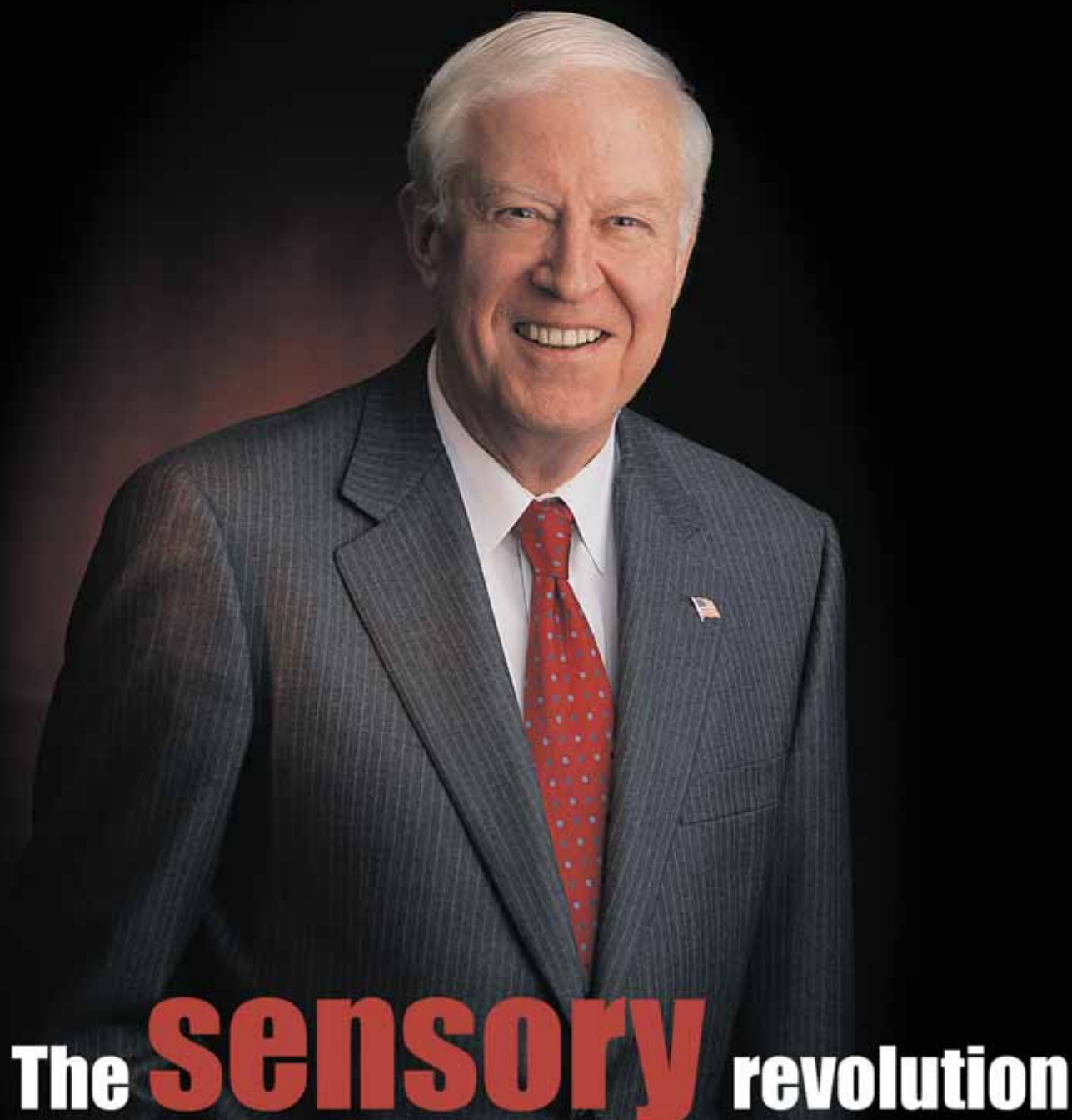


THE EUROPEAN

Food & Drink

REVIEW



The **sensory** revolution

Chairman, president and CEO of Sensient Technologies, Kenneth P Manning, on growth and diversity in the global market for colours, flavours and fragrances

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Sensory perception

*Sensient Technologies Corporation is a company transformed. Formerly a US supplier of commodity foodstuffs known as Universal Foods, Sensient today is a billion dollar colour, flavour and fragrance manufacturer with operations spanning the globe. The European Food & Drink Review talks to **Kenneth P. Manning**, the man credited with inspiring Sensient's sensory revolution*

“**O**ur business now encompasses specialised technologies in products as diverse as specialty flavour and colour systems for food and beverage applications, food colourant imprinting and fragrances and cosmetic applications.”

