

# Long-term orientation

SINCE 1986, THE BAKELS GROUP HAS BELONGED TO A SWISS FOUNDATION WHICH IS COMMITTED TO THE FURTHER DEVELOPMENT OF THE COMPANY AND ITS EMPLOYEES. HILDEGARD M. KEIL, EDITOR-IN-CHIEF OF BAKING+BISCUIT INTERNATIONAL TALKED TO **ARMIN ULRICH**, CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO OF THE BAKELS GROUP ABOUT THE BENEFITS OF THIS COMPANY STRUCTURE

**+ bbi:** A Dutch name, headquarters in Switzerland, a research center in Australia and a global market presence – Mr. Ulrich would you please explain the self-concept of the Bakels Group?

**+ Ulrich:** There are different situations for various reasons. Countries such as Spain and France have been investing heavily over the past 10 to 15 years and so here the current need is low. However, we are still experiencing a strong reluctance in terms of investment in Russia even though the situation has slightly improved over the past few months. Companies face the challenge of finding appropriate funds with reasonable conditions. The markets in Germany, Scandinavia, Belgium, Luxemburg and the Netherlands are rather calm. Investments are quite often mere replacements although some additional new lines have been ordered as well. The investments within North America over the past five years have only reached half the volume, if that, of the one within the EU. I presume it will take another one to two years to get the market going again. Each country has to deal with different conditions on the market for baked goods and also on the capital market. This all affects investment activities.

**+ bbi:** Where does this unusual name come from?

**+ Ulrich:** Unfortunately, this has not been bequeathed. Some say it is an abbreviation of the word “emulsifier” which is an ingredient still important in the production of some ingredients. Others say that Bernard J. Bakels was very happy with the subsidiary in Australia so that he named the foundation after the largest Australian bird. Today, our subsidiary in Australia is one of the largest enterprises within the Group and this is the reason why our research department is located on that continent.

**+ bbi:** Does this department develop the products for all 37 subsidiaries?



**++ Armin Ulrich**

Chairman of the Board of Directors and CEO of EMU AG, the holding company of the Bakels Group

**+ Ulrich:** Basically, our subsidiaries are independent, which is also the same in product development. These companies know their own markets much better than any outsider. The research and development department in Australia coordinates the development projects for the individual enterprises and makes them available to the others so that all development departments can benefit from each other. Added to that, Australia is also responsible for what can be called “fundamental research” within our scope.

**+ bbi:** Since when has the EMU AG managed the business and how is the management organized?

**+ Ulrich:** Since the death of Bernard J. Bakels, the EMU AG has held 100% of the Group. Our hierarchy is rather flat. The foundation in Küssnacht, Switzerland, is supervised by five members of the foundation board, one of them being the daughter of Bernard J. Bakels. The holding consists of a Board of Directors with five members and a three member management team. It is our strong belief that we have to act locally. Therefore, the holding is merely defining the key performance indicators and the philosophy on which our business is built.

**+ bbi:** What has changed since the death of Bernard J. Bakels?

**+ Ulrich:** In 1986, the Group consisted of 13 companies and had less than 1,000 employees. Today, we have 37 companies and 2,200 employees. But maybe the things that did not change are more important. Our company is not listed on the stock exchange and we do not need to report quarterly success figures. We are still operating with long-term prospects just as at the times of Bernard J. Bakels. Of course we

are success oriented – no enterprise could do without this – but we are also concerned about the long-term development of our employees. We are able to set up enterprises and markets without the pressure of having to gain a return on investments within the shortest possible time. This long-term perspective is central to our corporate culture. The same applies to our in-house financing. We believe in independency and we trust our own power.

**+ bbi:** You do not like to talk about the financial key figures of your company. Nevertheless, please allow me to ask for your sales figures.

**+ Ulrich:** We do not disclose precise figures, but the estimate of “around 500 million Euros” is not completely wrong.

**+ bbi:** What does Bakels produce today and what products are just traded?

**+ Ulrich:** Our own manufactured products make up about 90% of our business. Each production facility produces release agents and other products are manufactured wherever best suited. In New Zealand, we have our own refining plant that processes vegetable and animal fats and oils mainly for the baking industry. Since 2007, we have operated a company in Belgium that makes high quality fruit

**++ figure 1**  
Different types of bread made with Lecitex (bread and roll improver) and Masterfat (shortening)







++ figure 2

**++ figure 2**  
Swiss roll made with Ovalett  
(emulsifier for cake batters)

**++ figures 3 + 4**  
Release agent Tincol – this  
product is supplied in different  
sizes from small packs to bulk  
quantities delivered by road  
tanker

fillings and glazes for most of the other subsidiaries. In Sweden, we produce fat-based glazes and similar products. We trade with dried yeast.

