

Efficiency, hygiene and support

JAN KAAK, OWNER OF THE KAAK GROUP, IS MOVING FROM OPERATIONAL MANAGEMENT TO BECOME ITS PRESIDENT COMMISSARIS, AN ADVISORY AND SUPERVISORY ROLE. TOGETHER WITH THE REMAINING MANAGEMENT, HE MET UP WITH BAKING+BISCUIT INTERNATIONAL IN TERBORG TO EXPLAIN HIS RATIONALE FOR THE MOVE AND HIS ASSESSMENT OF THE FUTURE MARKET



++ From left to right: Lodewijk Van der Borg, Spokesman for the Board of Directors; Aart-Jan Hartman, Sales; Willem Huijink, Finance; Jan Kaak, President Commissaris (Chairman)

in China. There are also the Middle East and Latin America regions. Africa is dependent on a few major projects, which of course we are working on very intensively.

+ bbi: You just mentioned the new markets in which you are following your customers. What kind of markets are those?

+ Kaak: That depends on the individual customer, and can mean toast-bread, bread rolls or even baguettes, ciabatta or pizza.

+ bbi: Mr. Kaak, what was the reason behind the Group's reorganisation?

+ Kaak: A structure composed of specialists managing the operative business, with myself as a generalist who makes an input in the formulation of long-term strategies, has been my aim for a long time. Now, with Lodewijk van der Borg, Aart-Jan Hartman and Willem Huijink together with the general managers of the individual subsidiaries, I have the necessary specialists. Kaak Food Production Systems, which together with Kaak Bakeware belongs to Kaak Nederland B.V., was the reason for making the change now. This part of the Group achieves more than half of our turnover, and its present size required a new organisational structure. Since the human resource conditions are right, we have logically carried out the entire change simultaneously. In the past, Kaak had a similar structure with four operational managers and an advisory board chaired by my father. That structure no longer exists after my father's death, and I am pleased that we have reconstituted this parallel arrangement consisting of an operational management and an advisory committee with whom one can discuss the long-term strategies.

+ bbi: So in which direction does the Group plan to develop?

+ Kaak: Ultimately the market will decide the direction in which we develop. In those areas in which our customers operate, we will follow them. That also holds true for new markets in which our customers become active.

+ bbi: Where are new markets emerging?

+ Kaak: Europe will always be our home market. We are currently seeing strong and unexpectedly rapid development

+ bbi: But are they always baked goods?

+ Kaak: In the long term I think our Group will also become active in other sectors. We are already operating in the area of materials handling, but we are not forcing this development in the Group at present.

+ bbi: On the one hand, there is consolidation among bakery machine manufacturers but on the other hand new machine builders from Eastern Europe as well as from India or China are entering the world market. Where does Kaak stand, and in which areas do you observe most of the new suppliers?

+ Kaak: Of course, firstly there are those machines that are technically and technologically the simplest. Geographically this competition in stand-alone machines is currently coming from Eastern Europe and Southern Europe as well as from the Near East, and I could imagine that sooner or later there will be cooperative ventures between Western and Eastern European suppliers. I expect short-term competition from China in relation to stand-alone machines, and offers of complete lines can also be expected from China in the longer term.

+ bbi: Wouldn't such cooperations with Chinese machine builders function at present?

+ Kaak: Up to now I have not seen any businesses there with which I can imagine such cooperation. However, if the Chinese market continues to grow as it has done up to now, it will be impossible to avoid buying or founding a company there, or entering into cooperation with one in order to manufacture there.

+ **bbi:** Are the variants of foundation, purchase and co-operation on an equal footing for Kaak?

+ **Kaak:** Basically we believe it is important to have control in our own hands, and that means at least 51 % of the capital. Integration into the production processes and guaranteeing a uniform performance standard depends on being able to influence the control of the company. If a customer has a problem, then he should know whom he needs to contact.

+ **bbi:** However, the Kaak Group has cooperations in which you do not own the majority of the capital, for example with Rondo. How does that fit into this concept?

+ **Kaak:** In the case of our cooperation with Rondo the situation is as follows: we certainly spent one or two years thinking about whether and how we wanted to enter into this collaboration. One reason for doing it was that the company philosophies are compatible. The second reason is the increase in turnkey projects. Rondo has had rather little representation in this segment up to now, and together with us they can make a stronger bid there in the future. The benefit to us lies in the fact that it also gives us lamination technology in our product range.

This kind of cooperation becomes all the more important as increasing numbers of machine builders, who were previously upstream suppliers, are now emerging as competitors in the project business and are willing to supply to only a limited extent or not at all.

+ **bbi:** Does that mean the emergence in the bakery machine construction sector of supplier groups among which the customer must choose on the proverbial “all or nothing” basis?

+ **Kaak:** If a customer says he wants the make-up plant from A and the oven from B, he will certainly get what he wants. However, of course both A and B will attempt to convince the customer during the negotiations that they and/or their

group can supply the entire line, in which the customer’s interests are naturally just as important.

+ **bbi:** In relation to contracts nowadays, how important is it to be able to supply the whole project and to deliver quickly, and how important is the support that one offers?

+ **Van der Borg:** Speed is relatively important, especially compared to the competition’s delivery times, but it is really never a knock-out criterion, just one among many. Being a single-source supplier is an important criterion when financial investors are building a bakery. They want a single contact partner and a track report. A baker who understands something about the equipment himself will think that is less important.

