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KINGS OF CARGO

An Independence company turns undeliverable shipments into a thriving big business built on service, employee growth and integrity

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Nearly every shipment is a surprise at Recovery Management Corp. Not even the employees know what's tucked inside the boxes before opening them at the warehouse.

The Independence company receives about 40,000 shipments a week, most of which is classified as undeliverable. It gets electronics, furniture, home improvement goods, clothing and shelf-stable food.

Sometimes it even gets items by mistake, which it returns to the original shipper. Past examples include a Heisman Trophy, an Olympic torch, a jet-assisted takeoff device and an Apache helicopter part belonging to the military.

"They like the challenge of not knowing what's coming in that day and kind of working in a gray area. There's excitement. Every day is Christmas," said Matthew Frerking, president of Cargo Largo, RMC's consumer-facing operation.

Every year, RMC handles several million different products and determines how to sell them, whether it's at Cargo Largo's weekly bid sale, online or at its retail store. RMC owner and CEO Dee

Pack described it as a slice of commerce.

"Anything and everything will come through if you wait long enough," Frerking added.

RMC and Cargo Largo play an often unseen but important role in keeping the freight industry running smoothly, helping supply small resellers and providing deals for bargain-hunting consumers. It's also an important player in the local economy.

Handling all those shipments requires a sizable crew. The company has 506 employees, and by this time next year, Frerking envisions having closer to 600.

Thanks to continued growth, RMC built a \$65 million facility spanning 524,000 square feet at 3232 S. Noland Road. The company moved into the facility in phases starting in June.

The move consolidated six warehouses into one.

The site houses the company's corporate headquarters, a Cargo Largo-branded store, a product processing center with a five-mile-long conveyor system, and a bid lot area, which typically attracts about 700 people and features roughly 1,500 bid lots each week. One recent bid sale featured items



such as designer purses, a high-end leather saddle, espresso machines, an audio mixer and a bouncy house.

RMC also has an off-site warehouse for its e-commerce shipping operations.

Early roots

Pack's father, Steve, founded the initial iteration of the company after the 1951 flood damaged his used auto parts business in Kansas City, Kansas. He switched gears and started buying flood-damaged vehicles from insurance companies. That evolved into buying a variety of goods remaining after insurers had paid off claims.

In 1985, the company, then known as Underwriters Sales Corp., started working with freight carriers and their goods.

"One of the reasons we like working with freight carriers is they are carrying product that is in demand," Dee Pack said.

Pack and his wife, Joyce, bought the family business in 1991 and sold off the side that worked with insurance companies. They established Recovery Management Corp. to serve the supply chain industry, which includes customers such as major freight carriers, distributors, manufacturers and retail brands. Because of the nature of the transactions, RMC guards the names of the customers that send it shipments.

Most products Cargo Largo sells are classified as undeliverable. Maybe the address was wrong, or the intended recipient refused a shipment or failed to pay. Sometimes a product's packaging changed or a company goes out of business or a project falls through.

"Anybody in that chain can do something that causes a shipment to be undeliverable," Pack said.

RMC turns those undeliverables into a win-win. Sometimes clients want help tracking down the intended recipient and finishing the delivery, and other times, they want help selling the items or properly disposing of them.

RMC can buy the goods outright or enter revenue-sharing arrangements with clients.

Integrity-driven

RMC's focus on integrity doesn't always cultivate immediate revenue, but it builds trust and long-term client relationships. If a shipment is unusually high in value, for example, RMC double checks with the shipper.

"Often, what we found out is that shipment should not have been sent to us," Pack said. "There's no direct monetary benefit for doing that. We know our clients needed that shipment and it was the right thing to do."

Creating a "gold standard in service" is partly what drew Pack to the business. RMC wants to help clients optimize the value of undeliverable goods.

"What we found in talking to people and prospective clients is virtually all of them had a bad experience with a third party," he said.

They had brought the operations in-house due to frustrations or were searching for a new third-party partner.

"It's sort of a sorry state when integrity is the distinguishing factor in dealing with us and dealing with somebody else," Pack said. "Undeliverables are just a byproduct of the freight industry. It's something that happens literally every day. ... I thought we could make a difference and that there was a huge opportunity."

To tap that opportunity, RMC developed proprietary and patented software to help identify the ideal sales channel and how to best price an item. It also relies on employees' expertise.

Although RMC has grown steadily through the years, the past seven have reaped "substantially more growth," Frerking said. Pack declined to share an exact revenue figure but said the company would have performed well on the Kansas City Business Journal's Private Companies List.

RMC's revenue growth has come from new clients and expanded relationships with existing clients, enhancing the company's software and the e-commerce industry's rise.



"More products are being moved around the country now," Pack said.

Pack and Frerking also credit the company's success to a culture that retains tenured employees and a leadership program that sets clear expectations for every role, from entry-level jobs to the top.

RMC likes promoting from within. One vice president started as a merchandiser, and an employee who started in the receiving department furthered his education while at RMC and now is the company's IT director. There's no ceiling, Frerking said: If you put in the effort, you can advance.

During the pandemic, RMC also made decisions that put employees first.

"We still hear about it," Frerking said. "We just did our annual employee survey, and going on four years now removed from that, there were about 50 comments about the way they treated me during Covid."

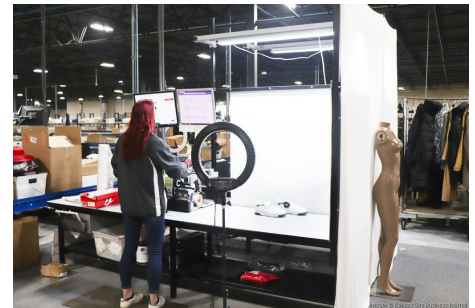
Room to grow

By the time RMC occupied its seventh warehouse, company officials knew things needed to change.

"As we grew, the most cost-effective thing to do at the time was to lease another warehouse and operate some segment of the business in that," Pack said. "That was really the way to go, until it wasn't."

Being spread out dampened efficiency and created management headaches, Frerking said. The warehouses and storefront weren't designed for RMC's needs.

The new facility, however, marks the first time RMC and Cargo Largo have a space tailored for them. The retail store alone is about 30% bigger and has wider aisles and matching lighting and



shelves. The bid sale area is about 25% larger. Another advantage of the new facility is getting everyone's expertise under one roof, which makes RMC more effective and expedites getting products on the sales floor, Pack said.

In the future, RMC plans to monetize its software and open additional Cargo Largo locations in the Kansas City area.

As for the new facility, it's all about growth.

"We were maxed out in all the buildings. We couldn't say 'yes' to new clients. Every time we opened (a new warehouse), it was already full," Frerking said. "Now, we're saying yes. We're finding those new clients. This building is a growth engine for us."