

System business

KARL-HEINZ WINTER, HEAD OF THE BAKERY PLANTS BUSINESS DIVISION AT THE MIWE MICHAEL WENZ GMBH COMPANY FROM ARNSTEIN, GERMANY, TALKS WITH BAKING+BISCUIT INTERNATIONAL ABOUT THE DEVELOPMENT INTO A SYSTEM SUPPLIER AND THE WORKING TOGETHER OF THE COMPANIES



++ Karl-Heinz Winter
Head of the Bakery Plants Business Division, MIWE Michael Wenz GmbH

+ **bbi:** Mr. Winter, the current keyword in the bakery machines market is “system supplier”, which means a partner who supplies complete lines or even entire production facilities, manufactured either themselves or via subcontractors. Does Miwe also see itself as a system supplier of this kind?

+ Winter: We are well on the way towards it. In our case we don't even need a basic realignment. For a long time MIWE has focused on the conditioning sequence through which dough passes during the manufacture of baked goods as an integrated whole. We understand a lot about proofing, freezing, chilling and of course about baking. We have the dough know-how to link all these process steps together meaningfully to ensure they precisely create, in the end, the highly characteristic product the customer wants. We cover the whole spectrum of technologies, so we allow our clients complete freedom to decide whether they favour combustion gas or thermo-oil, wagon ovens, multi-deck or continuous ovens, rolling production or a line design. The same applies

to the proofing process. The only benchmark is what the client wants and what is best for his products and production methods. We have the transport and loader technology and the control systems that link the areas together smoothly. Finally we are, with good reason, regarded as pioneers of the energy-efficient bakery, with ground-breaking recovery systems and integrated design concepts. That already goes a very long way towards describing the heart of a production facility. The additional requirements beyond that we obtain from our capable partners, who share our quality standards. We possess the engineering competence and project experience to develop it into a made-to-measure solution for our clients, and to fabricate and commission it.

+ bbi: Does the demand for system suppliers nowadays come from the growing export orientation of bakery machine construction, or do clients in this country as well as western European clients also expect this service?

+ Winter: That's true: export business plays its own quite unique role here. Once again investors from outside the industry are moving into the baked goods business distinctly more often abroad than in this country. However, as a rule they prefer a “general contractor”, i.e. a system supplier as a prime contractor. In our own country, that is to say in the classical markets of Germany, Austria and Switzerland, it is mainly clients with an artisan approach who still place great importance on “composing” their system landscape themselves. But even they understood long ago that faultless interface management and thus a comprehensive overview from a global perspective are indispensable in the case of a design concept that is a composite of several components. The more industrialised the client's setup, the more often an overall concept and overall responsibility is now being requested in this country as well. This proportion is increasing, because many businesses are growing and becoming more “industrially” organised at the same time.

+ bbi: In your opinion, what is the background to the development towards a larger system business?

+ Winter: It involves many factors acting in combination. Firstly, the individual process sequences themselves are becoming more complex and subtle because there is a need to leave no stone unturned to achieve product quality and reproducible reliably of course. However, as a rule, we talk not about a single product and an isolated process but about increasingly broad product ranges, i.e. about an increasingly complex juxtaposition of very different process sequences whose collective organisation must be done intelligently.

Nowadays, it is usual for ever more flexibility to be demanded, even with strictly line design concepts.

Personnel costs need to be kept low; qualified staff are in short supply. Therefore, in the interests of process reliability and quality security, the automation system must have the most intelligent possible functionality while being simple at the same time. Another factor is that, as a rule, the required hourly capacities are constantly increasing, but for 100 t of dough one cannot simply install one hundred times the equipment that is exactly right for 1 t. That's why plant and organisation concepts are often more complex, even in principle, today than in the past. At the same time, we have not yet even mentioned the fact that energy efficiency must always be taken into account in a total bakery context.

If we now bear in mind that clients want to be certain that flexibility reserves are guaranteed in view of the quite volatile market situation, and that there is often a need to keep an eye on the available real assets (e.g. buildings) and budget, it becomes clear that a 360° perspective is necessary to reach the correct decisions in this situation. Yes, the ideal concept is then often obstructed merely by the outline shape of a plot of land or building, and a search must be made for viable alternatives. Many investors and bakers are simply no longer able (or willing) to undertake engineering on this scale. Therefore, to minimise their risk, they look for a partner who will contribute to the experience and engineering competence and will undertake the overall responsibility.

+ bbi: Is developing into a system supplier the alternative to a centralisation of bakery technology suppliers, or perhaps just an initial step towards it?

+ Winter: Each company will need to develop its own unique agenda and its own focus in that respect. One must not overlook the fact that already today it is possible only rarely and at very considerable expense to succeed in unifying the whole plant portfolio of the entire manufacturing process under one corporate roof. "We can do absolutely everything" is an extremely problematic motto – for both sides. However, the market is entitled to expect a system supplier to be fully proficient in two things: he must be able to take responsibility for the engineering and the process design for the largest possible part of the plant. That can extend all the way to complete turn-key concepts. And secondly he must be able to cover a central area of this concept from his own resources, i.e. he must possess proven core competences in his own right, including his own research and development and his own equipment.