Kenneth P. Manning, chairman, president and CEO of Sensient Technologies Corporation, reflects on the diversity that defines the global market for colours, flavours and fragrances. Manning is credited with transforming Sensient from a US manufacturer of commodity foodstuffs into a global colour, flavour and fragrance concern that in February announced 2003 year-end revenues of \$987.4 million. Formerly known as Universal Foods, the company adopted the Sensient name in 2000 in order to better reflect the strategic shift into high-performance ingredients not just for food and

beverages, but also for cosmetics, pharmaceuticals, inkjet inks and a variety of other products.

Prior to joining Sensient, Manning spent 14 years in key senior management positions at speciality chemicals and materials manufacturer WR Grace and Company, becoming president and CEO of its Ambrosia Chocolate Company. He has also served four years on active service in the US Navy, and an additional 28 years in the US Naval Reserve, retiring with the rank of Rear Admiral.

Manning joined Sensient in 1987, at a time when the company was dealing in businesses that Manning himself describes as extremely mature. “Universal Foods had been in the yeast business since 1886, and its food businesses had become commoditised,” he explains. “We needed growth and we needed geography.”

As such, Manning's strategy, following the divestment of non-core, non-profitable business lines – most notably the \$122 million sale of Red Star Yeast in 2001 – was one of acquisition and globalisation. In fact, Sensient has acquired 20 companies in the past seven years, a rate even Manning acknowledges as ambitious. "Wall Street thought we'd never be able to achieve even 10 acquisitions. But we had drawn up a matrix of capabilities that we needed and places where we wanted to be." The result is a company offering new product lines and new technical capabilities from a number of new locations, worldwide.

As Manning puts it: "Sensient is in every sense of the word a new company." He admits, however, that instilling such a dramatically different corporate culture required fairly major surgery. "Sometimes change management means developing anew," he says. "We needed an altogether new strategic thrust."

STRATEGIC ADVANTAGE

Sensient Technologies today is split into two major groups: colours, and flavours and fragrances. Sensient also includes a smaller Asia Pacific Group.

The Flavours and Fragrances Group posted 2003 year-end revenue figures of \$594.7 million. It includes a speciality chemicals acquisition that, since joining the group in 2001, has enjoyed a four-fold increase in sales from \$10 million to \$50 million. In 2002 the flavours and essential oil operations of C. Melchers GmbH & Company, based in Bremen, Germany, were acquired, providing Sensient with flavours for teas, coffees and essential oils, aroma chemicals and other formulations for flavour, cosmetic and fragrance applications – and with facilities in Germany, the US and China.

The colour group, with 2003 sales of \$360.9 million, includes natural food colouring producer Dr. Marcus GmbH of Hamburg, and colour, flavour and speciality chemical manufacturer Pointing Holdings Ltd, based in Northumberland in the UK.

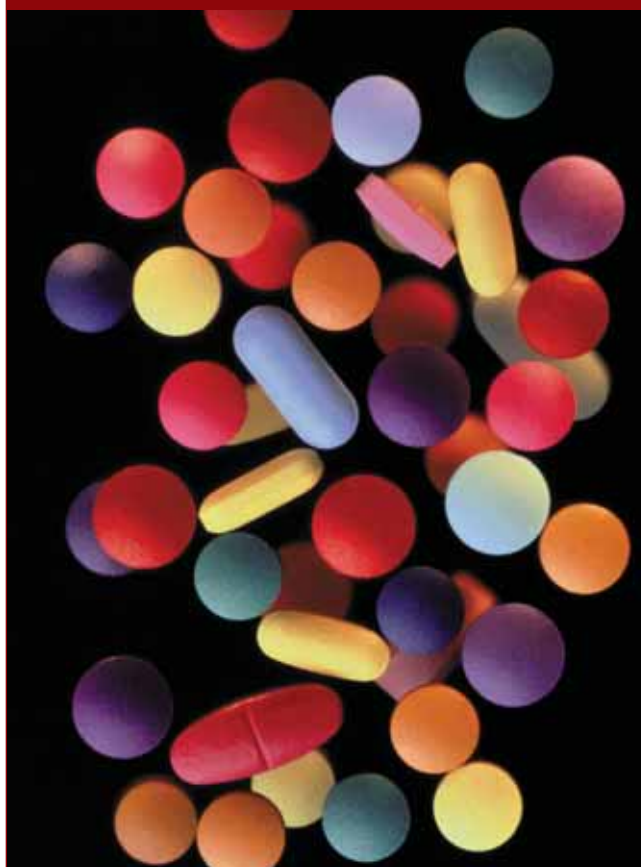
While food and beverage industries still constitute 67% of Sensient sales, acquisitions of companies serving nonfood markets have delivered significant growth, such as printing inks manufacturer ECS Specialty Inks and Dyes, based in Lausanne, Switzerland, and SynTec GmbH, a producer of speciality dyes and chemicals used in organic light-emitting diodes (OLEDs) and electrophotography based near Leipzig, Germany. These two companies, together with recent Spanish acquisition Formulabs Iberica SA, manufacturer of speciality inkjet inks, operate as part of Sensient Imaging Technologies. Manning's focus is on the high-margin speciality chemicals businesses that can produce growth.

