Thermo Electron Embraces Its Nicolet History

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CORRECTION: The origin of the name of the former Nicolet companies is not as clear as it appeared in a recent story in The Capital Times.

John W. Schumann sent an e-mail stating that the company was named for his grandfather, Robert Nicolas Schumann. (Published 10/1/04)

Say "Nicolet" to a local resident and a few people might mention "that French guy (Jean Nicolet) who explored Wisconsin."

But most probably will think of the company that was one of the first local tech successes.

Founded in 1965 as a division of Fabri-Tek Inc. of Minneapolis, it was spun off in 1967 as Fabri-Tek Instruments Inc. It was re-named Nicolet Instrument Corp. in 1971 in honor of the French explorer.

It was bought in July 1992 by Thermo Instrument Systems Inc., a division of Waltham, Mass.-based Thermo Electron Corp.

The years since have included a dizzying series of deals and reorganizations that culminated with Thermo Electron deciding at the turn of the century to focus on its analytical instruments, and consolidating its array of companies so products that often ended up next to each other in a lab could be sold together.

A major move in 2001 saw Thermo spin off some operations into a separate public company called Viasys Healthcare. Included in that were the Nicolet Biomedical and Nicolet Vascular businesses, which became part of the Viasys NeuroCare unit (see accompanying story).

Another came last year when Thermo sold Nicolet Instrument Technologies to SPX, which renamed the business LDS Test & Measurement LLC (see accompanying story).

What remains in Thermo's multi-building local headquarters at 5225 Verona Road in Fitchburg is the biggest part -- the analytical instruments -- of the old Nicolet.

"All of the businesses that remain do some kind of chemical analysis in some way," said Brenda Wilcox, Thermo vice president of what is called the Molecular Spectroscopy division.

What also remains is the Nicolet name, which Thermo retained as a brand name.
"Going to market under one name, Thermo Electron, has posed a few challenges for us, because a lot of our customers know us as Nicolet," Wilcox said. "We're doing different marketing campaigns to get customers to connect our strong heritage names to Thermo Electron. And there's still a lot of value in that Nicolet name so we're using it as product name."

The Nicolet name proved its value in winning Don Meyer as a customer. Meyer owns TSE Scan of Watertown, which does research into the detection of TSEs -- transmissible spongiform encephalopathies such as chronic wasting disease, mad cow disease and scrapie in sheep.

TSE uses Thermo instruments to detect the protein differences between diseased and non-diseased animals. The company is working to get its rapid CWD test, which takes less than a minute, certified, ideally before this year's deer hunt. It also is working toward certification in England for a mad cow rapid test; U.S. certification could follow.

Meyer calls his firm's process infrared "fingerprinting" of a molecule to determine if it is normal or diseased.

Meyer became a customer after he saw a Thermo advertisement in a trade magazine and realized its location and history.

"Thermo is from Nicolet, and Nicolet Instruments has been around for a long time and has a great reputation and so I knew the quality was going to be there," Meyer said. "And having the business there in Madison meant that if I did have any trouble the serviceability was going to be outstanding. And a sales guy jumped right on the project and did it within a week. They brought in an instrument to let us try it out and from there everything has really worked out well."

Ultimately, Thermo's goal is to make customers recognize the Thermo name and what it stands for on its own.

"We're the biggest instrument company in the world and a lot of companies don't have any idea of that," said Chris Petty, Thermo director of vibrational spectroscopy. "They'll have 15 different Thermo Electron instruments but the customer won't know they all came from the same place because they bought it from a Nicolet or Finnegan or someone else. We tell these customers we're a really good partner because when you're working with Thermo Electron you're not dealing with 20 different small companies every time you want to buy something."

The reorganization also has included three key transfers to Fitchburg: 35-employee Thermo Spectra-Tech of Shelton, Conn., was transferred here in July 2002, while 55-employee Thermo Spectronic of Rochester, N.Y., was moved here in April 2003. In addition, Thermo Noran of Middleton and its 80 employees were moved from Middleton to Fitchburg in April.

