

# **DKSH:** Trusted Chemical Distributor Links East to West



**140 years experience, and global capability in Market Expansion Services come to the fore**



# Taking Chemical Distribution to a New Level

## DKSH: The one business offering a complete service package for the whole of Asia

**C**hemical distribution can be viewed by chemical firms either as a cost or as a business opportunity. Swiss chemical distribution and Market Expansion Services specialist DKSH, a company with a vast global distribution footprint, especially in Asia, says by leveraging its size and more than 140 years of experience, it can provide tailored services that readily create distribution opportunities for chemical producers.

DKSH offers a depth of Market Expansion Services that goes beyond delivering materials at the gate and includes a slew of services designed to enhance its business partner's profits by opening up markets and also reduce costs. The company's portfolio of activities includes materials sourcing, research and analysis, marketing and sales, distribution and logistics, as well as after-sales services. DKSH's approach results in reduced complexity, meaningful insights, speed to market and cost competitiveness for its customers, the company says. DKSH sources raw materials and finds new outlets for its suppliers' products. With 22,000 specialist staff at hand the group has scale on its side. DKSH operates in a range of industries including FMCG and healthcare products, but also has a Business Unit dedicated to specialty chemicals that features 1,200 specialist staff and 57 offices in 24 countries.

### Experience counts

Through its predecessor companies, DKSH has built up more than 140 years of experience in the Asian market, says Mario Preissler, Executive Vice President Business Unit Performance Materials, based in Zurich, Switzerland. "In South East Asia and Japan, we are seen as a local company rather than a foreign investor. With that kind of history and related deep market knowledge, we can offer our business partners a unique opportunity to expand their business in the region."

The company has sizeable sales and technical service organizations in all relevant countries, enabling it to offer its supply partners a broad geographical coverage at a singular service standard. "All our people are industry specialists. In the core markets we operate we offer our supply partners market access and a natural extension of their sales force providing profound technical and industry knowledge. In our 15 application and formulation laboratories across Asia, Europe and the Americas we have the capacity and expertise to develop new product ideas and formulations that meet evolving needs of our customers and create opportunities for suppliers. Last but not least, we can help cut expenses by managing a suppliers' operation, thereby cutting down costs and generating cash flow."

### Ensuring Product Quality

The reputation of chemical supplies from China has been tainted in recent years with a series of contamination scandals, including deadly compounds discovered in heparin, a blood-thinning drug, which was responsible for the death of more than 100 patients in the west. DKSH says to combat such challenges to the supply chain it has had to make safety and quality assurance the "twin pillars" of its business. "Our raw materials suppliers are audited by specialized people before starting on a regular basis." As part of a set of activities to guarantee safety and quality, the company implements a supplier accreditation package (SAPA). The SAPA package features certificates of analysis and third party tests for all purchased materials. "Moreover, stringent test plans are established for critical substances, such as genetically modified organisms (GMO) for soy, or individual batch release procedures for key intermediates. Needless to mention that traceability is guar-



Preissler: Offering supply partners market access.

anteed for all batches."

Historically, DKSH has had strong ties with small and medium size enterprises (SMEs) that did not have access to certain markets, but where DKSH had a good presence. During the past few years, however, the company has also been working more intensely with large multinational suppliers. "Today, we have a very balanced list of supply partners of all sizes."

DKSH's broad geographical reach is one factor that has drawn in multinational customers; globally, the Performance Materials Business Unit has no less than 4,000 suppliers, providing for about 20,000 customers. The extent to which DKSH can help grow a business partner's profits depends on whether DKSH helps start a business from zero or if it is an existing business that can be lifted through improved market penetration. "Generally, we do agree on business plans with our suppliers in order to align expectations."

