

## Leading the industry

# The New Face of Givaudan

Newly installed CEO, Gilles Andrier, offers insights into the ever-changing F&F landscape

**R**anked number one for four years running, Givaudan has recently seen some changes in its top ranks. With Henri Meier's retirement, Juerg Witmer, former CEO, took over as the new chairman of the board. Gilles Andrier succeeded Witmer as CEO at April's general assembly meeting. *Perfumer & Flavorist* recently spoke with Andrier on his strategy in his new role, the company's recent acquisitions and growth in fine fragrances, and the future of the F&F industry.

**P&F:** How would you describe Givaudan's culture?

**Andrier:** I am focused on having the ability to attract, retain and develop talent. It's truly a business of people, and I firmly believe that Givaudan has a very attractive and strong DNA — or culture — which enables us to really push and drive our people to do their best. That is the key to being innovative in today's market, thereby creating value for our clients. The culture of the company is not something you design or decide — it's a part of the DNA that we have built and continuously anchor. As long as this culture leads to the success of the company, I think that we will continue to attract the right people and to keep them in the company.



Gilles Andrier

The DNA of the company, of any company, is made of different things which are not necessarily always easy to pinpoint. At Givaudan I believe it is about cultural diversity and passion. In any Givaudan affiliate in the world there are multiple nationalities in the same place which has always been the way Givaudan has developed. As for passion, it's the business itself that triggers passion. If you don't have the

## Fragrance Wins 04/05

Goddess & Smile (Avon)  
Burberry Brit for Women  
Burberry Brit for Men  
Eau des Merveilles (Hermes)  
Love in Paris (Nina Ricci/Puig)  
Eau de Jade and Pierre de Lune (Armani)  
Black Code (Armani)  
Soul (Boss)  
Boss Intense (Hugo Boss)  
Ralph Cool (Ralph Lauren)  
Polo Black (Ralph Lauren)  
Fendi for Men (Fendi)  
Obsession Night for Men  
& for Women (Calvin Klein)  
Miami Glow (J Lo)  
Be Delicious for Men (DKNY)  
Z Zegna (Ermenegildo Zegna)  
Bond No. 9 Wall Street (Laurice Rahme)  
Bond No. 9 Chinatown (Laurice Rahme)  
Realities for Men (Liz Claiborne)  
Crystal Noir (Versace)  
Angelique Noir (Guerlain)



passion and sense of driving excellence then you are not made for this business and you are not made for Givaudan. So, the DNA is the passion for this business, the passion for delivering outstanding products and the passion to build mutual success with our clients.

**P&F:** As one of the top 10 companies in the industry, how does Givaudan continue to stay competitive in today's market?

**Andrier:** Our main focus is to aggressively go after organic growth. That's the only measurement to keep our company fit. In addition, we must make sure our organization is really committed and delivers sales growth. To do that, our primary strategy item, which has worked for Givaudan in the past and we will continue to do so, is to focus on key clients while still going after sizeable smaller business. As we currently maintain a pretty sizeable growth, we cannot rely solely on big clients so it is also important to go after selective and smaller sustainable markets. That's how we articulate our strategy as it relates to clients.

From a geography standpoint, our sales growth is going to be driven by China and Latin America, but Asia is also a high growth potential market. Over the last 10 years, we have continuously invested into Asia,

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China especially. We have a very strong position in this region, thanks to our ability to build upon our existing creation and development platforms in Shanghai and Singapore.

The third strategy involves segments which we believe are going to grow at a faster pace. The first segment is the health

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and wellness market. It's very promising because consumers are more and more health aware. This major trend translates into very specific requirements on the food side especially and as well as on the fragrance side. And again that translates into opportunities for us in the field of taste to create new flavors or molecules which help modify the taste — especially the taste of sweet and salt. So, health and wellness is a sizeable opportunity in the terms

of markets while being instrumental to our existing markets. We are very well positioned to go after this market (and have already begun to do so), especially on the resource side because that is all driven by core research and technology.

**P&F:** As you mentioned, the health and wellness market offers opportunities for F&F companies. Givaudan has recently introduced TasteSolutions® to address this growing market. Please describe this endeavor.

**Andrier:** TasteSolutions is the main pillar to address the health and wellness market. The two main items of this pillar deal with the sweet modifier and the salt modifier. For example, when food companies take out sugar or replace sugar with sweeteners they compromise the overall sensory profile. Through our technology and sensory expertise, we are able to deliver to our clients a compound which compensates for this taste modification. It's not a question of adding one molecule; it requires looking at the whole flavor and sensory profile. So, what I just said about sweet, applies the same way to salt and to fat. TasteSolutions is all about delivering those solutions. In addition, when nutritional elements, such as vitamins, are added to a food product the taste profile will most likely be altered. This means that again we need to be able to

\*TasteSolutions is a Givaudan trademark.

compensate for the modification of this taste. In the end product the consumer does not want to compromise on taste.

