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## Sensient Technologies

How a Milwaukee-based company  
became a world leader in color,  
flavor and fragrance

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# Making Sense.

Creating a world leader in color, flavor and fragrance systems

**K**enneth P. Manning, Chairman and CEO of Sensient Technologies Corporation in Milwaukee, Wisconsin, has a simple description for what his company does: “We provide the flavor, color and fragrance for a number of popular products.”

Manning has a broad background in business, engineering and the military. In fact, he retired from the U.S. Naval Reserve with the rank of Rear Admiral. He will admit that a large part of his skillset is in engineering. Prior to joining Sensient in 1987, he was President and CEO of Ambrosia Chocolate Co.

Sensient is a world leader in sophisticated color, flavors and fragrance systems. When Manning joined the company in 1987, its enterprise value was \$456 million and now its value is above \$2.1 billion. In 2007 sales reached a record \$1.2 billion and earnings were \$77.8 million. It is now the largest food and beverage color company, and one of the largest flavor and fragrances companies in the world.

“Three years ago our stock was at \$17 a share. Recently it topped \$32 a share. We had a record year in sales in 2007,” recalls Manning. “We now manufacture flavors and colors for virtually all of the major food and beverage manufacturers in the world.”

## THE MAN WITH A PLAN

Manning admits that his phenomenally successful company was not an overnight success.

“Sensient went through an evolution of sorts to get us to where we are today,” says Manning. “It was the culmination of a group of devoted people, a good plan and a great foundation to work from. There was no magic to the equation.”

The company began in 1882 as Meadow Springs Distillery and was a Menomonee Valley manufacturer of gin. Later on, the company branched out into food products, including bulk cheese, frozen potatoes and yeast.

“They were all commodities and were all having some problems with growth and we knew we had to change,” said Manning.

The business strategy that Manning initiated was to re-direct and reposition the organization as a forward thinking





technology company with an emphasis on specialty chemicals. He divested the company of low growth commodity businesses and used the proceeds to invest in new acquisitions and new technologies. Since 1997, he has made 21 acquisitions all over the world with exciting new technologies not only for flavors and colors for food and beverages but also colors for inkjet inks, cosmetic formulations and pharmaceutical coatings.

Universal Foods Corporation changed its name to Sensient Technologies Corporation in 2000 to reflect the broadened scope of the company. In 2001 the company sold Red Star Yeast, the last of its commodity businesses.

“We wanted to get into businesses that would have a geographic reach and were technology-driven and would not only serve the food and beverage segment but other nonfood businesses. We are now involved in cosmetics, natural colors, inks and dyes for printers and textiles and coatings for pharmaceuticals. We continue to be strongly positioned in flavors and colors for food and beverage manufacturers.”

The company’s timing could not have been better. According to a recent study from Frost & Sullivan, the total U.S. market for food additives—the category into which colors fall—reached nearly \$5.8 billion in 2006.

Manning was also responsible for the company’s expansion to international shores.

“Only about a third of our employees are in the U.S.,” says Manning. “We are growing rapidly in the Asia Pacific region, particularly in China.”

“Our acquisitions have changed our company drastically. We are now an international company with people from many cultures with different ideas, perspectives and backgrounds. We operate from over 70 locations

in more than 30 countries, and sell products in 150 countries.”

#### CULTURAL NEXUS

When it came to transitioning from a domestic company to an international company, Manning says integrating the two cultures was the biggest challenge the business faced.

“Integrating production plants is what we thought would be the greatest challenge since the plants were quite old and needed to be modernized,” Manning recalls. “What I didn’t expect to be difficult was integrating the cultures.”

Moving a long-established business in a new direction—and getting the employees on board—was particularly challenging. Manning says, “We contracted with a consulting firm to develop the name Sensient and the logo, and we implemented it all over the world. Everyone knows the company now. It wasn’t very popular with employees at first, but today it is extremely popular and people are happy to be part of Sensient.”

“Our management style is decentralized—the general manager has a great deal of authority. That management style is facilitated by one common culture. If you are a profit center manager, you run your division as if it were your own company. In that sense it is very entrepreneurial.”

A growing market area for Sensient, outside of food products, is in the demand for cosmetics colors and ingredients, particularly in overseas markets.

“We deal with all of the major cosmetics companies not only in France, but in the United States. This business is also growing in Asia and in Brazil.”

Brazil in particular has grown considerably since the 1990s. An increase in dispos-



“We have proprietary lines of onions and garlic that are specifically bred to specifications that produce high-quality dehydrated flavors incorporated into snack foods and pasta. We use satellite imaging to survey our crops along with other high-tech processes to make sure they are receiving the proper amount of nutrients.”

able income among the country’s 180 million people is driving the market for flavoring and coloring in products.