Two case studies illustrate how DKSH is able to help grow the business of its partners: Back in the nineties DKSH began a successful and long-lasting partnership with a large French cosmetics company. The company wanted to register a specialty ingredient developed by a Japanese company. "We carried out the registration and distribution to France, a process requiring in-depth knowledge of regulatory and legal guidelines." Following a successful market

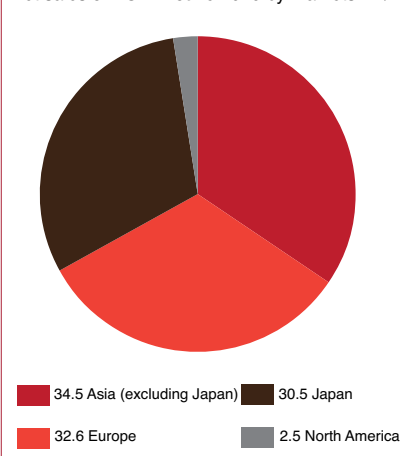


introduction, the ingredient is now used in many of the company's premium products. "We started supplying ingredient to the production site in Europe, and today we deliver 13 sites around the globe; thus enabling our customer to grow."

In 2005, Nutrinova (Frankfurt), the consumer specialties company of Celanese and manufacturer of the sweetener Sunett, decided to work with distribution and marketing companies to secure sales growth across Asian markets. DKSH was among the first companies in South East Asia chosen for the job. Sunett Acesulfame-K, a high-intensity sweetener, can be used as a partial replacement of sugar to address cost and health concerns for most beverage producers. "Although a number of generic, low-cost sweeteners are present in the market, DKSH's customers are unwilling to compromise quality and thus remain loyal. In the Philippines, for instance, we have expanded their business by more than 120% in 2008, covering key beverage manufacturers."

One of DKSH's guiding principles is to develop long term relationships with its suppliers and the company says it expects its sales people to act as representatives of its suppliers at its customers. "This obviously implies that we will not have similar products from competing suppliers within our portfolio in a given region. However, conflicts may come up when making acquisitions or by having different technologies for the same applications. Those issues are then solved on a case by case basis."

Net sales of BU PM June 2010 by markets in %



### Strong Presence in Asia

The majority of DKSH's business is in fast growing economies and industries. The Performance Materials business is targeting double-digit percentage sales growth for the next few years. "Further scaling of our business means that we can further professionalize and expand our service offering to our customers to become an even more valuable innovation and sourcing partner for them." The Business Unit is set to open three new formulation and application laboratories in Japan, Thailand and China in a bid to enable the company to improve the level of its service. A pharmaceutical innovation center has opened its door in the Philippines earlier this year to offer its customers technical assistance in pilot trial and coating tablet application

as well as prototype sample formulation of taste masked antibiotics for children (suspension/syrup) using DKSH's specialty excipients.

DKSH already runs 15 application and formulation laboratories around the world, coupled with a logistics infrastructure and centralized IT platform in Malaysia to manage its global distribution activities.

"For any multinational supplier we can be the one business contact that offers a complete service package for the whole of Asia. Such a setup will save huge amounts of time and transaction cost for any kind of company."

DKSH plans to become one of the leading global distributors of specialty chemicals. "Our prime focus for growth is definitely Asia and Europe as well as the expansion of our product and service portfolio for the industries we work in. We are permanently enlarging the number of sales and technical service people through organic growth in most markets. Besides that, we are looking for enhanced market penetration through acquisitions especially in China, India and Europe. As the previous years have shown, DKSH is definitely in a position to do more than one deal at a time. We also still have some gaps in our product offering which we will close through collaboration with new suppliers."

### Opportunities in the U.S.

DKSH also is seeking to increase its supplier base in the U.S. The group recently has agreed some supply deals with major U.S. companies and predicts with its presence in Asia could be a major asset for such U.S. firms.

The Business Unit recorded sales in 2009 of CHF 703 million (\$660 million) and is targeting sales growth of 10% in 2010. The Unit's activities largely are in recession-resistant industries such as health care, food, and beauty care. As a result, the effect of the economical crisis on our business was "rather limited", Preissler says. "Obviously, the backdrop in certain industrial sectors hit us like everybody else but overall, our 2009 sales were only 5% below the record year 2008," he adds.

DKSH specialists work on new high-quality, cost effective formulations and technology applications, accompanying their business partners in the development of future product generations from concept to commercialization.





