

The Conversation

Joseph Zaleski

President, Reading Bakery Systems



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Joseph Zaleski, president of Reading Bakery Systems, Robesonia, has been with the food processing systems manufacturer for 26 years. He discussed the company's aggressive expansion tactics, which aim to further its impact on a global level.

"The goal is really to go to emerging markets, where the need for equipment is, because some don't have a developed snack food market," Zaleski said.

Despite spending half his time in Europe for business, Zaleski has a deep love for Berks County, where he has lived since 1990.

"Of all the places in the world, there is not much better than what Berks has," Zaleski said.

Business Weekly: What kind of global growth is Reading Bakery Systems experiencing?

Joseph Zaleski: We have about half of our business in the United States, and half is international. It has been building up over the last 20 years or so. We used to have 90 percent domestic and 10 percent international business, and we have grown that to about 50 percent international with the reps or agents we work with around the world to sell our equipment. In the next five years or so, we are placing people from Reading, who have agreed to move to different areas of the world, and setting them up in places to sell. We are leveraging the group we belong to now, Markel Food Group, which has

some offices we are going to use: one in Singapore to cover southeast Asia and one in Tianjin, China, to cover China. One of our guys is going to live in the Netherlands and sell into Europe, and he'll be moving in September to take that position. We will also be in Dubai to sell in the Middle East. It will be an aggressive move in the next five years between Asia, the Middle East, Africa, Europe, Mexico and South America. As these people get in place and are looking hard for us for opportunities, we will be able to grow the international business and double it in size. We have about four people who have agreed to take international transfers to really start helping us move our product line around the world. The

thought is to continue to build here in the U.S., but the thinking is to reach a wider market with our people. We are not transferring manufacturing, we are just expanding the sales group so we can sell our products around the world a little bit more aggressively.

BW: Is this international growth representative of a new global demand for snack foods?

JZ: Developed snack-food markets, such as Europe and the U.S., aren't necessarily growing in rapid pace. If you look at Asia, Eastern Europe, Africa and the Middle East, there is a growing snack market that is not as well-developed, and in these cases you are looking at new production. Those areas are looking at existing snack food markets in the world and bringing it to the region. In Russia, we put in six huge production lines that produce 1,000 to 2,000 pounds an hour in products to make a Russian snack called shushka. We took one of our standard pretzel lines and converted it for them. With all of the international turmoil going on in Russia, we still do business with them. One of our guys speaks Russian, so we get them to speak the language in these countries so you can get a little bit closer relationships. We just finished a deal in Egypt, putting in a pretzel line. In Turkey, we will be doing a chocolate-coated product. There is a huge interest around the world, and it involves taking existing technology and bringing it to these regions.

BW: What is some new technology RBS offers?

JZ: We have a separate building that we call our Science and Innovation Center, which we have had for some time. But as of five years ago, we have small pilot-sized machinery of what we sell for full production lines. Full production lines are generally 400 to 500 feet long, with 30 to 40 machines in a line. We are always developing new snacks. The center is used for our own purpose and to develop machinery, where we do a lot of testing and development, and for customers who come up with their snack ideas. We do testing, formulations and ingredients. I'm taking a trip to Tanzania to find out what the local crops and ingredients and tastes are, and try to produce a snack line that would be appealing to the local population. We have some meetings with the government and food companies in Tanzania. We are going to get some

FYI

Reading Bakery Systems: Manufacturer of high-volume processing systems for the food manufacturing industry, with particular focus on baked production systems.

Background: Bachelor's in mechanical engineering from Penn State.

Personal: Lives in Centre Township, married to Diane for 32 years; four sons — Connor, 21; Casey, 23; Andrew, 24; and Kerry, 26 — and two grandchildren.

Hobbies: "We raised four boys here, so they are all in their 20s now, and two are finishing Penn State. They took up a lot of our time running them around to sports, and now we are finding time to do other things. I travel for work probably 50 percent of my time. I enjoy golfing and getting the boys to play golf, so you can have a chance to go out with them. I'm going to Iceland to play golf on Sunday for a week. I have been to Scotland and Ireland to play, and I played golf in Egypt a year ago."