“We feel we are at the forefront of technological innovation not only for cosmetic color, but also food and beverage colors and flavors,” says Manning.

In the flavors and colors business credibility is crucial to success. Manning says there are very few companies that have the resources or the relationships necessary to do well in the market.

“Large international food corporations will not invite a company to bid on a particular product unless they are confident that you can perform,” he says. “They must have some experience with you and confidence that you will be able to provide the proper solutions to the food product they want to sell. The cosmetics companies are the same.”

Manning says that consumer demand is leaning in the direction of healthier food items and nutrition is at the top of their list of priorities.

“Natural colors and flavors and organic products are growing in popularity because people are concerned about their health and well-being,” he says. “Our latest new product development is a reflection of consumer interest in a healthier lifestyle.” He adds that a natural color is far more technically sophisticated than a synthetic color.

“It may have a special application which requires a certain pH balance,” he says. “The level of sophistication required for these applications is a barrier to entry into the market. There are only a few companies that have this specialization.”

### THE NATURE OF NATURAL

Growing consumer demand for natural food products has increased the use of naturally derived flavoring compounds including fruit and vegetable extracts. These extracts are benefiting from wider use in new products and for the demand for organically certified flavors in existing formulations.

“One of the factors that set us apart from other companies is our ability to impart solutions to a very broad variety of problems,” says Manning. “We can provide both the flavor and color systems for beverages and other foods. Few companies can provide the complete package whether the customer wants natural or synthetic colors and organic certified flavors.”

“Consumers are paying closer attention to the description on the label as recent sales figures reveal,” Manning says. “We are also doing more development work with natural colors to make them easier for manufacturers to use. Natural colors are one of the fastest growing product lines in the company, with year-over-year growth exceeding 20 percent. They are doing particularly well in Europe, and also in developing economies in Eastern Europe, where there is a surprising preference for natural colors even with the price differential. The trend toward natural and organic is a real positive for our business.”

### A NOVEL INVENTION

From a research and development perspective Sensient has a number of new developments in the making.

“We’re doing unique work in encapsulation. This includes an emulsification system that makes natural color stable with a certain pH so it can

function in a specific beverage environment. This is particularly important in beverages,” Manning explains. “We’re looking at stable botanicals, particularly antioxidants as nutritional additives.”

“We also have commercialized high-tech coating technologies as moisture barriers for pharmaceuticals and confections. Coating technology in general is very important to the pharmaceutical industry. If you can provide them with a flavor or a color in addition to a coating system that meets their requirements that is extremely important to continued business.”

Additionally, Manning says that Sensient is pioneering cosmetic surface treatment technology in its laboratories in Paris.

In an outgrowth of its color business, Sensient supplies inkjet ink for printers. In its laboratories in Switzerland, Sensient has patented an inkjet ink printing system for textiles.

“When it comes to textiles there is always an environmental concern over chemicals bleeding into the soil and waterways. We are working on a system where there is virtually no rinsing in the textile process and no residues from the process that creates environmental impact.”

Sensient is also producing natural botanical extracts under the Templar® brand. These include organic vanilla extract, fair-trade coffee extract, flavors containing extracts from proven provenances such as Sicilian Lemon and Madagascan Vanilla and green tea extracts.

In addition, Sensient is exploring how to deliver the health benefits of some natural colorants, such as carotenoids and anthocyanins, without adding the accompanying color to the food product.

“We are currently developing transparent anthocyanins and translucent carotenoid emulsions. We’re deeply involved in the extraction of anthocyanins in species of carrots, such as purple and black carrots,” explains Manning.

Plant breeding is also a key element in Sensient’s products and services. “We have proprietary lines of onions and garlic that are specifically bred to specifications that produce high-quality dehydrated flavors incorporated into snack foods and pasta. We use satellite imaging to survey crops along with other high-tech processes to make sure they are receiving the proper amount of nutrients.”

Manning says Sensient isn’t planning any additional acquisitions or expanding into any new markets.

“I do not anticipate acquiring any more companies unless they offer compelling technology. Right now, we are growing very quickly, and our focus continues to be organic growth. We will consider an acquisition only if there is a truly unique technology associated with it,” he says. “New product development is the primary strategy and driving force of the company.”

Manning says that despite the belief of some business analysts, there is no one formula that works when it comes to advancing the growth of a company.

“I would say it’s all in the strategy. We are refining our strategy constantly. You have to adapt your strategy to the realities of the market—in essence the strategy has to work. Test it, and if it works, refine it. If your strategy doesn’t work, be honest with yourself and don’t be afraid to redirect it. Sometimes the most unorthodox plan is the best one.”