

# Innovative power

CSM, AN INTERNATIONAL COMPANY WITH ITS HEADQUARTERS IN THE NETHERLANDS, IS THE BIGGEST GLOBAL SUPPLIER OF BAKERY INGREDIENTS, LACTIC ACID AND LACTIC ACID DERIVATIVES. NOW, THE COMPANY HAS CHANGED THE STRUCTURE AND ORGANIZATION OF ITS BAKERY INGREDIENTS R&D ACTIVITIES, INVESTING IN A NEW INNOVATION INFRASTRUCTURE AND IN BUILDING TEAMS FOCUSED ON INNOVATION. BAKING+BISCUIT INTERNATIONAL'S EDITOR-IN-CHIEF, HILDEGARD KEIL TALKED TO **GERARD HOETMER**, CEO, AND **ROEL ORSEL**, VICE PRESIDENT R&D, ABOUT THE IDEAS BEHIND THESE CHANGES



++ Gerard Hoetmer



++ Roel Orsel

**+ bbi:** Mr. Hoetmer, would you please explain the new organization of your R&D activities and the reasons for setting up special innovation centers?

**+ Gerard Hoetmer:** We have established four Innovation Centers in the US and four in Europe which are working closely together. If an innovation is developed in the US – and this can be an idea, the implementation of a program or a product – it is not only made available to the US market or a specific company, but it is also made available for all of CSM. Such a global approach to innovation is unique in our market.

If you have an innovation center in one country, it is usually the case that the staff is limited and they normally don't have time to work on long term projects. This has changed with our new approach: The critical mass of our efforts is much bigger, and the length of thinking ahead and the deepness of the approach are much improved.

**+ bbi:** Are the R&D activities now centralized?

**+ Roel Orsel:** We don't work in a fully centralized fashion, but we make use of our scale. Firstly, we establish a strong local product development presence which is close to the customer. We have a deep understanding of the specific needs of local markets. Secondly, to develop longer term innovations, our Innovation Centers work on European and

North American opportunities. Thirdly, we are a global R&D team for the full leverage of technical knowledge and abilities. We have this full global network in force for one year now. Our experience is that it works both ways: locally working CSM employees and customers can connect to a strong innovation network and the Innovation Centers are connected to a network of local Product Development Centers for innovation roll-out to local markets. If anybody asks a question such as "can you tell us about specific Greek products?" our answer is, of course we can, because we have bakers in Greece and we can use them to bring their knowledge to for instance America.

**+ bbi:** What is the formal structure of the R&D centers and what are their activities?

**+ Orsel:** In terms of innovation and bringing innovations to the markets there are three levels. At the first level there are Innovation Centers, dealing with new product technology development. They work on projects that result from our strategy, acting as centers of excellence for certain sciences and raw material expertise. They also manage external research projects. The second level, local and close to the customer, are the Product Development Centers which develop and tailor products to local market needs. Finally on the third level, we have a field service where the application expertise for our existing products is concentrated to visit and support our customers.

**+ bbi:** Why did you decided to have this specific set-up?

**+ Orsel:** Dealing with innovative technology development in our Innovation Centers and the day to day interaction with our customers in the Business Units at the same time is very difficult to handle. Urgent daily matters often tend to prevail over the important longer term matters. The solution is in sharing location and resources, but at the same time focusing on very different tasks. Feeling the pulse of the business together and seeing the innovations at work in the markets is an inspiration to all of us.

**+ bbi:** This is your way of bringing new technologies and new products to the market. What about issues such as sustainability? Who is looking for new raw materials?

**+ Hoetmer:** We have a buying group that purchases the raw materials for Europe and another one procuring raw materials for North America. There is also a portfolio group consisting of R&D, procurement and QA people who decide what kind of materials to buy. Together, they are the owners of the raw material portfolio; each of them with a specific responsibility including the search for new and innovative raw materials. Let me give you an example about sustainability. In our lactic acid company PURAC we started with the development of PLA (Poly-Lactic Acid) a fundamental ingredient for the production of renewable and biodegradable bio-plastics. Another example is that we are involved in the "round table for sustainable palm oil production", where we discuss sustainability for this product group, including the health side which goes beyond the product research.

**+ bbi:** How is this information passed on from within the company to product development?

**+ Orsel:** There is a technical and a commercial aspect. The lead buyer and the lead technologist manage our connections with our vendors. They have profound and deep knowledge and that results in a European range of raw materials that the product developers are using. Our policies are transferred to the raw material range, together with our knowledge.

