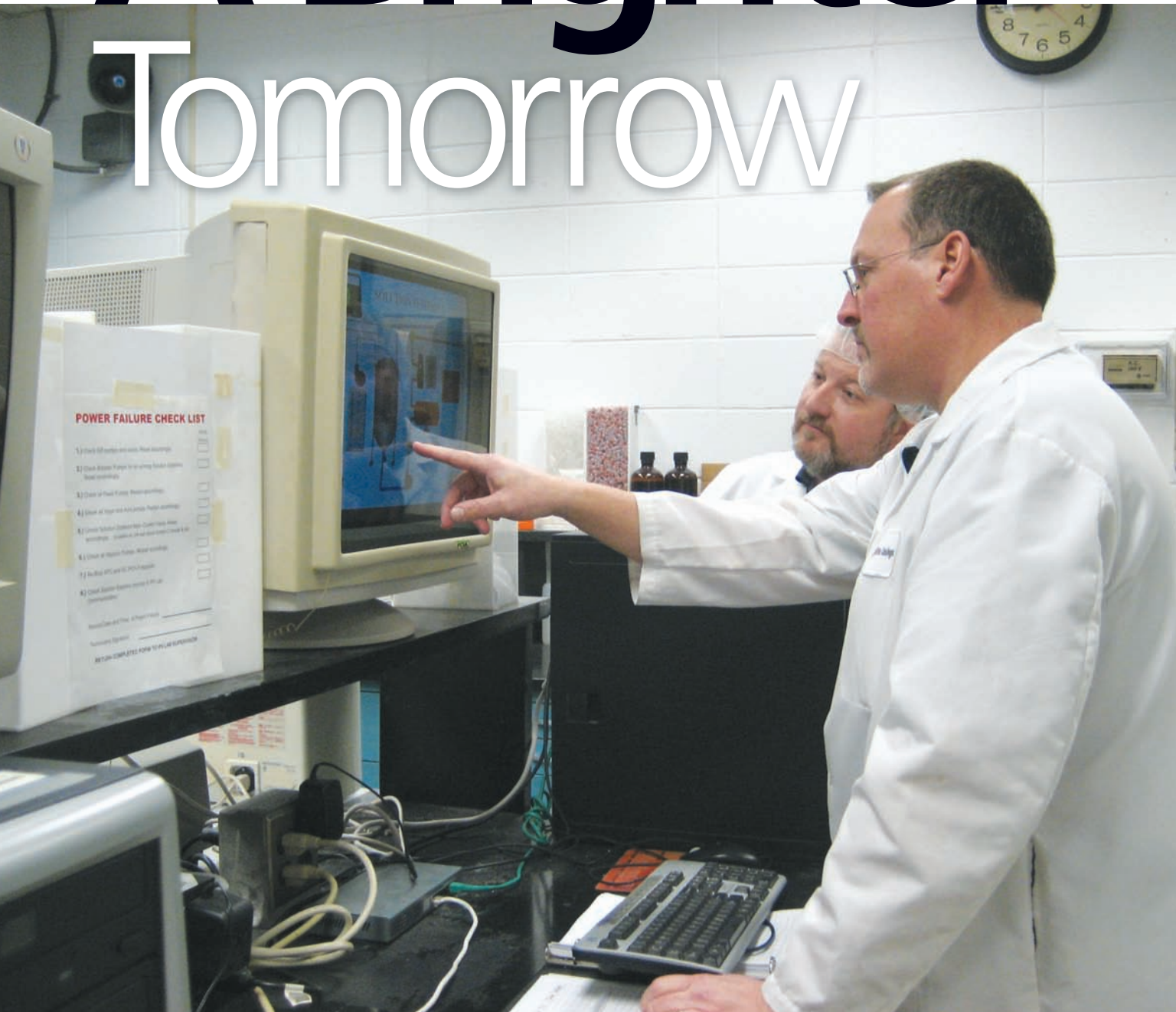




 **Nitta Casings Inc.**

**By leveraging its experience with a unique material, this niche business is expanding in new ways. Ron Frump explains how.**

# A Brighter Tomorrow



**I**t couldn't have been worse timing: mere months before the market tanked in 2008, Nitta Casings of Somerville, NJ lost its largest customer. The 47-year-old edible collagen casing manufacturer would have to reduce costs in the face of the worst recession in decades and without the support of a large customer. The result was more than two years of increasingly poor performance, but the solution, said J. Ronald Frump, the new president and CEO, came faster and was easier than expected.

