

A Taste for Competition: Matrix Adds a Local Flavour

Despite much toil and trouble in its early years, Matrix Flavours & Fragrances has carved a formidable reputation for itself on the flavours market. With a brand new production and product development facility in place, company founder Dr. Tan Chee Hong looks forward to taking on the world at large.

“WHEN I started this business, we had a bad recession. Then the government removed the import duty on flavours, which was 30-40 percent. But the duty on raw materials for flavours was still 40-50 percent. I was being penalised just because I was a local manufacturer!”

As recalled by Dr. Tan Chee Hong, ignorant if well-meaning bureaucrats were just one of many hurdles he encountered in his effort to build a Malaysian flavour house that could match international suppliers. The founder and managing director of Matrix Flavours & Fragrances (MFF) is no stranger to confronting obstacles, having battled numerous commercial setbacks and legislative snares for over 20 years.

The raw material duties were eventually lifted, though only after years of petitioning. Since then, MFF has gone from strength to strength as a leading home-grown flavour manufacturer and exporter, with sales to markets in South-east Asia, Taiwan, Japan, the Middle East, India, Australia and the United States. Demand has grown so much, that the company recently commissioned a new production and R&D facility in Klang, Selangor, to cater to current and future pressures on capacity.

Setbacks and successes

MFF is a member of the Matrix Group of companies, which Dr. Tan founded in 1976 as a supplier of palm oil refinery equipment. Seeking to branch out into a less commodity-driven sector, Dr. Tan set up MFF in 1978, which began by supplying flavours to the local baking industry. Sweat and toil marked MFF's early years, when the company had to battle the entrenched mindset that imported flavours

from Japan and Europe were inevitably superior.

Earnest provision of technical services – in the days when few food technologists were employed in local food companies – as well as Dr. Tan's deep expertise and involvement in product research and development (he is a Synthetic Organic Chemist with a PhD in Biochemistry) helped cement MFF's status as a competitive source of flavours that were equal, if not better, in quality to international brands.

The company has since build up a diverse portfolio of

flavours, but counts heat resistant flavours for the bakery sector as a particular strength. Dr. Tan notes with justified pride that far from being regarded as a mere 'me too' supplier, MFF's expertise is sufficient for it to have transferred know-how for heat resistant flavour technology and certain tropical flavours to a major flavour company in Europe. “In terms of technology, this is where we have our strengths, although we don't make a lot of noise about it,” he said.

Another path of high potential that was unfortunately cut short was a clouding agent formula. Dr. Tan had worked out a formula which could be used to quickly and precisely make a clouding agent with a required specific gravity and stability. “It's just by calculations,” he said, “Nobody had done that before.” A major beverage multinational was on the verge on adopting the formula, when it had to back out. “We were using an ingredient that was allowed in America but not in Europe, so they couldn't take it,” explained Dr. Tan.

Though a setback, Dr. Tan now regards the experience as just another example of how legitimate initiatives can be bogged down by legislative, or even political, objectives. He cites Quorn, a mycoprotein used in the UK but whose safety is being hotly debated in the US, and acrylamide, a



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suspected carcinogen in many fried foods, as more recent examples of legislators running ahead of themselves, to the detriment of both the industry and consumers.

Closer to home, Dr. Tan bemoans the legislative lag which is hampering the food industry's events to become international players. "You find that common salt is more toxic than benzoic acid – you'll die from taking salt before you die from benzoic acid," he said, referring to a significant barrier encountered by the baking industry. "At the lethal dosage for benzoic acid, I calculated that you will have to eat 75 kg of cake for 2 weeks before you have a fifty percent chance of dying," he said. "You will be dead from eating the cake before you die from the poisoning."

While bakers in the UK can use up to 2,500 ppm of benzoic acid in cakes, in Malaysia, "they stick to 1,000 ppm and expect you to make pandan and Nonya cakes, but how then are you

going to preserve and export them?" he counters.

Relishing every opportunity to play the intellectual gadfly, Dr. Tan is known in Malaysian circles for his biting commentaries on official inconsistencies ("one moment they are saying local people are not entrepreneurial enough, but they don't realise government servants are the ones who put stumbling blocks...") and the nature of entrepreneurship, on which he pens a column in a local business weekly.

Pride versus prejudice

Dr. Tan revealed that while MFF has received proposals from several foreign companies to form joint ventures in overseas markets such as China, he wants to go on MFF's own strength, adding adamantly, "I ask myself, after 20 years in the business, if I have no confidence in the MFF name, I had better shoot myself in the head..."

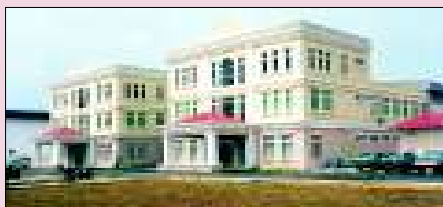
Fighting with flavours and a new factory

APART from bakery ingredients, MFF is also a major supplier of ghee and butter flavours, reflecting in part its links to Malaysia's extensive palm oil products industry. "Sometimes [customers] want us to develop or match a certain flavour, and we have an understanding that once we develop that certain flavour, we don't sell it to anybody else," said Dr. Tan of his approach to the business. "This is where ethics is so important."