Favorite book: "I like to read a lot of historical books. The one I was just telling my son about is called 'The Devil in the White City' by Erik Larson, about the Chicago's World's Fair wrapped in between a serial killer that was in Chicago the same period of time. Also, 'Thunderstruck' by Larson: that's about the development of wireless communications."

Best piece of management advice: "What I have learned at Reading Bakery Systems: It's about putting together a good team and letting the team do what they do best. It's managing the team to the point where everybody has a skill set, and what they are good at, and let people do what they are good at and just give them the guidance. It's about getting the right team together to move things forward. To put the right people in place as a team that enjoys working together and works well together and respects each other. That is probably the hardest thing. To go through this aggressive expansion plan, we have put together our team. The group likes working together."

What is the biggest challenge at your company?: "Our biggest challenge is always the competitive nature of the business. We compete against European companies for business. In the snack food business, there are probably four or five major companies that do what we do, and we compete all around the world for projects. We are the only one based in the United States that does what we do. Competitors are building in euros and we are building in dollars. It's the dollar/euro relationship. It was easier for us to compete in the past, but the euro dropped against the dollar from 10 percent to 15 percent, so that makes our machinery more expensive. It's now about innovating machine designs to lower our cost of production. Competitors are starting to build in lower labor cost areas, such as India and China, and it is tough to compete against those labor costs when you build in the U.S. We continuously have to innovate in manufacturing, production and design to deliver high-quality machinery at a price that is competitive."

ingredients and work on developing formulas and put those through our machines. Once we develop it, we will show it to these food companies. The idea is they would buy these systems from us. That is what we use our technical center for: to innovate new machinery and new snack-food products. That is what we see happening around the world, and exactly what we are doing in Tanzania. We are trying to figure out how to use local ingredients so it's less expensive for the

groups to produce snacks that are good tasting and healthy for people to eat.

BW: Do you have any innovative activity going on within the U.S. snack industry?

JZ: There is a development we have been doing for the last three or four years, which is to bring continuous mixing into the hamburger bun industry. When you mix dough the old way, you dump a batch of dough in a forming machine. It's

done in a batch process, usually. We have been working with continuous mixing, where you bring flour, water, shortening and sugar — whatever you have in the mix — into the mixer. You continuously put it in one end, and out the other end comes a finished dough, which is much more accurate than a batched process. This is about a \$4 million project that took us about three years. We did it in partnership with AMF, our sister company in Richmond, Va., and they sell the rest of the line. We developed a continuous mixer to make hamburger buns for large hamburger manufacturers who supply buns for all of the major fast-food chains. They each have their own formula, but it's the same machinery that does all the buns. This particular machinery is in Baltimore. Many bread and bun producers are watching this development from around the world. It's new to them, and it solves problems such as consistency of size and color. Continuous mixing solves all those problems. Based on this success, we just sold a second line in Colombia. The entire system they are purchasing to make bread buns is about \$7 million, and our portion is about \$2 million. We are talking about 12,000 pounds of dough an hour.

BW: What are some new trends you are seeing in the snack industry?

JZ: We see all different ingredients coming in, and people who look for healthier ingredients. The "clean" label thing is going through the industry right now. When you look back on snack food products, most can't understand all of the chemicals they contain. Some listings are so big, consumers don't know what they are putting in their body. The clean label concept is going through: for syrups, they are putting in real sugar, ingredients people are familiar with and understand. In our technical center, we have a lot of customers coming in to do trials with ingredients such as different starches. People are using different types of grain, like oats. In the end, the product has to taste good. Can you use healthier ingredients and still have the reach-back factor in the bag, or someone wanting to put their hand back in the bag for more? All of those things are part of what people are looking for in the industry.

—Courtney H. Diener-Stokes,
Reading Eagle correspondent