

Respected industry veteran David Miller (left) and Lance Stier – with his finance education and his family's background in the confectionary industry – are together systematically making Chocolate Inn/Lanco into a one-stop-shop industry powerhouse.



Photos courtesy of Jason Corone/Nassau Candy



# THE ANATOMY OF A TURNAROUND

Top 40 supplier Lanco was on the precipice of imminent closure until two industry pros jumped in to save the company and spearhead its thriving second act. The result is like an MBA case study detailing how – when you have the right amount of brains, tenacity and *cojones* – going big and doubling down is the smartest move you can make.

By John Corrigan

A perennial Top 40 supplier with estimated revenue of \$56 million in 2016, New York-based Lanco was on the verge of closing its doors in 2017.

Its founder and longtime CEO, Brian Landow, exited the company three years prior under mysterious circumstances, leaving then-president Scott Slade at the helm. Originally housed in Hauppauge, NY, Lanco was forced to relocate to a 70,000-square-foot facility in Ronkonkoma, NY, in 2015, after its previous building was sold and the new owner decided to use it for himself. Because of the high cost of doing business in New York, Slade considered moving the company outside the state. But staying in the Northeast corridor provided a geographical advantage, as promotional food products sell well in the region, plus the company has a very strong competitive position in expensive-to-ship drinkware and a trained labor force. In an effort to minimize any disruptions to business, Lanco simultaneously ran two facilities during the transition.

As expenses piled up, the company suffered from lack of inventory, straining relationships with loyal distributors. Lanco's financial struggles became industry chatter, tarnishing its credibility in the market and dampening company morale. "We planned as best we could, but there were definitely unforeseen things that happened," Slade told Counselor in 2017.

He had no choice but to seek out merger and acquisition options. Nassau Candy, parent company of Chocolate Inn/Taylor & Grant (asi/44900), was his top choice. "They're excellent at process management and efficiencies," Slade said at the time. "The resources they have available to them are significantly greater than what we have."

So in November of 2017, Lanco filed a Workers Adjustment & Retraining Notice with the New York State Department of Labor that said it would be closing its facility and laying off workers by December 1. The filing was one component of what principals at Chocolate Inn/Taylor & Grant said was a restructuring process that Lanco went through after having fallen on hard times. As the WARN filing indicated, economic reasons were driving the company to explore new financing options.

Under the purchase agreement, Lanco's facility would stay open and the approximately 130 employees would keep serving the promotional products industry, with the company continuing to go to market under its name and its products, ranging from drinkware and bags to hand sanitizer and lip balm.

But the damage had been done to the company's reputation. It would take savvy leadership and a herculean effort to earn back its distributor partners' trust and re-secure Lanco's previous position of prominence in the industry.

## Enter an Emerging Entrepreneur

At 37 years old, Lance Stier has already made his presence felt throughout the industry. With his Ivy League education and private equity experience, the CEO of NC Custom – the customization business for Nassau Candy, the largest specialty confectionary and specialty food distributor in North America and the parent company of NC Custom – Stier burst onto the promo market scene at the dawn of the decade and hasn't looked back.

"We interviewed and studied the websites of top distributors and learned what mattered to them – then we crafted our strategy to meet those needs," Stier recounts. "We had a vision to expand our imprinting capabilities, provide faster service and increase our range of products."

Nassau Candy was founded in 1920 as a supplier to soda fountains in New York City. Stier's father, Les, and his uncle Barry, entrepreneurs in their own right, bought the company in 1984, distributing specialty confectionery products to local shops. Over the past 35 years, Les and Barry, who the family calls the "first generation," have transformed the company into a leading branded and private-label manufacturer, distributor and importer of specialty confections gourmet and natural food products with facilities throughout the United States and a global customer base.

Stier's three brothers also work at Nassau Candy: Garrett is the director of manufacturing; Travis oversees the day-to-day operations of distribution and finance, and works closely with Lance on mergers and acquisitions; and Spencer drives the gourmet and specialty foods business. Stier's father and uncle are also still actively involved

## CHOCOLATE INN/LANCO PROFILE

in day-to-day leadership and key customer and operational activities. The Stiers try to have lunch together daily to keep everyone on the same page. They also have a start time of 6 a.m., a policy instituted by their father many years ago. “My dad said that family needs to lead by example,” Stier says. “Garrett is in daily in our manufacturing facility by 5:20 a.m., and I’m generally the late evening guy.”