Mutual trust is also an asset which MFF has build up over time. "A customer may have a tender, and they need a certain flavour profile for ghee or butter. We give it to them, and when the tender is done they buy from us." This way, products containing MFF's flavours have reached shores as far as the US and the Middle East.

Reaction flavours are another area of interest for MFF. Dr. Tan observes a growing trend of health consciousness, especially towards foods of vegetable origin. Countries like Taiwan are conducting much research on such foods like meat analogues, and demand for reaction flavours will consequently rise. Events such as outbreaks of Bovine

Spongiform Encephalopathy (mad cow disease) and the emergence of drug-resistant bacteria thanks to antibiotics in animal feed are casting strong doubts about animal proteins. "It's just a question of time before a big disaster hits the world and people will change," said Dr. Tan. "So we have to be prepared for the meat flavours."



Currently, 60-70 percent of MFF's sales are from exports, but Dr. Tan's eventual goal is that "Malaysia should be at most 5 percent of our total sales". The new Klang facility (above) forms part of a concerted effort to tackle overseas markets in terms of both capacity and performance. The buildings and seven acre plot cost MFF about RM15 million, whereas the production equipment was largely developed in-house. "We can't really put a price to that," said Tan Han Kwan, General Manager of MFF, "but we have implemented some very new extraction systems that give

us a technology advantage over our competitors."

"We have ISO9000 and halal and kosher certifications, so our factory is for all intents and purposes complete," added Mr Tan. "We can compete with any flavour house from the developed countries." MFF is also working towards meeting ISO14000, HACCP and GMP requirements and has invested substantially in new instruments for product monitoring and quality control.

With a built-up area of about 100,000 sq ft, the factory also uses an integrated MRP (Manufacturing Resource Planning) and ERP software system that automates ordering and production schedules, keeping staff numbers to a minimum, and vastly improves delivery time. "We process orders very quickly, usually within a one week lead time," said Mr Tan. One block of the facility is dedicated to processing oleochemicals into emulsifiers, sorbitant esters and other food ingredients, which Dr. Tan regards as a complementary activity to the flavours business, and future expansion plans are foreseen in an extra 4 acres behind the existing blocks.

The company's proven track record as well as national pride fuel Dr. Tan's determination to launch MFF onto the global stage. "I am interested in hoisting the Malaysian company as a competitor to the world," he said. "We must not buckle under competition from multinationals."

With the new factory (see box), Dr. Tan believes MFF is on its way to achieving the critical mass required to sustain a major international drive, including setting up subsidiary offices and even plants in major foreign markets. "Now some of our flavours are being tested out in America by US manufacturers who are happy with the results," he said, adding that a production site there cannot be ruled out in the future.

Despite the ongoing consolidation of the global flavour industry, Dr. Tan thinks the big boys "cannot muscle everyone out." He regards the flavour business as being a frag-

improved joint product development work between suppliers such as MFF as both partners can "speak the same lingo." He added, "The new companies are more technology driven, which is a good sign, because they will be able to come up with better products."

Dr. Tan sees an emerging generation of food industry players who understanding the importance of technology while possessing a sense of vision that distinguishes their enterprise. "I think the undercurrent of technology upgrading and higher management capabilities is here," he said, noting that even traditional managers now "see that the future business must be technology-oriented." Companies are also recognising the vital role played by packaging and presentation in fostering their product image.



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Dr. Tan, on Matrix's customer relationship philosophy.

mented industry by nature, and as smaller suppliers are more able to maintain a higher contact ratio with customers, they are fairly level with the big players when food companies seek solutions for new product concepts.

Understandably coy about revealing in detail his strategy for tackling a heated market, Dr. Tan simply says that MFF "would place our hopes on food companies that are well managed and work along with them" for the long term. "It's also very important for [customers] to understand that we have a very high standard of ethics," he adds. "We work as a team."

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At the same time, Dr. Tan also harbours hope that some of the local food companies he works with "will have the vision and courage to challenge the MNCs and become MNCs themselves." Having followed the progress of the local food industry for decades, Dr. Tan sees a more open attitude towards adopting modern technologies and business practices, both amongst younger firms and established family-owned companies where a new generation is taking over.

"Newer food companies are employing food tech graduates, unlike the old generation," remarked Dr. Tan. This has

"The food industry is undergoing some very fundamental changes." Dr. Tan believes this momentum cannot be held back, and he hopes to accompany the food industry through this ongoing evolution. "We cannot do everything overnight," he acknowledged. "But we must match them as they grow in terms of management thinking, technology and coordination."

For Dr. Tan, the longer term benchmarks for MFF are not fellow flavour houses but companies with a range and depth that have managed to thrive for well over a century, like BASF and DuPont. "I want to be in a business with a long life span like that," he said. "To do so you must have vision and the ability to think critically."

Dr. Tan is determined to pursue this path without being beholden to external support. Again, he stressed that rather than monetary considerations, his goal is driven in part by a deep sense of pride and belief that indigenous enterprises can challenge the best international rivals. "I am in not just for the money, but for the Asian sense of self-esteem," he affirmed. "I can take a short cut... go with these big guys who want to buy us up. But I lose control of the company, and I look back at all those years and remember the prejudices we faced and how we fought... it's a hard-won victory which I am not going to give away."

Enquiry No: 035

Visit Matrix Flavours & Fragrances at Food Ingredients Asia this 6-8 November at Stand D6.