"This company had everything it needed to succeed regardless of changes in the market. It just needed a new vision, a new direction, and a more focused cost-management strategy," said Frump, who joined the company in mid-2009 after years of experience in developing and restructuring businesses.

Nitta Casings started as an R&D arm of Johnson & Johnson before spinning off in 1960 as Devro, Inc. It was the first in the world to develop and market an edible collagen casing and today provides a high percentage of the casings for meat snacks in groceries across the country and around the world. Many in the meat industry consider collagen to be the superior casing option, versus animal gut or cellulose, because of its health benefits, cleaner and more predictable production process, and longer shelf life.

A key differentiator for Nitta Casings from other edible collagen casing manufacturers is its innovation and flexibility. Frump explained that although the manufacturing process is similar throughout the industry, Nitta is known for its ability to handle custom orders for color, diameter, length, and molecular composition.

Frump explained that depending on what type of equipment a customer is using to process meat products, uniquely formulated casings may be required, and Nitta can accommodate those needs. Cosmetic changes to color or texture based on how a customer plans to market a product are relatively simple for the company.

In 1996, Nitta Gelatin of Japan purchased the company to take advantage of similar raw material needs and technologies. The acquisition was beneficial for many years because of the two companies' shared commitment to the highest quality and innovation.

### Meeting challenges

Despite Nitta Casings' history of leadership in the industry, there were significant challenges last year. "A focus on cost cutting, headcount reductions, and entry into some unprofitable international markets meant our business could not handle the loss of a major customer; escalating material, labor, and benefit costs; and an out-of-control recession very well," said Frump.





In less than a year, however, things have turned around. Frump reports the company is now showing a profit, experiencing sales increases, and has the potential for expansion into many new markets.

Instead of hastily reducing headcount or cutting corners in the manufacturing process, Frump and his team systematically addressed the biggest cost centers of the business and refocused the company on developing efficient and effective processes and taking advantage of savings opportunities. First, they focused on procurement, meeting with current suppliers to find new ways to save money and expanding the company's supplier base internationally. These simple measures resulted in significant cost savings.

Second, the company has worked to gain efficiencies in its manufacturing process with subtle improvements that retain quality but reduce waste and increase output.



Third, and perhaps most importantly, the company has adopted a new vision and direction, along with a new corporate culture. Frump said management has worked to show greater appreciation for all employees and put in place processes for implementing new ideas from the manufacturing floor to improve the business.

"Some of our employees have been here for 20, 30, and even 40 years, and they are the ones using the equipment and making product every day. They have great ideas and know best how things can work better," Frump said. "Many of our employees have been with the company through good times and bad, and we are blessed to have such a devoted, loyal, and knowledgeable workforce that's helped us achieve so much in the last year."

He added that Nitta Casings' success would not have been possible without the employee's commitment to change and





eagerness to continue the company's momentum as it has picked up speed. Frump said as the economy continues to improve, even greater opportunities will become available for employees.

In the meantime, Nitta Casings' parent company has committed to investing a substantial amount of resources into the company over the next five to seven years, allowing it to make much-needed improvements and upgrades in its manufacturing and IT assets.

The company is also taking advantage of its legacy of innovation to pursue new markets. It's moving into several international markets where customers are excited about its custom offerings for delivering meat products that match unique applications in these markets.

Furthermore, Nitta Casings' R&D team is working diligently with a medical products manufacturer to research ways collagen can be more widely used in healthcare applications. Collagen is also gaining popularity as a general health enhancer and for age reversal, especially in Japan. Consumers there are excited about collagen in beverages and cosmetic applications.

"With a history of science and innovation in this field, we're uniquely positioned to lead our competitors into these new markets," said Frump. "We're laying the foundation here at NCI for a future of innovation, leadership, and continued growth, and we're thrilled to have come so far so fast." ■

—Meghan Flynn

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