

u.s. business review

Strategies, Solutions and Best Practices for Business Leaders

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New Territory

Wal-Mart wants to attract a broader customer base with new products and store concepts, and a more diverse supplier base.

Up In Smoke?

Think you have a tough sell? Rothmans, Benson & Hedges battles anti-smoking trends to partner with retailers.

Scents & Sensibilities

Now a billion-dollar company, Sensient Technologies has 'finally come together,' says CEO Kenneth P. Manning.

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PROFILE

Sensient Technologies

www.sensient-tech.com

2006 sales \$1.1 billion

HQ Milwaukee

Employees 3,500

Products Colors, flavors and fragrances

Kenneth P. Manning, chairman, president and CEO "You can't take the view that there isn't anything new under the sun."

Focusing on developing its flavor, fragrance and color segment has made Sensient a world leader.

SCENTS & SENSIBILITY

Sensient Technologies has become a world leader in colors, flavors and fragrances by embracing the profit-center model and focusing on innovation.

by **Chris Petersen**

Just like a combination of scents or flavors makes for an appealing perfume or food product, the combination of the right people, technology and business practices can lead to a successful company. As one of the world's leading manufacturers of colors, flavors and fragrances for food, beverages, household and personal care products, Sensient Technologies is a clear example of this principle.

After announcing its 2006 earnings and the fact that the company had reached more than \$1 billion in sales, Sensient

Technologies' stock hit an all-time high, trading at more than \$30 a share. Chairman, President and CEO Kenneth P. Manning says the peaks experienced by the company over the last 12 months are a sure sign that Sensient has hit its stride.

"In fact, it happened right after we reported our 2006 earnings," Manning says of the record high for its stock price. "And, essentially, what's happened is that the company has finally come together."

Originally founded in 1882 as gin-maker Meadow Springs Distillery, the company benefited from a booming economy in the area and built itself into a highly diversified company. Although the



Sensient is one of the world's top manufacturers of colors for pharmaceutical products.

company had a very diverse portfolio, that diversity didn't translate into much growth. "Its products were commodity driven," Manning says. "These were not really growth products. None of these had a long-term future, and the strategy was more of a financial strategy than a marketing strategy."

After Manning became CEO in 1996, the company jettisoned most of its low-profit business units and concentrated on building its color and flavor units. Since 1997, the company has made more than 20 acquisitions to strengthen and solidify its position in these specialty chemical markets, which now also include fragrances.

The most difficult aspect of buying all these companies in such a short time was dealing with the disparate identities that were brought together, Manning says. "The company was made up of many different cultures," Manning says. It was this situation that inspired the company to create an entirely new identity for itself as Sensient Technologies in 2000.

Today, Sensient has seen its earnings and sales increasing, and its debt shrink-

ing. These factors have added up to create new investor confidence in the company, Manning says.

GLOBAL LEADER

Along with becoming a more focused company, Sensient has spent the last decade becoming more of a global player, as well. Sensient is No. 1 around the world in food/beverage and cosmetic colors, No. 2 in pharmaceutical colors and No. 3 worldwide in the flavor industry. The company has more than 70 locations in 31 countries and its products are found in 150 countries.

Sensient is a firm believer in the profit-center concept, which Manning says "works well when you're covering a lot of geography." The system creates semi-autonomous business units that serve specific markets, rather than centralizing all operations in one location. For example, the company's flavor and fragrances group is headquartered in Indianapolis, but has additional profit centers located in Germany, Italy, France, Spain, Japan, Korea and China.

The key advantage of the profit-center

system is that it creates a relatively flat organization in which each profit center can operate independently while still being able to share information and processes with other profit centers. "We have learned to transfer technology between profit centers, which has been very successful strategy," Manning says.

NEW IDEAS

The autonomy of each of Sensient's profit centers also extends to the development of new products. Each group has the authority to develop specific technologies and products based on customer requests, with profit centers communicating and sharing their findings.

Sensient developed more than 150 new products in 2006, and Manning says the company expects to develop 20 percent more in 2007.

The company is currently working on nanotechnology for use in non-food applications, such as antibacterial surfaces for cell phones. Manning says pharmaceutical companies, worried about the prospect of losing business to Internet companies selling counterfeit drugs, are turning to Sensient to produce color coatings for drugs that would be impossible to duplicate.

Developing new products will continue to be a major focus for the company, and Manning says Sensient would rather acquire technology from a company than acquire the company itself.

Above all else, though, he says Sensient must continue to lead the way.

"You can't take the view that there isn't anything new under the sun," he says. "I think that's a recipe for disaster." 