Growing up, Stier didn’t know if he would join the family business. He majored in philosophy, politics and economics at the University of Pennsylvania, graduating in 2004 before going into investment banking and private equity. He worked as an investment banker at Lehman Brothers, then later as a private equity investor at top middle market private equity funds, Wellspring Capital Management and Paine & Partners, investing in things like major food distribution businesses, golf specialty retail and harvesting and processing assets for the fishing industry in Alaska. With entrepreneurship in his blood, he’s always had a passion for building and growing companies, gravitating toward mergers and acquisitions. “I enjoy getting to know the business and the people, coming up with a strategy and then executing that strategy,” Stier says.

### Surviving the Storm

His momentum came to a screeching halt during the global recession at the end of the 2000s. Instead of waiting for the dust to settle in a stagnant private-equity deal environment, he decided to look at the family business and see how he could make an impact. Seeking opportunities to build Nassau Candy’s customization sector, Stier turned toward the promotional products industry. He saw a fragmented market, ripe for consolidation, years before PE firms infiltrating became an industry trend.

“When I look at the promo products business, I see the makings of a great roll-up strategy,” Stier says. “You have a highly fragmented market with very attractive potential returns on investment capital, with strong, favorable end-market dynamics, given the attractive cost per impression of promotional products, and the requirements for rapid production, which support domestic industry. You’ve also seen technology and digital printing innovations drive down the cost to produce. It’s no surprise that given these dynamics, you’ve also seen a long-term positive growth curve in the industry from a roughly \$7 billion industry in the early ’90s to \$25 billion-plus today.”

In 2010, his deal-making resumed as Nassau Candy acquired longtime industry supplier Chocolate Inn, which manufactures custom chocolate, mints and candy. The Nassau Candy acquisition also ignited a fruitful partnership between Stier and Chocolate Inn President David Miller, both of whom are on Counselor’s Power 50 list. “We’re both cut from the same cloth,” Miller says, “work effort, ethics and a ‘do-whatever-it-takes’ attitude in satisfying customer needs.”

Now a 23-year industry veteran, Miller has earned the respect of his peers, providing a wealth of knowledge about the inner workings of the market, and it was Miller’s seal of approval that went a long way in lending Stier credibility with distributors and fellow suppliers. “I don’t think we would have done anything we’ve done in this category without David,” Stier says. “My relationship and my family’s relationship with him is rock solid. My dad taught me that when you buy or build businesses for a living, partnership is core. David is a partner through and through.”

Throughout the decade, NC Custom continued acquiring industry

suppliers, such as Taylor & Grant, A La Carte, AmuseMints and Private Label Executive Gifts Inc. Additionally, the company acquired several soft goods/apparel decorators, such as Lanco Stitches In View, Screen Printers Design and Shoreline Monogramming Inc.

In total, nine acquisitions have formed the Chocolate Inn/Lanco business, and they were – owing to Stier’s private-equity background – completed strategically and tactically. In building its food business, the company first acquired Chocolate Inn as its initial platform and added Taylor & Grant to de-seasonalize its seasonal chocolate business, providing a hedge to the United States via the Canadian market, and to expand its printing capabilities. A La Carte added flexographic and die-cutting capabilities; AmuseMints had custom mint making and a library of patented tin designs and artwork; Private Label Executive Gifts cemented the company’s exclusivity on the iconic ergonomic Jelly Belly® tin. Outside of food, Lanco formed the basis for its hard goods, health and beauty and soft goods businesses. It later added Stitches in View, Screen Printers Design and Shoreline to provide top-notch embroidery and screen printing. The company now covers 85% of promotional products spend.

But in 2012, Stier endured the toughest challenge of his career: Hurricane Sandy.

He woke up at 5 a.m. on October 29, and with his seven-months-pregnant wife Rachel, drove to Chocolate Inn’s factory in Freeport, NY, about a half hour from his house. As soon as he pulled into the parking lot, he started crying. All the chocolate that had been premade for the upcoming holiday season – the busiest and most profitable time of the year for the company – was floating past him. There were no lights and no power inside the factory, just the damage left from 6 feet of salt water wrecking the production facility.

After gaining his composure, Stier went into crisis mode. He worked with Miller and delegated responsibilities to his team: informing customers of what happened, requesting immediate product from vendors, diagnosing and then fixing the damaged machinery, calling employees and seeing if they were safe. (Some were displaced from their homes, needing clothing and shelter.) Luckily, his father and uncle rented two generators from North Carolina and Texas to be driven to the facility, ensuring power within two days when nobody else in the town had it.

After 19 days of cleaning and rebuilding, Chocolate Inn was back producing orders. From mid-November to the end of December, the company ended up shipping 80% of its orders on time. “It was a true litmus test for the company,” Stier says. “I knew then, having gone through that, there was nothing we couldn’t do.”