**P&F:** How have the company's acquisitions in the past few years (FIS, Nestlé's flavor division and Tastemaker) affected Givaudan's sales and market?

**Andrier:** All the acquisitions that Givaudan's been involved in have always followed a strong rationale. It's not just a question of acquiring sales, it has always been a question of acquiring anything which could complete and enrich our knowledge base and our customer base. The latest has been the FIS Nestlé acquisition, which was completed to enable Givaudan to be strong on the savory side. This has been very successful as an acquisition; it really helped us in terms of people, talent, facilities and customer base on the savory side.

**P&F:** Is the company considering any future acquisition/merger opportunities?

**Andrier:** This industry is obviously going to further consolidate. There's no secret there. Currently, we are the leader of this industry in fragrance and flavors. Given this, we will certainly be looking into whatever future consolidations the industry has in store. For Givaudan, it's not only a question of being big, we have shown a pretty strong ability to integrate without impairing or affecting our day-to-day business, which is usually what happens with acquisitions. In addition, those mergers/acquisitions that have helped make Givaudan the leader in this industry have always been pretty substantial in terms of increasing shareholders value. We have never considered any acquisitions which would dilute shareholders value. We will continue to look at possible acquisitions in a very critical mode to make sure that we continue to create value.

**P&F:** We have talked a lot about the flavor side of Givaudan's business, what is the latest news on the fragrance side?

**Andrier:** Beginning around three years ago, Givaudan has become very much committed to coming back into fine fragrance, especially in our Paris and New York studios. I think that was one of the smartest things to do — to get back to our clients in a more intimate way. Thanks to our focus on this market and leveraging on the core talents we have at Givaudan in fine fragrance, we have managed to deliver very strong results in this segment in the last couple of years (see *Fragrance Wins 04/05*). One of the main challenges we face, which other companies in the industry face as well, is to sustain this good performance in a market which is struggling today.

Givaudan also has a strong position in consumer products, and we are working on sustaining this posi-

tion and growing it. In this market we have strong expertise in all the segments we work with — fabric care, personal care, etc. Our global reach extends also to Asia specifically, as well as Latin America. I think this is absolutely imperative to be successful with our consumer products clients in today's environment. We have been investing in those regions for a while with the right level of resources. In addition, we have a strong position in India in fragrances especially. There is certainly the opportunity to grow flavors in India.

**P&F:** As stated in your 2004 results, Givaudan's sales in fragrance ingredients declined as a result of discontinued commodity ingredients. What's the strategy behind this? Where is Givaudan's fragrance ingredients unit heading in the near future?

We will certainly be looking into whatever future consolidations the industry has in store. For Givaudan, it's not only a question of being big. We have never considered any acquisitions which would dilute shareholders value.

**Andrier:** This decline is a programmed decline. It is all part of our strategy. We re-shuffle our portfolio of ingredients in order to gradually walk away from the low-value added commodity ingredients and to replace them with high-value added ingredients. This is the strategy that we put in place two or three years ago and it obviously affects our sales but with the benefit of improving our overall profit margin. There's no beginning or end to such a process — it's continuous. For example, as ingredients lose their patent protection or as the market intensifies more ingredients become commodities and more ingredients come out of research. So, it is just a re-shuffling with the goal of continuous improvement.

**P&F:** Where do you see the industry in the next 12 months?

**Andrier:** Well, I don't have my crystal ball, but Givaudan is very committed to providing and creating value for our clients — in the year to come and beyond. This involves taking our unique leverage and the unique opportunities we have to add value to our clients' products. I still firmly believe that taste and smell are the most important criteria for a consumer, so if we do an outstanding job delivering the right taste and/or smell profile to our clients, then it will be a mutual success story for our clients and for Givaudan. What does it mean to deliver the most appropriate taste or smell profile to a product? It is all about innovation — having very talented flavorists, perfumers and creation teams, possessing a strong expertise on the consumer endpoint (drivers of liking, etc.), and research and technology. Our focus on key research programs gives us the ability to create this value and make sure we are always on top of innovation. So, innovation is the leading platform, which has meaning not only in research and technology but also in creation and in consumer

intelligence. So next year, if Givaudan does a good job and meets these goals then we will sustain our leadership position for the year to come.

**P&F:** What are the biggest challenges facing you in the next 12 months?

**Andrier:** As I mentioned, my first challenge will be to focus on continuously generating sales growth in a mature market. I am confident because there are a number of opportunities to sustain our growth and because of our unique innovation platform. There are a lot of organic drivers for us to develop into new business opportunities, such as an increase of disposable income and changing lifestyles in emerging markets and stronger end consumer segmentation (e.g. pre-teens and baby-boomers).

Our ambition is to become the essential source of sensory innovation, based on our wide-range of expertise under the following four capabilities: sensory intelligence, sensory creation, sensory technology and sensory science. For example, the understanding of the taste and smell mechanisms can create major opportunities in the future of the development of sensory analysis. Our sensory expertise reveals how much there is still to discover and innovate in our industry. This is the key to being the indispensable partner for our customers. ■