**+ Hoetmer:** That information is then handed over to the specific Business Units in the different countries in order to

support the customers in also leaping ahead and being aware about all the specific issues. Let's take trans-fatty acids as an example. We get information from our nutritionists, raw material professionals, and product development experts. Based on this, we create new products and bring them to our customers with the full information behind it, presenting them new opportunities in their markets. That's how we develop our market with respect to knowledge.

**+ bbi:** Assume there is a sales force in a given country that doesn't care about trans-fatty acids. Is it possible to say, no, we don't need it here?

**+ Hoetmer:** No. We need to help our people to understand global insights instead of leaving it to local perceptions. Efficiently translating global knowledge and insights is an advantage that CSM can and should pass on to local markets because it will provide benefits to our customers in short or in longer term.

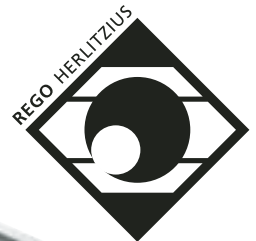
**+ bbi:** What is the influence of central strategy?

**+ Hoetmer:** It is important to have a platform to make information available more quickly for our customers, and to also share and push forward information about the real strategic trends of the markets and consumers to the organization.

**+ bbi:** Are the decisions also centralized? ▶

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**+ Hoetmer:** To a certain extent, yes. Central decisions are made on global trends. But how to apply it to the local market is something you should and can not do from a central point.

**+ bbi:** It seems that the decision as to “whether or not” is centralized, but the decision on “how” is made locally. Is this a fair assessment?

**+ Hoetmer:** I think that the trends we have identified are global. Take obesity for instance. This is less of a problem in Italy than it is in the US. But it is starting to become a problem in the UK, in Germany and so on; maybe Italy will follow one day. So we have to adapt to local markets. Health has developed as a big trend in a variety of ways. Salt is another issue which is becoming more and more important and it is valid for all countries.

**+ Orsel:** Nutrition profiling is important. On the back of obesity, we see the whole subject of energy density affecting the bakery sector. We know that whatever we deliver, whether its indulgence, or other products, it becomes an ongoing effort to reduce the caloric density. We already have the concepts to improve taste and quality while reducing the caloric density. That’s the strategy-driven part of what we are working on in the Innovation Centers. And, by the way, local units know that this is coming to their vicinity. Everybody is aware of the scheduled program. The launch calendar is ready.

**+ bbi:** Bread is already healthy. One of your main topics is health. Why is this so?

**+ Orsel:** When considering all the market trends, you will find that health and nutrition are by far the biggest drivers for new products. If you see the share that bakery goods are taking from that, it is still much too small. The dairy industry has done a much better job. In the 80s, bread was consid-

ered a healthy product and dairy was considered to be unhealthy because of its content of animal fats. This has now changed. If you ask consumers about healthy products, they will name yoghurts and other dairy products first. The bakery field did not take sufficient advantage of this opportunity. We have recognized this and we have hired a corporate nutritionist who is currently working on the health and nutrition issue on European level and also supporting our North American activities.

**+ bbi:** Healthy bread products are mainly made from whole-meal, dairy products mostly with additives. Are you sure that it is right for the baking industry to follow the dairy industry?

**+ Orsel:** The starting point should be a better communication about the positive aspects that wheat brings intrinsically. There is more work to be done. In my opinion, the daily fiber intake in European diets is a huge challenge. About 90 % of the European population takes a diet insufficient in fiber. Now, I see that the even the beverage industry is trying to solve this demand. The bakery industry should step-up more aggressively as being the logical food category to bring sufficient fibers to the diet.

**+ Hoetmer:** This is not a program for one Innovation Center alone. Fibers can be used in bread as well as in frozen products and even in pastry. All our Innovation Centers are dealing with health opportunities for bakery products.

**+ Orsel:** Customers expect certain benefits from certain food materials, and we should support that. Bread and fibers are linked very closely together. But the most important thing is how to communicate this. It has proven to be difficult to get a simple and clear message across.

**+ bbi:** Surely, that’s not the job of the Innovation Centers!

**+ Hoetmer:** That’s the job of the local organizations. But you should look at it as a circle because the ideas for the Innovation Centers are coming out of the market. As an international company we can take these ideas from Germany, Belgium etc., put them together and start working on a European level bringing improved ideas back to the markets from where it started. We have the scale, the combined knowledge and the opportunities.