**+ bbi:** Bakels produces emulsifiers but not enzymes. A quick look around shows that there seems to be a trend towards the use of enzymes in bakery improvers because they do not have to be declared in most countries whereas emulsifiers do. Has Bakels missed out by not following this trend?

**+ Ulrich:** We do use enzymes in our bakery improvers but we buy them on the world market. We benefit from the enzyme manufacturers' knowledge as well as from the critical mass they have reached. Our bakery improvers consist of a mix of enzymes and other ingredients which allows us to serve our customers and their needs as individually as possible. In other terms, we do not sell pure enzymes as

used, for example, on mono-lines. We focus on value adding products where the price is less important than their production in smaller batches with more technological know-how. About half of our business is with bakers and the other half with pastry chefs and confectioners, for example, the five star hotels of this world. It is not a matter of mass production but rather of premium products and the expert advice that we offer.

**+ bbi:** Let's talk again about the international presence of the Group. You are strong in Scandinavia, the UK, Asia and Australia and hardly present in North America, France and Germany. You are starting to get well established in Eastern Europe and South America. What are the reasons behind this distribution?

**+ Ulrich:** For one thing, it just developed from the first subsidiaries which expanded into their own neighbourhood as has happened in

Scandinavia, Australia and Asia, and also in the south of Africa. On the other hand, many markets have arisen in the past few years in the emerging countries thus calling for the establishment of new subsidiaries. In terms of the rest of Europe, we are well represented in the Benelux countries and Ireland. Business in Eastern Europe is growing and with that the number of subsidiaries. France and Germany are saturated markets with many more suppliers than the market actually needs. It is not recommended to start there from scratch and we are still looking for the right company to acquire. The situation in North America is similar. In South America, we started our activities in 1999, beginning with a joint venture. Now we are present on the markets in Chile, Peru, Ecuador, Brazil and Argentina via acquisitions and start-up companies.

Nevertheless, and this is also part of our Group's self-image, we see ourselves as an enterprise with European roots and traditions.

**+ bbi:** In Australia, Bakels operates a small frozen dough production. Is this a business field of the future for the Group?

**+ Ulrich:** No, not at all! This is a small exception and it will stay that way. To avoid a conflict of interests, we are keeping our fingers away from the frozen food market but are supplying the players on this market with our ingredients that are specially developed for frozen food.

**+ bbi:** How did the last two years of economical downturn affect the Group's subsidiaries on all continents?

**+ Ulrich:** In 2008, we experienced a strong growth which was partly due to the increase in raw material prices. The growth has slowed down in 2009, but it is still positive.

**+ bbi:** Where are your future growth markets?

**+ Ulrich:** I am convinced that the consumers will be increasingly interested in getting value for their money, which means, for example, baked goods that offer eating pleasure and are healthy. These are no opposites. Customers will also pay attention to the way companies conduct their business and how this will affect the environment. Ethical issues and

sustainability will become more significant. For bakeries, the issue will be added value and the way that we can contribute to that with our products and our advice.

**+ bbi:** Mr. Ulrich, thank you for the interview. +++

### EMU AG, Küsnacht am Rigi, Switzerland

- + AB Nordbakels, Sweden
- + British Bakels Ltd., UK
- + Irish Bakels Ltd., Ireland
- + Bakels Senior N.V., NL
- + Deutsche Bakels GmbH, Germany
- + Finnbakels Oy, Finland
- + Russky Bakels, St. Petersburg, Russia
- + Russky Bakels, Moscow, Russia
- + Kwartet-Bakels Spzoo, Poland
- + Bakels Switzerland Ltd., Switzerland
- + Bakels International S.A., Belgium
- + Bakels Europe S.A., Belgium
- + Bakels Ukraine Ltd., Ukraine
- + South Bakels Ltd., South Africa
- + Bakels Zimbabwe Ltd., Zimbabwe
- + Bakels Namibia Ltd., Namibia
- + Bakels East Africa Ltd., Kenya
- + Australian Bakels Ltd., Australia
- + NZ Bakels Ltd., New Zealand
- + Bakels Edible Oils Ltd., New Zealand
- + Bakels Fiji Ltd., Fiji
- + Bakels Singapore Ltd., Singapore
- + Bakels Malaysia Sdn. Bhd., Malaysia
- + Bakels Hongkong Ltd., Hong Kong
- + Bakels China Co. Ltd, China
- + Indo Bakels Pvt. Ltd, India
- + Bakels Philippines Inc. Philippines
- + Bakels Thailand Co. Ltd. Thailand
- + PT Bakels Indonesia, Indonesia
- + Bakels Chile S.A., Chile
- + Bakels Brazil S.A., Brazil
- + Bakels Peru SAC, Peru
- + Bakels Ecuador S.A. Ecuador
- + Bakels Argentina S.A., Argentina
- + Bakels Research Ltd., Australia +++