With operations in 77 locations spanning 30 countries, Manning is not looking for further acquisitions. "We now have a strong foundation for solid, sustainable growth," he says. "We have a product base from which we will grow organically. We plan to build our existing operations, although we would not rule out another acquisition if it offers a strategic advantage such as a new technology or significant position in

SENSIENT ACQUISITIONS

Formulabs Iberica S.A.	Spain	7/31/03
Cardre	United States	9/27/02
ECS	Switzerland	4/1/02
C. Melchers	Germany	3/22/02
SynTec	Germany	1/8/02
Crompton Colors	United States	11/30/01
Formulabs	United States	11/16/01
Dr. Marcus	Germany	2/15/00
Monarch	United States	1/27/00
Fornaciari	Italy	8/16/99
Pointing	United Kingdom	5/10/99
Quimica	Peru	1/19/99
Wackherr	France	1/18/99
Reggiana	Italy	9/30/98
Sundi	Germany	5/29/98
DC Flavours	United Kingdom	4/30/98
Arancia	Mexico	1/5/98
Pyosa	Mexico	9/22/97
Tricon Colors	United States	3/18/97

Sensient now operates in 77 locations spanning 30 countries. Nonfood markets have delivered significant growth



a new geographical area. We are looking at strategic alliances.”

Many of Sensient’s acquisitions have retained their previous owners in general manager or managing director roles, with “very definite authority” to run the business. Central Sensient involvement is limited largely to strategic positioning issues, perhaps when a significant market shift has occurred and production may make more sense located elsewhere. The corporate function itself is very lean.

Manning cites investment in Sensient people, particularly in sales training, as a fundamental difference between the old company and the new. He is adamant: “You can’t ask people to do things that they haven’t been trained for.” He also contends that the common US practice of transferring management overseas is flawed, particularly in a growth-orientated multinational. He has instituted a policy to head operations with local nationals, who can provide greater insights into what are, by their very nature, diverse markets. In 1987, 95% of Universal Foods employees were US nationals; today, less than half of Sensient’s 3,700-strong workforce are US citizens. Sixty per cent of sales are now generated outside the US. Sensient’s Asia Pacific Group, headquartered in Singapore, oversees both colour and flavour and fragrance operations in the region, with facilities in China, the Philippines, Japan and Australia.



The company’s Indianapolis, Indiana, Flavors & Fragrances headquarters. Central Sensient involvement is largely to strategic positioning issues



In 1987, 95% of Universal Foods employees were US nationals; today, less than half of Sensient’s 3,700-strong workforce are US citizens

never really existed before because of the culture and because of relative isolation from western influence,” he says. Sensient has plants located in Guangzhou and Qingdao, China.

Eastern Europe has also been identified as a region particularly primed for growth as its consumers “become more a part of the world community”. Sensient already has facilities in Hungary, Poland and Serbia.

In the more sophisticated markets of Western Europe and the United States, Sensient is now offering tailored solutions, or what it terms “integrated systems”. Simply put, it denotes recognition that customers want their products to look a certain way, to perform a certain way, to taste a certain way. One project springs immediately to mind: “We had a customer who wanted green ketchup, primarily for the children’s market,” says Manning. “To make a green ketchup took our integrated system approach about a year. It was a very successful product.”

But, as Manning proudly points out: “Every product we produce is a customised product.” With formulas for more than 30,000 flavours and more than 1,000 different colours, you can begin to grasp Manning’s enthusiasm – and Sensient’s capacity – for diversification and growth. “Taste,” he concludes, “is a real opportunity.” ■

ASIA PACIFIC EXPANSION

Expansion into emerging markets is key to the company’s strategy for organic growth. Manning has identified China’s economic emergence as a manufacturing centre serving the United States and Europe as an indicator of that nation’s vast potential as a consumer market in itself. As disposable income and quality of life increase, Manning expects demand for Sensient products to increase: “We are the largest producer of cosmetic colours in the world. There is a growing demand for these products in the Asia Pacific region, a demand that has

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