerable brands as Coke, Ford, General Mills, Taco Bell, Whirlpool, J.P. Morgan Chase and Microsoft — the company says it processed half a billion individual items and shipped 5.5 million packages.

Archway continues: It's an intricate logistics dance. **D5 ►**

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◄ ARCHWAY FROM D1

For the past three weeks, Archway's warehouse has been humming, as Minneapolis-based Target Corp. prepares to open 43 new stores July 23.

Workers like Nicole Klemz zoom down aisles of the cavernous warehouse, picking out bar codes, Target's aisle numbers or cosmetics labels among the 28,000 items earmarked for the huge retailer's stores. Eventually the items get boxed and labeled, and forklift drivers like Jennifer Burdorf stack them nearly up to the ceiling.

The first week of June, about 10 trailers a day pulled out of the warehouse, with the fourth and final wave of signs shipping out just days before the stores open next month.

It's a highly choreographed and intricate logistics dance that's aimed at saving retailers such as Target time and money.

"These organizations are very specialized in being able to do what a retailer could do for themselves, but it's not their expertise," said Dave Brennan, co-director of the Center for Retailing Excellence at the University of St. Thomas.

"They have the capacity to not only warehouse things such as signs, but to get them out to a zillion stores and deliver on time.

"The fly in the ointment is the price of gas," Brennan added. "That might have a confounding impact on the business."

Archway officials say their company shines in tough times by using technology, decades of experience and human ingenuity to help its customers find efficiencies.

As an example, Archway said it saved Target more than $44,000 by designing a cart that eliminated multiple trips to the warehouse aisle to pick up the retailer's various sizes of signs and labels.

"Our biggest value is helping companies reduce their waste," said Jeremy Sacker, Archway vice president and general manager of Midwest operations.

For a company such as Target, that means helping it order the right quantity, to avoid paying for extra weight or unneeded items. It means making sure trucks are full when they go out. And it means organizing and marking the massive boxes so that when workers at Target stores open them, they don't waste time figuring out whether the contents should go in electronics or in sporting goods.

"If we can save them even 10 minutes at the store, think about the labor savings," Sacker said. "That's 10 minutes times 1,613 Target stores. Where for us, it might take one person an extra hour."

With headquarters in Rogers, about 25 miles northwest of Minneapolis, Archway is owned by AHL Services, a privately held company, though a portion of the company soon will be sold to Union Street Acquisition Corp. Both those companies are based in Alexandria, Va.

In industry lingo, Archway is called a fulfillment house, and has two distinct sides of its business.

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Jennifer Burdorf stored a pallet of supplies headed for a Target store. Archway has been working with Target since 1997, when there were 674 stores. Today, there are 1,613, with about 100 new stores opening each year. Besides store openings, Archway also handles seasonal displays.

A CLOSER LOOK ARCHWAY MARKETING'S HISTORY

1958: Adistra Marketing Support Services, a family-owned fulfillment-service company, is founded in the Detroit area. Ford Motor Co. is a major client.
1965: General Motors signs on.
1990: Minnetonka-based Carlson Companies buys Adistra and creates a fulfillment division of the Carlson Marketing Group.
1991: Skip Gage, Curt Carlson's son-in-law and onetime heir to the Carlson Companies empire, buys Adistra and several other businesses from Carlson to launch his own company, Gage Marketing Services. Headquarters are moved to Plymouth. Over time, the client roster includes Target, Whirlpool and Taco Bell.
1998: Gage sells the fulfillment arm of the marketing-services company to AHL Services for $81 million.
2001: New headquarters, warehouse facilities open in Rogers.
2003: AHL and private equity firm Cravey, Green and Wahlen take the company private and change the name from Gage to Archway Marketing Services.
Feb. 2008: Union Street Acquisition Corp. of Alexandria, Va., announces that it will buy Archway's trade division, which focuses on business-to-business services, as part of a $110 million deal that also includes a Dallas-based direct-marketing firm.

Sources: Archway Marketing Services, Gage Marketing Services, Star Tribune archives.

The trade division, which Union Street is buying, handles business-to-business operations, such as packaging, shipping and gift-card fulfillment. AHL Services will hold on to the consumer division, which operates call centers and processes rebates and promotions.

About 10 percent of Archway's revenue comes from fulfilling gift cards, which promises to be a growing segment of the trade business. Last year, Archway said it sent a record 220 million gift cards to more than 50 retailers.

Beyond Detroit

Archway traces its roots to the 1950s, when it was a family-owned business that served Detroit's carmakers. The company now has 620 employees across eight facilities in the United States and Canada.

With just less than 2 million square feet of distribution space in its network, Archway officials say it is one of the five largest fulfillment companies in the country.

About 200 employees work out of the Rogers facility, a sprawling two-warehouse complex. The distribution center also serves Lowe's, Select Comfort and General Mills. Target, one of Archway's top three clients, takes up about half of one warehouse, or about 200,000 square feet, with its myriad of signs.

Archway has been working with Target to supply non-retail items since 1997, when there were 674 stores. Today, there are 1,613 with about 100 new stores opening each year. Besides store openings, Archway handles seasonal displays and sends a replacement if, say, somebody punches the sign on the bathroom door.

But with Target and other retailers struggling as consumers cut back spending because of increases in the costs of fuel, food and housing, Archway officials believe their company will be able to weather the economic headwinds that some of its clients are facing.

Last year, Archway's trade division posted profit of $5.5 million, nearly triple that of a year earlier, according to records released as part of the sale to Union Street.

Archway's clients cover a wide range — retail, medical, food and beverage, automotive and financial services — and none exceeds 10 percent of total revenue.

"I wouldn't say we're recession-proof, but we're recession-resistant," Sacker said. "We're in a lot of different industries — and some of them actually spend more during a recession, because they're doing more promotions to drive traffic in tougher times."

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