**+ bbi:** What about the contact with the customer? An Italian customer surely doesn’t want to talk with an Innovation Center in Belgium or Germany.

**+ Hoetmer:** The customer always sees and talks to the local people. They speak the native language as well as the bakery language of the country. The Business Units in the specific country cooperates with the Innovation Center to make use of this wealth of knowledge.

**+ bbi:** Who develops the products for the specific markets?

**+ Hoetmer:** Based on a joint concept, everybody develops their own products which are designed for their specific country. A development manager in France will talk to his ►



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colleague in Germany and if there is a solution in Germany, the French will use the concept, adapted to the French product.

**+ Orsel:** For example – we are planning a big launch. We have found important technologies which will help us in the health and nutritional fields. We then organize a workshop where such a big project is transferred to local developers, informing them about the background and the essence of the technology. The people in the workshops talk about how to apply it and in which products. Then it will be ready and the robustness of the concept will be known. Meanwhile, the local market is preparing the launch and the application has been worked out.

**+ bbi:** So the new organization also saves time in bringing an innovation to the market. How many of these innovations will CSM launch in one year for example?

**+ Hoetmer:** Each Innovation Center has to deliver three big innovations every year. Currently, we have promising projects in the pipeline.

**+ bbi:** What will be the benefit of this strategy to customers?

**+ Orsel:** We stay in close contact with our customers as usual. But at the same time our local people are fully embedded in our global network and have complete access to all of CSM's knowledge and development. Sharing knowledge, also with our customers, is our standard.

**+ bbi:** ... but I am a local baker ...

**+ Orsel:** The local baker will get more complete solutions faster delivered than before. The local baker can talk to the world biggest supplier who will share all its knowledge to improve his or her business.

**+ bbi:** O.K. There are ideas from all over the world, but what about customer needs in my specific market? I don't need muffins; I need some new ideas for Eierschecke which is a specific egg-custard cake.

**+ Hoetmer:** Our new set-up secures that idea generation links in to a much broader group of markets, people and ideas; custards are being used in many countries in many products in many different ways, which can be a great source of new ideas for products like Eierschecke. Let me say it again: We will continue to be the local supplier, close to our customers, but with an enormous wealth of knowledge and opportunities.

**+ bbi:** The European Innovation Centers are dedicated to bread ingredients, sweet ingredients, fats, and frozen products. What's the reason behind this breakdown?

**+ Orsel:** Looking at R&D, production and our Innovation Centers, it's logically structured around technological aspects. From there, you can bring it back into the Business Units who are focusing on specific markets and channels: artisan bakers, industrial bakers and in-store bakeries & out-of-home products. Our bread ingredients include mixes, improvers, concentrates, mixes for both bread and pastry but all deal with the dough. The Innovation Center Bakery Ingredients is located at Bingen, Germany, where we have our flour and enzyme expertise and a center for bakery advice. We will officially open the Innovation Center in Bingen on June 26, together with our customers. Our frozen products expertise is based in Wirral, UK, hence the Innovation Center Frozen Bakery Products is situated there.

In terms of sweet ingredients, we look at toppings, fillings, garnitures and nut products. The Innovation Center Sweet Ingredients is located at Goes, The Netherlands.

Fats include oil, fats, plasticized shortenings, pumpable margarines, butter sticks, mélanges, all that constitute bakery fats. The Innovation Center Bakery Fats is located nearby our largest fat processing plant in Merksem, Belgium.

**+ bbi:** All the innovation people in Bingen are German. Does this mean that the innovations are strongly influenced by the German market?

**+ Hoetmer:** No. We also have English, French and Norwegian people working in Bingen. We are actively bringing together the best people and practices from around the world into our Innovation Centers.

**+ bbi:** The Innovation Centers in the US are already up and running. What is your experience of them?

**+ Orsel:** I see innovations currently coming through of the size and impact that CSM should bring: big steps in technology, big roll outs, adapted to local market needs. In America, we have mastered the technology for avoiding trans-fats and having a balanced saturated fat level at the same time.

**+ Hoetmer:** We have had some major breakthroughs with pilot launches in America and as soon as we have the application, we will also launch it in Europe in the second part of the year. We cannot say any more about it for competition reasons, but we are really proud of it. It is the proof of the innovative power we have.

**+ bbi:** Thank you for the interview. +++