Firmenich : An unconventional approach to capture the flavour of China

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According to Pierre-Alain Ceralli, Firmenich’s vice-president for flavours in China, the country now represents 20% of the total flavour industry’s potential. Furthermore, as China transforms its economy from export-led GDP to a domestic-led economic growth model, the food industry’s opportunities there are massive.

Ceralli, joined by Aldo Uva, the company’s president, is taking a break from the inauguration of Firmenich’s new flavour centre in Shanghai—its second in China and third critical innovation hub worldwide—to talk about the fragrance and flavour company’s approach to this burgeoning new economy

The new building will be used to integrate laboratories cutting across Firmenich’s leading scientific disciplines, including the discovery and development of ingredients, as well as technologies to improve fragrance and flavour performance, perception and delivery.

“As a flavour company, we see very attractive growth potential for Firmenich in China," says Ceralli. Moreover, as China develops, the consumer segmentation becomes more and more important as the results of the economic growth are distributed in very different ways across the country.”

These range from highly sophisticated and top-quality solutions in China’s Tier-I and II cities to mass-market affordability solutions for consumer penetration into the fourth and fifth tiers.

Four pillars

“More important for our business is the consumer shift from Western taste aspirations to Chinese local taste. As a result, Firmenich focuses on four key taste pillars in China,” adds Ceralli.

With the first of these—citrus—the company has orchestrated local sourcing practices to use Chinese fruit. With tea, Firmenich has developed unique molecules to strengthen the authenticity of Chinese tea to respond to consumer demand for what it calls a more natural and authentic tea profile in the beverage industry.

The company claims to have deepened its understanding of Chinese milk to improve taste delivery in the dairy industry—the third pillar—and combined this with unique mouthfeel characteristics.

And Firmenich has worked hand-in-hand with its corporate R&D centre, which is based in Shanghai, to analyse, extract and synthesise new molecules found in local fruits and plants in China, which form the final pillar, says Cerall.

“In a nutshell, we leverage our global core technology capabilities while translating the final solutions into authentic, relevant and local taste profiles to deliver against our customer and consumer needs,” he adds.

Unconventional clusters

Firmenich claims it has developed an “unconventional” approach to targeting its developing markets, which include China, and according to the company’s president, this cluster-based system has worked well in the two-and-a-half years since it began.

“We have abandoned the usual organisation that is generally used by companies dealing with Asia,” says Uva.

The company’s four emerging-market clusters include Shanghai, which deals only with China, Singapore for its business in Southeast Asia, a group in Dubai to manage India, the Middle East and Africa, and a Japan office that looks after Japan and South Korea.

“So instead of having a global approach to Asia, we have decided to split it into these four groups that are working and dealing with the different territories,” he explains. “In essence, we are approaching Asia, the Middle East and Africa with groups that are fully focused on each different area. This is because we strongly believe that each of the geographies and territories has different dynamics in terms of tonalities, priorities and what is most important in each different location.”

He says this cannot be done from combining an office in Europe with one Asian outpost, which he claims is often the case. “You need to know the territory well, to have people on the ground and know the local taste—the local evolution of food,” he adds. To do this, Firmenich uses a blend of Western managers and local staff, which he says are the future of the company’s operations in China.

Greater expense

This approach, he says, has gone well—and possibly even better than he anticipated. However, there is always risk when moving away from the norm, especially as it can be more expensive.

“You look at the synergies and expertise, but you also look to capitalise on your investment. In theory you are adding to costs because you are duplicating a lot of your funds in all the different regions,” says Uva.

“But through this trade-off we have proved that by investing money we can build synergies, develop insights and create abilities. It can be costly, but the value we can add to our operations and our customers is that much higher.”

China is evolving to become extremely important for flavour companies in terms of clients, products and consumers. No matter who you speak to, there is a land grab going on in the country, and in time we will see which approach this brave new market has worked best.

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