"The whole reason is to create (Fitchburg) as a center of excellence," Wilcox said. "With all the product lines in one facility we can really focus on investing in that locale: buying tools, training programs, economies of scale."
Thermo Electron, which last year received the prestigious Frost & Sullivan Life Science Instrument Company of the Year award, has about 11,000 employees in 30 countries and had more than $2 billion in revenues in 2003. The local unit has about 450 of those employees; its revenues aren't disclosed, Wilcox said.

While dealing with the numerous organizational changes, the local unit has been hard at work creating new products, including three launched in recent weeks.

The Nicolet Antaris IGS FT-IR gas analyzer, which costs about $60,000, typically is used in industrial settings, Petty said.

"It's kind of different for us because most of our equipment goes into laboratory settings," he said. "It has a wide range of applications."

Companies making gases use it for safety monitoring. Companies that provide anesthesia gases to hospitals use it in testing to make sure what's in the canister is what's meant to be in the canister before it gets fed to a patient. And the military uses it to test oxygen for pilots before they breathe it.

The Nicolet FT-IR spectrometer, which costs from $30,000 to $90,000, does general chemical analysis.

"It's kind of our bread and butter product," Petty said. "It has a huge range of uses."

Pharmaceutical companies use it in looking at chemicals as they're developing new drugs. Forensic labs use it to identify unknown compounds, for example, whether the compound a suspect is found with is cocaine or talcum powder.

"It's very multi-purpose," Wilcox said. "Frito-Lay uses it to check the quality of its cooking oil for frying. They want to make sure every batch is produced the same way. And they want to know when to replace the oil so they get the maximum use."

The Nicolet Continuum XL research grade FT-IR microscope, which costs from $150,000 to $200,000, is a sophisticated system for looking at all kinds of chemicals down to about 10 microns across, which is about one-tenth the width of a human hair.

"Every pixel tells you the chemical information," Petty said. "You can use it to spot the difference between healthy cells and sick cells in a slide of human tissue."

Like many tech products, the instruments Thermo makes face market pressure to come down in price, but technological advances can justify higher prices.

"Especially on the research end, they want the latest, greatest thing," Petty said. "Think of a pharmaceutical company looking for new drugs. A little edge because the instrumentation is more sensitive than it was last year could make their research go a little bit faster and that can mean millions or billions of dollars if they get a drug to market quicker."
Larry Neibor, an analyst with Robert W. Baird & Co. who follows Thermo, said the company's restructuring and focusing has it in "pretty good shape" for the future.

"I consider them to be No. 1 in the spectrometry market," said Neibor, who has an "Outperform/Average Risk" rating on Thermo. (Baird prohibits analysts from owning stock in companies they follow.)

Thermo sells its analytical instruments into the industrial market, and the life sciences, drug discovery, and quality assurance and quality control lab markets. Neibor said all but the life sciences markets were "under pressure for a variety of reasons" in the previous two years but have been rebounding with the economy this year.

"They've been aggressive in introducing new products in the past couple years. So that puts them in a good position to at least equally participate in the (industry) rebound if not maybe gain a little market share," he said.

And the local unit is the key to Thermo's strategy, Neibor said.

If that leads to growth locally, Thermo has 90 acres of undeveloped space to build on, Wilcox said.

Employees have been the key to successfully handling the changes, she said.

"We are extremely proud of the work force here," Wilcox said. "We've asked them to do a lot. And people have really stepped up to the challenge."

Petty compared it to a team "getting done with training camp and the preseason and starting the regular season."

But the changes may not be over, Wilcox warned with a chuckle.

"I don't think we can honestly say they're done," she said. "We have pretty aggressive growth goals and there will continue to be changes at the site. But it will probably be more internal growth and acquisition rather than bringing other Thermo businesses in here. The spin-offs are all done."

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