# DKSH Extends Chemical Service Capability

## Sourcing from over 4,000 suppliers: 70 markets and selling to over 20,000 customers

**T**he story of Business Unit Performance Materials (PM) really takes off from 2005, when DKSH's Business Units Food & Ingredients and Specialty & Life Science Chemicals were merged into a single Unit. In 2006, the company concentrated on driving synergies in the combined operations and then in 2007 embarked on a thorough reorganization of the Unit, defining and fostering the key success factors. It was given its current name in 2008, and now operates across four main Business Lines – Food & Beverage Industry, Personal Care Industry, Pharmaceutical Industry and Specialty Chemicals Industry. The Business Unit is active in eleven Industry Clusters that are distinguished by the specific application competence required to provide value adding solutions to them (see table). In Personal Care, for instance, it offers a complete portfolio that comprises basic and specialty ingredients such as hair dyes, surfactants, waxes and organic ingredients. In the electronics area, it supplies materials for making photoresists, UV-curing resins and printed electronics, as well as high-purity chemicals for liquid crystal displays, photovoltaics, and other high-growth segments.

The PM business achieved total sales of CHF 703m in 2009 and earnings before interest and tax (EBIT) of CHF30m. The strong growth during the past years has been generated by focusing on a number of priorities: local entrepreneurship; industry expertise; global integration; as well as speed and reliability. The result is a seamless Market Expansion Service platform that sources from over 4,000 suppliers in 70 markets and sells to over 20,000 customers around the globe. To do this, it employs around 1,200 specialized staff and has operations in 24 countries, with 57 business locations in the Asia Pacific region and a further 14 in Europe and the Americas. It also operates 15 sourcing offices worldwide and 15 application and formulation laboratories.

### More than a chemical distributor

DKSH is a financially stable and dependable partner who has been at home in Asia for more than 140 years, reliably safeguarding the interests of their business partners. Because of the long history in the region, DKSH is deeply rooted in many communities throughout Asia, and has established a vast network of business and personal relationships. When it comes to their specialty chemicals and ingredients business, DKSH is more than just a trader or distributor: The company operates as a trusted link between suppliers and customers in Asia, Europe and the Americas. Providing supply partners market access and a natural extension of their sales force offering profound technical and industry knowledge. By working with customers across 24 countries DKSH offers countless opportunities for suppliers to expand their markets.

The companies' global reach and expertise also extends to issues of regulation, and DKSH is well placed to help its suppliers and customers with the EU's REACH chemicals regulation. DKSH understands the implications of the regulation, and is offering regulatory services for its business partners. PM can help companies comply with REACH, acting as an importer on behalf of non-EU companies and supporting them with consulting services. It manages and organizes the necessary data, and can help with registration and preparation of full REACH dossiers for products, operating through five legal entities in the EU.

### M&A activities

Alongside organic growth, the PM business has been grown by acquisition. DKSH recently has bolstered the Business Unit through several major deals, with a view to extending its competencies, product range, and geographic footprint. One acquisition was made in India, where DKSH expanded its presence with the purchase of the chemicals trading di-

vision of Voltas Ltd., part of the TATA group. The transfer to DKSH India strengthened the position of PM significantly in the country at a time when its European and U.S. clients were looking to this buoyant, emerging market for growth in a declining global economy. Through seven offices in major Indian Industrial centers, DKSH is now able to serve about

**DKSH** is the leading Market Expansion Services Group with its focus on Asia. As the term "Market Expansion Services" suggests, **DKSH** helps other companies and brands to grow their business in new or existing markets.

With 560 business locations in 35 countries — 20 of them in Europe and the Americas — and 22,000 specialized staff, it is one of the top 20 Swiss companies ranked by sales and employees. In 2009, **DKSH** generated Annual Gross Revenues of CHF 8,600 million.

The company offers any combination of sourcing, marketing, sales, distribution, and after-sales services. It provides business partners with expertise as well as on-the-ground logistics based on a comprehensive network of unique size and depth. Business activities are organized into four specialized Business Units that mirror **DKSH** fields of expertise: Consumer Goods, Healthcare, Performance Materials, and Technology.

Although **DKSH** is a Swiss company with headquarters in Zurich, it is deeply rooted in communities all across Asia Pacific. This is because the company looks back on a more than 140-year-long tradition of doing business in and with the region.



500 customers in the coatings, construction, cosmetics, food and beverage, pharmaceutical, plastics, and specialty chemicals industries, with tailor-made solutions for their specific applications.

