America, The Blend Hub

Mike Rainone, Co-Founder, PCDworks

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Usually there is a light dusting of activity here at PCDworks, but the last few weeks have been a veritable blizzard. This is due, in part, to my company’s growing involvement in the food business, as well as a recently formed relationship with Henrik Stamm Kristensen, a Danish entrepreneur and innovator who was my co-presenter at the Open Innovation Summit in Brussels last May. The combination of these two factors has created an unusual and unexpected opportunity, and despite my habitually pessimistic temperament, I feel hopeful for the future of innovation and the promise of real job creation, both here and abroad.

I’m beginning to think that a key to more American jobs could be a closer connection between European and American businesses — if we can only understand what it is that makes our nation an attractive place to do business. To get a little context, let me share my recent experiences, and examine the lessons that might be learned from them.

Kristensen’s great contributions to the world of food are threefold. First, he founded Premium Ingredients, a company that supplies powdered ingredients to a large customer base in Europe and the Middle East. From that came BlendHub, a company that makes a packaged, transportable powder blending machine. Finally, Kristensen started the website allfoodexperts.com, an open innovation portal manned by experts in the food industry who take and answer the tough questions that Premium and its wonderful R&D team feel are out of their purview.

The innovation of the day, however, is the BlendHub machine. Imagine a 40-foot long, portable, stainless steel container with drop-down sides. Inside the container is all sorts of computer controlled machinery with everything needed to sift, inject, mix, meter, and package the various powders that go into our foods. If you have a question about what those powders might be, join the crowd. I can only suggest you look at any packaged food container to begin to understand the vastness of this blending phenomenon. As I sit at my desk and write this article, I am enjoying a delightful lunch of Grade-A, small curd cottage cheese. The ingredients of this cottage cheese, partially reads as follows: nonfat milk (in powdered form), whey, salt, guar gum, food starch, citric acid, titanium dioxide, locust bean gum, carrageenan, lactic acid, and potassium sorbate. All of these ingredients are added to the cheese curds that principally make up cottage cheese, and they are all in powder form. These powdered ingredients are combined in a powder blending machine in an ordered process, in very precise amounts, and then added to the curds at a later time.

Of course, there are many different powder blenders, and in just about every country in the world there are companies that do blending. Some are toll blenders who do it for a fee. Some are big manufacturers like Nestle, ConAgra, and Kraft perform in-house blending in very large and expensive facilities. BlendHub, however, allows small- to medium-sized food manufacturers (SMEs) to bring control to their own processes, in their facilities, without the huge investment of a fixed plant.

In addition to lower costs, the SMEs can move the powder blending piece of their process closer to the source of the other ingredients, as they see fit. This offers control over cost and quality, as well as the varying tariffs that some countries charge between raw materials and finished products. In some ways, this machine is a serious innovation in the food business, as it gives SMEs the ability to compete with the biggest manufacturers on a price point basis.

For some crazy reason, Kristensen believes that the best place to launch BlendHub’s U.S. invasion is right here in Palestine, TX. He wants to put the first BlendHub machine here on our 77-acre campus, 17 miles north of Palestine, out in the boonies. I questioned his sanity at first, but his reasons seem rational and I am beginning to see the light.

He has many reasons for bringing this innovation into the U.S., but the most significant are threefold: the competitive advantage it brings SMEs, our nation’s willingness to embrace innovation, and what he perceives to be a fabulous business climate.

Kristensen finds it surprisingly easy to set up a corporate structure in the U.S., to locate customers, take advantage of incentives, and find state and federal officials willing and able to help clear the path to start up. To expedite that process, he sent one of his wonderful minions, Jose Miguel Carretero, to meet with Texas officials to determine the financial and legal feasibility of importing the machine and starting the company.

Carretero was responsible for BlendHub's previous startup efforts in India. When he learned that he could start a company here within a day, that it required no extensive paperwork, exclusion zones, tariffs, or bureaucratic harassment, he knew he was in the right place. He was in a business-friendly country that loves innovation and welcomes companies that can improve competition.

While our 35% corporate tax rate may be higher than other countries, the actual effective rate is much less, closer to 12% to 14%. Even with a higher corporate rate, you at least get something for that tax in the U.S. For example, while we may have an appalling educational system in Texas, we do have a fabulous highway system, relatively inexpensive and abundant power, and a work force willing to work and learn when provided the opportunity. The barriers to entry are minimal and incentives are great.

These may be our nation's greatest assets: our love of invention and respect for risk taking, our readiness to take a chance, and our willingness to collaborate. This is what Europe is looking for, and this is what we can and should provide.

These revelations are particularly important to me at this juncture, as I begin the process of establishing a European new product development hub for PCDworks in Italy. I know that it will not, in any way, be as easy as it is in the U.S. — where we take it for granted.

My hope is to bring America's innovative and entrepreneurial vigor to a place ripe for those qualities, and in return bring some of Europe's innovative expertise back to America. Perhaps this free trade of ideas and investment is what it will take to save both continents from domination by those farther to the East. One can only hope.

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