### Sweet Success

Despite Lanco’s mounting issues and setbacks, Stier saw great potential in the company.

With the supplier’s printing, decorating and manufacturing capabilities, as well as its talented staff and close proximity to Chocolate Inn, Stier envisioned endless opportunity for cross-selling. For example, the companies could provide a multisensory experience of bubble gum candy, a bubble gum-infused candle and bubble gum-scented hand-cream bundled in attractive, retail-style packaging.

“Distributors are going to increasingly be selling solutions in addition to product,” Stier says. “If we can be their partner, they

**“Rebounding after Hurricane Sandy was a true litmus test for the company ... I knew then there was nothing we couldn’t do.”**

Lance Stier





Manufacturing candy and chocolate to the highest standards while putting an emphasis on retail-inspired kitting and packaging, as well as advanced design and decoration techniques, are just some of the reasons why Chocolate Inn/Lanco had double-digit, year-over-year growth in 2018.

only need to make one phone call to have all these design resources and product options in place.”

Making the decision to purchase Lanco in December of 2017, Stier had three goals to turn the company around: invest in inventory, reestablish distributor relationships and foster a nurturing, productive company culture. “I wanted the people to know the negative times were over,” Stier says. “We’re going to put our arms around you and build something.”

In addition to Stier himself spending a lot of time at the Lanco facility, he also requested that Chocolate Inn’s plant manager, Gasper Riggi, and art director Rich Smith, move to Lanco, as well as Iris Rivera, HR manager at Nassau Candy. Her top priority was to boost morale. “I didn’t know what I was getting myself into,” Rivera says. “Employees felt scared when we came on board. There wasn’t a lot of work at that time.”

Over the next few months, Rivera and Riggi worked hand in hand to drive the same family-oriented culture that permeates Nassau Candy and Chocolate Inn/Taylor & Grant. Employees were assured that their jobs were safe and that business would be picking up. They

also became closer socially, lightening the mood with free ice cream in the summer and free bagels on the first Friday of the month. They began hosting company picnics, conducting team-building exercises and celebrating birthdays as a group.

“Employees are happy to know they have stability now,” Rivera says. “We earned their respect by understanding them and allowing them to feel comfortable.”

As for Lanco’s distributor partners, winning them over wasn’t as easy. Despite Chocolate Inn’s respected reputation in the industry and Miller’s vast connections, distributors weren’t so eager to trust Lanco again. It took about six months to reestablish those relationships, according to Miller. “It wasn’t as easy as I anticipated,” he says. “We needed a more strategic approach to get everybody on board, whether it was through initiatives or showing them our capabilities or presenting them with a combo of edibles and hard goods, and now apparel too.”

Clearly, their plan has clicked with clients, as evidenced by the sentiments of Jeff DePalma, director of promotional marketing at Top 40 distributor Taylor Communications. “I’ve worked very closely



## CHOCOLATE INN/LANCO PROFILE



Wading into the contract decorating business because apparel is the largest product category in promo, Chocolate Inn/Lanco now serves 85% of distributors' spend and has adopted its "GET AHEAD" platform of diversified offerings: Apparel, Health & Beauty, Edibles, Accessories, Drinkware.

with Lance, David and the support teams at Chocolate Inn/Lanco for well over five years," DePalma says. "Their continued innovation, customer-focused attitude and commitment to execution are the fundamental reasons why they're a core supplier to me and my clients. I watch with eager and hopeful anticipation as they continue to grow their business model and category offering. Above and beyond everything, when there's an issue, concern or a need to do something really out of the box, David and Lance are always there and responsive to my needs, which is ultimately all you can ever ask for from a supplier or a supplier owner."

In the 18 months since taking over Lanco, Stier and Miller have completely revitalized the company. They injected much-needed capital into the business, stocked up on inventory and reintroduced product development across a growing edible, hard goods, health and beauty and now apparel/soft goods lineup. They combined their salesforce, marketing teams and customer service, rebuilding broken relationships with distributors. With its diversified platform and broad

slate of products, the family of companies can now service 85% of the promo market.

Making the Top 40 for the second straight year, Chocolate Inn/Lanco reported 2018 revenue of \$55 million, with promo sales growth of 12.2%. "I feel like Lance and I are almost a yin and yang combination," Miller says. "We balance each other's strengths and weaknesses. Lanco is in a very good place right now. We're looking to try and capture as much of the hard goods market as we can."

### A True One-Stop Shop

Stier and Slade, who now leads the company's strategic marketing, have developed a new slogan to promote Chocolate Inn/Lanco's diversified platform: GET AHEAD (Apparel, Health & Beauty, Edibles, Accessories, Drinkware).