Internationally, however, the trend is undoubtedly more and more towards orders requiring a general contractor. Support is enormously important, and as a rule it is the deciding factor in the next contract that the customer will need to award sooner or later.

+ **bbi:** There is a lot of movement in the baked goods market. Supermarkets in Spain, France, Great Britain, the Netherlands and Germany are investing in their own baked goods production facilities. At the same time distribution chains are emerging that do not have their own production units. Does that change your business as well?

+ **Kaak:** The business has become tougher. Classical bakers are passionate about what they do, and the relationship also has an emotional quality. Much more often a baker will decide in favour of a customised solution because he hopes for an even better crust or crumb as a result of some modification or another, or wants to keep more flexibility open for other products.

+ **Van der Borg:** Financial investors and people from the retail do not necessarily have this passion. Bread is not their core business, just one among many. In most cases a reliable ▶

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solution that is profitable is the most important argument for an investor when he buys a line.

+ bbi: Is this shift from being a baker setting up or expanding his production to a financial investor who invests in a bakery also happening in Europe, or only on the new markets in the emerging countries?

+ Kaak: This shift is also occurring in Europe. Perhaps the number of bakers is not dropping at all, but new groups such as supermarkets and investors are adding to the numbers and are becoming stronger.

+ Van der Borg: Such clients expect us to bring along the technical and technological expertise needed to optimise products, processes and production lines. That is part of the support that decides future contracts.

+ bbi: What are the decisive criteria against which such clients measure your performance?

+ Van der Borg: In addition to the defined quality of the product, the efficiency of a line is one of the most important criteria and is achieved by standardisation, among other things, because that eliminates operating errors and downtimes. The second and no less important criterion is hygiene. Nowadays a hygiene concept must be as comprehensive as it is error-proof and must require the least possible operating time and downtime. The level of hygiene that is demanded is very high, due not least to the fact that supermarkets bring a knowledge of hygiene with them from other sectors and transfer it to the bakery. That was a “harsh discipline” for us a couple of years ago, but today we are able to build plants that can easily be made perfectly clean in the shortest possible time. Let me mention two examples: belts in cooling towers have what are known as CIP stations that enable Cleaning In Place, and we build in-line cleaning stations for pan clusters and trays through which each tray and every pan passes before being re-used. This also saves the cooling section for the trays and pans.

+ bbi: What part does the subject of plant energy efficiency play?

+ Van der Borg: The interest is there, but the actual demand is rather modest. Energy costs relative to a loaf or bread roll are marginal. Only transport energy is really of any interest.

+ Kaak: However, I think that with this discussion we are back where we were a few years ago with the debate about more hygiene. The topic will become more important. However, the motivation for it will come not from our clients but from their customers. They look at eco-efficiency, keyword “cradle to cradle”, and ask increasingly often about the CO₂ footprint.

+ bbi: Even the EU is now taking an interest in the energy consumption of bake-ovens, and is contemplating standardisation. Isn't there a need for more development in that area?

+ Van der Borg: Heat recovery systems have existed for many years, but one must also be able to do something with the recovered heat. That's why we are currently working on

the possibility of converting the heat into electricity. That seems to us to be a better way. The prototype is functioning. In the medium term, however, simple energy such as electricity generated by the wind or sun will probably be available free of charge. Alternatively, gas and oil will certainly be much more expensive.

+ bbi: Who in the Kaak Group will drive forward the research and development needed for that?

+ Van der Borg: Each individual member of the Group will work on its own specific topics, and the central R&D Department will examine and coordinate the developments. They are also working to develop group standards. Six or seven years ago we began to standardise the software architecture in the Group, and now we are also doing the same thing in the mechanical engineering area.

+ bbi: Returning again to the subject of support. That also includes customer service. How does Kaak ensure a worldwide presence of competent service personnel?

+ Kaak: The basic principle is that we undertake a project only if we also have a solution for the service.

+ Van der Borg: As a rule the first stage is direct contact with our headquarters, because 60–70 % of all malfunctions can be remedied by working on the software. The second level is a “Nominated Service Partner” in the respective country, and the third level comprises service technicians from our premises here, who can be dispatched at any time. There is also the fact that for two and a half years our controllers have been equipped with a function that makes fault detection very easy. For example, they report very precisely as to which sensor represents the problem and how the fault can be rectified. Furthermore that has reduced, by more than 80 %, the number of customer calls that normally occur when the technician who commissioned the machine has already left.

+ bbi: Mr. Kaak, overall, what is the most important challenge that the baking machine construction industry and thus Kaak must meet in the future?

+ Kaak: Everything will be under economic control much more than in the past, even down to the details, and time is money. In future the question of how quickly one can deliver and install will play a big part, as will also the efficiency with which the line runs and how quickly and efficiently it can be cleaned. For Kaak, they are the most important criteria not only for entire lines but also for every individual machine. We want to be able to offer the best solution in every case.

+ Van der Borg: Because the Kaak Group operates both in the industrial area and in the artisan market, we are able to exchange our experience between the two, and to use the best of both segments in each of their further developments. Our aim is to manufacture not just the best production lines but also the best stand-alone machines.

+ bbi: Mr. Kaak and Mr. Van der Borg, thank you very much for the interview. +++

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