Another step in the PM business expansion has taken place in Scandinavia, where the firm successfully concluded the acquisition of Dasico A/S, a specialty chemicals distributor based in Birkerød, Denmark. Dasico has served the Scandinavian markets for decades and now enables DKSH to access Denmark, Finland, Iceland, Norway, and Sweden. DKSH will now serve over 150 additional customers in the region in the

pharmaceutical, food and beverage, agro-chemical, and specialty chemical industries with in-depth industry expertise.

These deals will significantly fortify PM in the long term and have laid the foundation for larger deals to come.

**2010 investment projects**

An important focus in 2010 is a program to invest in new innovation centers to further deepen the company's application expertise and to develop innovative business ideas. In Thailand, DKSH is about to open a pilot (trial-size) laboratory for the beverage and dairy industries including a complete line

of Pasteurization/UHT, homogenization and bottling equipment with testing capabilities for pH, solid analyses, viscosity, etc. Running a trial on a full-size processing line is often cost-prohibitive; with the ability to simulate production on a smaller scale, DKSH will offer customized solutions for new products at significant cost savings. The pilot plant facilitates development of new products for our regional beverage and dairy partners- an advantage that reinforces DKSH's position as the leading Market Expansion Services provider. Furthermore a pharmaceutical innovation center has opened its door in the Philippines earlier this year to offer technical assistance in pilot trial and coating tablet application as well as prototype sample formulation of taste masked antibiotics for children (suspension/syrup) using DKSH's specialty excipients. As the economy accelerates into recovery, DKSH is the ideal partner for business expansion, offering innovative ingredients as well as formulation and application capabilities. Through a comprehensive service portfolio they can help suppliers and customers to become more innovative, eliminate inefficiencies, and transfer fixed costs into variable costs by providing opportunities to outsource their sourcing, product development, sales, and distribution to DKSH.

STRUCTURE OF BUSINESS UNIT PERFORMANCE MATERIALS	
BUSINESS LINE	CUSTOMER INDUSTRIES
Food & Beverage Industry	Beverage & Dairy
	Confectionery & Bakery
	Food Services
	Food Supplements & Nutrition
Personal Care Industry	Personal Care & Cosmetics
	Home Care
Pharmaceutical Industry	Pharmaceuticals
Specialty Chemicals Industry	Graphics & Electronics
	Paints & Coatings
	Polymers, Fibers & Adhesives
	Industrial Specialities

SOURCE: DKSH



# Services that can Grow Chemical Companies

DKSH is extending its chemicals services from distribution, through sales and laboratory development to provide chemical manufacturers with a network of opportunities to expand their business. Three case studies below, from the pharmaceutical, electronic and cosmetic industries, provide an insight into the role DKSH can play when it comes to boosting its business partners' businesses.



All better: DKSH can meet its pharma customers' exact specifications in custom manufacture and associated services.

## Secure Sourcing of Asian Pharma Intermediates

The pharmaceutical industry relies on a wide range of sometimes highly specialized chemicals and substances, both in research and in production. Sourcing the more esoteric substances often can be a serious challenge. One of DKSH's business partners was searching for a new customized substance that was not available on the market at the time. Knowing DKSH's ability to support its partners with the use of specialist knowledge and market insight, the partner asked DKSH to help.

The challenge was to find a suitable custom manufacturer able to meet the exact specifications of the customer. Through its network of contacts and long-standing relationships in Asia, DKSH was quickly able to identify a custom manufacturer in China with the potential to fit the bill. DKSH's Business Line Pharmaceutical Industry then supported the customer by defining the critical parameters for the product, such as the exact speci-

cations and packaging, etc, as well as the dangerous goods classification and other regulatory issues. The pharma company, a top-10 player in Europe, received a comprehensive package of services, including development of the substance, synthesis route finding, scale up and development of analytical protocols.

As a result, DKSH's customer was able to establish a new drug that is a very strong performer on the market today. At the other end of the deal, the Chinese company gained a significant new customer and thus had the incentive and funding to further invest in new facilities, strengthening its market ability. This example documents how Business Unit Performance Materials combines insights and relationships to deliver results for its business partner: Market Expansion Services at its best.