"We came up with the slogan while on the show floor at PPAI," Stier says. "We were trying to get our sales teams to be able to succinctly communicate our breadth of products. We came up with the

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Since taking over Lanco, Lance Stier (pictured center) is a constant presence on the factory floor, checking in with his employees and overseeing the entire production process.

acronym ‘AHEAD’ and added the ‘GET’ for a little extra umph!”

In terms of health and beauty products, Lanco is developing unique flavors, colors and scents for its line of candles, hand sanitizers and lotions. Given the increasing cross-over between retail and the promotional products industries, Stier says the company is unveiling a line of spa-quality lotions that have never been seen before in the promo market.

That same kind of innovation can be seen in its edibles as well. “One of our hottest items for years has been sea salt caramels,” Stier says. “We just introduced a sea salt caramel bite, which has been doing amazing. We’re also making a bigger push in peppermint bark this year. As the line between retail and promo continues to blur, you’ll see products working in other parts of our business coming to the promo space.”

Thanks to the acquisitions of several soft goods/apparel decorators, the company has ramped up its screen-printing, embroidery and dye-sublimation capabilities. Building relationships with more

trendy retail brands, the company plans to add more apparel/soft goods in its kits. Stier suggested a chef kit containing an embroidered apron with a glove, colander and gourmet pasta. He also mentioned the company’s new “Godiva blanket kit,” which will combine upscale Godiva chocolate with an embroidered Sherpa blanket.

In August, the company launched a contract apparel decorating service. Lanco Contract Printing Services (asi/738101), as the new venture is named, offers an array of sought-after embellishment mediums. Capabilities include the latest technologies in screen printing and embroidery, plus specialty techniques including: photo-real screen printing, 3-D embroidery, pad printing, direct-to-garment digital printing, glitter and rhinestone embellishments, heat transfers (including full-color sublimation) and specialty inks like glitter, metallic and glow-in-the-dark. The company has hired a team of top-notch veterans to lead day-to-day efforts with in-house digitizing capabilities as well.

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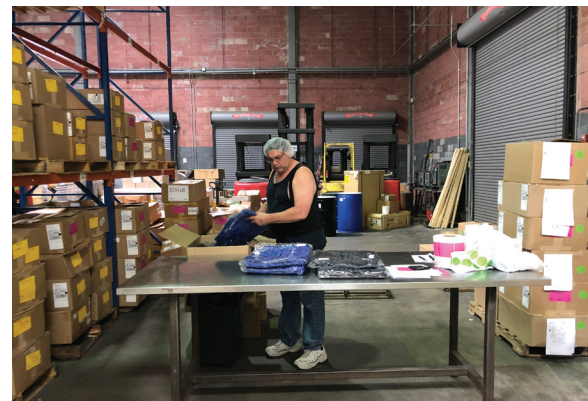
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With new product lines and increasingly large orders coming in on a frequent basis, company morale has risen over the past 18 months as employees no longer worry about lack of work and opportunity.

“We entered the contract decorating business because apparel is 30% of distributor’s sales, and yet the decorating market is highly mom-and-pop,” Stier said. “We see an opportunity to leverage our technology and resources as a Top 40 supplier in this market, and to solve a critical need for distributors. Plus, the less time distributors need to spend chasing orders because of higher levels of service and technology, the more time they can spend selling and growing, which is good for everyone.”

Lanco Contract Printing Services also has graphic designers that can assist distributors in coming up with creative looks for end-clients’ apparel. Decoration and shipping will occur in-house at the company’s 100,000-square-foot facility in Ronkonkoma, NY, an arrangement that will lead to first-rate quality control and fast turnaround times, Miller says.

“As our contract decorating services expanded and the requests from our distributor client base for such services grew exponentially,

we decided to add a standalone brand and website (lancoprinting.com) dedicated exclusively to these services,” Miller says.

Lanco will also be launching “Lightning Apparel,” which will feature a core set of apparel items that can be shipped in 24 hours. “We’re going to utilize our technology and warehousing resources to store blanks and be able to offer rapid turnaround on apparel, like we do in the rest of our businesses,” Stier says. “Most decorators lack the warehousing space and/or capital to be able to offer on-demand apparel. We want to provide a solution.”

According to Stier, the future of Lanco is brighter than ever. Rising from the ashes of more than a few tumultuous years, the company has evolved into a one-stop shop for distributors. “I don’t look in the rearview mirror,” Stier says. “There’s too much going on to dwell in the past. I’d prefer to make it happen today, and if we need to course correct, we can do it as we keep moving forward, one foot in front of the other.” ■

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