+ bbi: How wide does the system supplier's task area extend nowadays, and what does the market require? Does it extend as far as personnel recruitment, introductory training and management tasks?

+ Winter: The pharmaceutical industry, for example, attempted the latter in the past. The contractor undertook not only the engineering, construction and commissioning ►



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but also its operation as well. That rarely succeeded, because it resulted in the entire core know-how being stripped away and the client being pushed aside into a pure investor role. Those are also probably the reasons why it has not yet been attempted in the baked goods world up to now. Understandably nobody likes giving away the core competence of baking technology. That could change if pure investors play a larger role in the future.

+ bbi: What is the situation like in practice in the Miwe company – what scope do you offer and what does it depend on?

+ Winter: As I said already, our core competence is in the conditioning processes involved in baking and their smooth integration, together with the topic of the energy-efficient bakery. So the interface to partner products usually lies firstly in dough production (especially for bread) or dough make-up, and secondly in packing. We cover everything in between from our own resources, and for the neighbouring areas we undertake the engineering together with our partners. As a system supplier, and because of our specialisation in the fine details of dough technology, we are in demand mainly where product diversity and product quality are required. Since both are gaining in importance today, we think we are extremely well positioned for the future.

+ bbi: Is there an in-house department that implements this business?

+ Winter: We have set up specific teams for system business at all levels within the Miwe Bakery Plants (BA) Business Division. It starts with sales and marketing, where we have established a key account management with a background in baking technology. The actual engineering work is carried out in a dedicated project planning team in which specialists in the individual technical areas are pulled together to guarantee that the required general overview already exists in the very first design concept phase. In fact many ideas develop only during the consultations with the client, and they benefit from the fact that everyone in the team has a slightly different view of the production world. There are the thermo-oil and combustion gas specialists, bakery refrigeration specialists, automation specialists, specialists in loader technology, and of course always one of the specialists from Miwe energy present as well. A fully trained project manager ensures orderliness and efficient procedures and a specially qualified service team looks after the installation, commissioning and training.

+ bbi: Do you see a growing market for system suppliers, and if you do, where and what share of the total market do you see arising in the future?

+ Winter: We definitely assume that the system business will continue to grow, for the reasons already mentioned, but we don't want to risk making any precise forecast. The system business is very sensitive to, and highly dependent on, all kinds of external economic background conditions. A financial crisis (as last occurred in 2009) makes any prediction meaningless. However, in the medium term we expect

that the export share in system business will amount to more than 50 %.

+ bbi: Will this business lead to a new kind of competition among bakery machine builders? It is said that some are already very unwilling to collaborate because they suspect each other of wanting to compete for the leadership role.

+ Winter: It is true that some fears of contact exist among suppliers. OK – the market is comparatively transparent, everyone knows each other, and this is business, not a picnic. However, we are convinced that the greatest future success will be achieved by whoever succeeds best in forming strategic partnerships – extending as far as cooperative strategic purchasing. I agree that this development will take time, but all the participants will ultimately benefit from it. The automobile industry has shown us the way. For example, we are trying at this very moment to implement a joint initiative to standardise energy consumption measurement and, through cooperation, to achieve better conditions in the purchase of steel. Progress is very slow!

+ bbi: The system business has its own unique characteristics. One is the sheer size of the order. Amounts in the tens or even hundreds of millions are not unusual, and that definitely brings you close to a general contractor's entire sales volume. What guarantees does a client have, including the ability to enforce compensation claims in case of doubt?

+ Winter: Let's be modest and keep to the truth: up to now most of our single orders in the system business have been in the single figure millions region, so they are far short of reaching our total sales volume. They will not do so in the future either, because we are comparatively widely diversified and would also certainly not expose ourselves to that kind of dependence on a single order. So it also goes without saying that professionalism has top priority. That means it is not permissible for quality just to be tacked on at the very end (worst of all after commissioning). It must be thought out and implemented from the very start. That's the only way to minimise recourse risks – entirely regardless of the order of magnitude of a contract. We work hard to improve constantly in precisely this aspect. What is needed in most engineering projects is something that is apparently quite simple, clarity. Misunderstandings in the early phase tend to backfire sooner or later in the project. That's why we listen very carefully in order to understand the client's requirements correctly. We think through the first draft concept thoroughly with the client. We work through the details exactly and we simulate the process wherever that is possible. We have established quality as the overriding principle of our product development and fabrication processes. The client is guaranteed to receive reliable equipment "Made in Germany" and a faultless process design. Clarity is also the watchword for the contract documents. Moreover, of course our clients appreciate the fact that Miwe is a very sound family business with a long-term perspective and a high equity ratio.

+ bbi: Mr. Winter, thank you very much for the interview. +++

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