## Developing Novel Electronic Materials Fast

In the fast-moving world of consumer electronics and devices, speed of development and rapid time-to-market are key factors in any company's competitiveness. Delays in bringing the latest mobile phone technology to retail outlets can mean lost sales and diminished market penetration.

One of DKSH's customers, a U.S. producer of mobile phones, was seeking to develop new technology for electro-luminescent backlight displays for a new generation of products. Time was of the essence, due to growing consumer demand for lighter, thinner phones, and so fast coordination of samples, evaluation and response by the supplier, customers and DKSH was essential.

DKSH's Specialty Chemicals Industry Business Line offered to help the customer and swung into action, contacting its network around the world to find a suitable supplier for one of the key raw



On the button: DKSH is involved in the development of new electronic materials.



materials for making the conductive pastes essential to the manufacture of the electro-luminescent backlight display.

The customer appreciated the support and so began a three-way collaboration. In subsequent meetings at the U.S. company's R&D center, DKSH experts and supplier representatives were able to develop a custom-grade conductive paste that met all specifications – and that no other producer was able to offer.

This, says DKSH, enabled it to win the business, benefiting itself, the customer and the supplier that it had identified. In fact, the three partners continue to develop new materials for next-generation products.

To improve manufacturing efficiency, the customer is now moving production from the U.S. to China, and DKSH is continuing to support it at this new location, delivering material and providing technical assistance through its local experts.

#### Market Development on a New Continent

Companies with successful products in their own domestic market can often struggle to develop export business, especially when the products involved are tightly regulated in those overseas markets. An example is provided by a large South African manufacturer of beauty waxes and beads, which was looking to

Cosmetics: Providing its customers with experience in foreign markets.



market its quality products in the export arena, especially in Europe. The company did not have much experience in foreign markets and had no documentation of any kind or information on the specification of its various products.

The company approached DKSH for assistance. Drawing on expertise from its Market Expansion Services activities, the Business Line Personal Care was able to collaborate with the South African firm and develop comprehensive product documentation and marketing material. DKSH also used its knowledge of local regulations, and especially the EU's REACH policy, to ready the product for the market.

DKSH then approached several leading cosmetics companies in the target European market and. The approach was timely as one of the majors was developing innovative new cosmetic formulations. The South African company's waxes and beads turned out to be a perfect fit for the new products. After these products were successfully launched on to the French market, DKSH went on to interest several other cosmetic producers in its client's waxes and beads. It achieved additional business in Japan and then other European countries and now also India. As a result, the manufacturer has gained industry-wide acknowledgment and its offerings have

become part of the products of several leading companies in the cosmetics sector. DKSH acts as the client's sole partner for importation and distribution in these markets. It has also taken over the distribution of its partner's substances for one of the largest multinational cosmetics group.

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## DKSH - Performance Materials at a Glance

**Business model:** Global chemical distribution coupled with an extensive service offering including technical services. Reach is especially deep across Asia.

**Core product areas:** Ingredients for personal care and cosmetics, food and beverage, health care, paints and coatings, polymers, graphics and electronics.

**Resources:** 1,200 specialist staff, 57 offices, presence in 24 countries.

**Customers:** 20,000

**Suppliers:** 4,000

**Finance:** Sales in 2009 of CHF 703 million (\$660 million)

**Challenges:** Yet to become a major distributor in Europe and North America.

**Outlook:** Targeting sales growth of 10%/year.



**Success requires the right formula.  
The key ingredients are your business and ours.**

DKSH is the world's leading Market Expansion Services Group: growing our partners' businesses by providing a package of comprehensive services along the entire value chain. As an independent solution provider we source, develop, market, and distribute a wide range of specialty chemicals and ingredients to business partners in the food and beverage, personal care and cosmetics, pharmaceutical, and specialty chemicals industries.

We bridge Asia, Europe, and the Americas with a global network of sourcing teams, industry experts, as well as application and formulation laboratories to provide a complete range of products and services to our business partners.

Visit us at **CPhI, hall 5A, booth 5F90** or [www.dksh.com](http://www.dksh.com)

**Think Asia. Think DKSH.**