



THE IRISH
ENTREPRENEUR
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03

Louise Grubb
Nutri-Science Ltd

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Nurturing Success in the South East

Sitting in her office in Waterford, Louise Grubb, Managing Director of Nutri-Science, contemplates the next stage of development for the company. Since establishing Nutri-Science in 1999 with co-founders Clare Hughes and John Brennan, Louise and her team have built up a reputation for being highly innovative and are recognised as being at the cutting edge of product development in the growing nutraceuticals market. A combination of the words “nutritional” and “pharmaceutical”, nutraceutical refers to foodstuffs that provide health benefits to consumers, for example milk with added vitamins. Nutri-Science has responded to a number of market trends, such as the growing interest in health and wellbeing, the growing pet products industry and the expanding competitive animal sector, to develop and manufacture scientifically based food supplements for the human, equine, companion animal and racing greyhound sectors. This is in keeping with the company's mission statement which is: “To develop and manufacture scientifically based food supplements proven to promote health in animals and humans.” Along the way, the company has confronted a number of challenges as it seeks to grow and expand its business.

Louise's background and early career

Louise grew up surrounded by entrepreneurs. As a child, Louise spent much of her time helping her grandfather in his store in the city of Waterford. She attributes her understanding of the needs of customers to this experience, as the store stocked a varied range of goods including pharmaceutical products, pet foods, bird seed, hardware goods, paint and even picture frames. This exposure to a range of different customers enabled Louise to develop a keen insight into customers' problems and needs. Her father was also a businessman and the first person to open a pet shop in Waterford. Louise remembers him as *"A true salesman, capable of spotting a gap in a market, seeing the business opportunity and meeting it."*

Louise's interest in nutrition led her to completing a BSc in Human Nutrition and a Diploma in Dietetics from Trinity College Dublin. Her first job after graduation was as a dietician in Our Lady's Hospital for Sick Children in Crumlin, Dublin. In this job, Louise found herself becoming more and more interested in the process involved in the selection and application of products. Subsequently, she completed a training programme at the Irish Marketing Institute and this enabled her to move into a sales role bringing nutritional products into hospitals. Louise feels that this phase in her career allowed her to utilise her scientific understanding of nutritional products to develop her own unique sales style. She sees this period and the honing of her sales skills as critical to her personal and business development.

At this stage in her career, Louise really wanted to start her own business but felt she needed to develop her business abilities before doing so. She looked for a course to develop the business skills she felt would complement her nutrition and sales background. She decided to complete a Masters in Business Studies at Dublin City University (DCU), which turned out to be the right move, as a project she completed during the course was eventually to become the business plan for Nutri-Science.

Building the team to build the business

Even when the business plan was being formulated in her mind, Louise realised that, although she had a wide range of skills in nutrition, sales and general business, she did not have all the skills necessary to start Nutri-Science. Particularly lacking was the manufacturing experience necessary to develop the nutraceutical products. Louise's friend, Clare Hughes, provided the solution. Clare is a pharmacist

who had previously developed the manufacturing arm for Nature's Way, a chain of retail stores selling vitamins, minerals and herbal supplements. The two women had met in the course of their work. Both had their own business ideas and both were keen to start and grow a business. Clare had conceived of a new product in the human supplement field and Louise was experimenting with nutritional products for the small animal and equine sectors. When discussing their two business ideas, they immediately recognised the possibilities of synergy. Louise had a technical, marketing and nutrition background with direct sales experience. Clare had the pharmaceutical background and had gained experience with raw materials supply and packaging. With this complementary skill set at their disposal, the two budding entrepreneurs seized the opportunity of working together to develop a range of nutraceutical products, primarily for the small animal and equine sectors. They decided to market their products to vets at first as they were an obvious route into these sectors.

Louise and Clare agreed that they would set up a business as equal partners. However, they needed one more crucial addition to the team if they were to really get a foothold in the market. The two asked show jumper and equine veterinary surgeon, John Brennan, to join their board of directors as a non-executive director (NED). John has played a vital role in both understanding one of the company's key markets, i.e. vets, and in securing credibility for Nutri-Science through the clinical studies he has completed on the company's products.

Nutri-Science was established in 1999 with Louise becoming the Managing Director, retaining responsibility for marketing and sales, while Clare took on the responsibility for manufacturing. Louise initially raised seed funding through the Business Expansion Scheme (BES). Further funding came from the directors themselves and from Enterprise Ireland under the High Potential Start Up (HPSU) scheme.

A major strength of the company is that the founding team comprises a vet, a pharmacist and a nutritionist with a business degree, giving the company a competitive advantage in new product development and a keen understanding of the nutraceutical market. Louise has since recruited a Logistics and Quality Control Manager as another essential part of the team. Each member of the team is responsible for a specific area of the business in order to ensure that quality products are delivered on time to their customers. The key members of the team and their responsibilities are:

Clare Hughes - New Product Development Director

Product Formulation
 Production Management
 Quality Assurance Systems
 Clinical Review

John Brennan - Non-executive Director

Clinical Research
 Literature Review
 Product Formulation and Testing
 Key Customer Support

Louise Grubb - Managing Director

Scientific Reviews
 Product Formulation
 Distributor Training
 Customer Support Services
 Sales and Marketing

Brian O'Shea - Logistics and Quality Control Manager

Raw Material Quality Check
 Finished Product Quality Check
 Shelf-life Studies
 Product Delivery to Customers

The company also has two additional NEDs on their board, one is an accountant and one is involved in manufacturing in the pharmaceutical industry.

Developing the product range

To establish credibility in the market place for Nutri-Science products, as many products as possible went through clinical trials. The results indicated that the supplements were effective, so the company built on this and went on to develop a reputation for quality supplements. When selling each of the supplements, Louise focuses on a specific function and key selling point for every product. An example of this is the marketing for Gastro Powder, an equine supplement for stomach problems, which is sold with the tagline "Gastric Protection from the Inside Out" and the benefits are clearly explained as follows: "Gastro buffers and absorbs excess stomach acid and repairs stomach lining for long-term relief." Louise feels that this approach differentiates their products from their competitors. *"We rarely compete on price; we are priced just a little lower than our main competitor", says Louise, "it's more important that customers choose us because of what the product does, not what it costs."*

From the outset, Louise felt that it was essential to have a range of products instead of being a one hit wonder, so Nutri-Science focused on line extensions in their key market segments. As well as giving them more products to sell to new customers, line

extensions also provide the company with new products for their existing customers.

Going for and getting ISO 9001 2000 accreditation for their manufacturing facility really helped to project the image of Nutri-Science as a professional company. ISO accreditation is associated with large, professional companies, so Nutri-Science benefited from that association. Getting the accreditation involved a very big investment for the company both financially and in terms of time. To help gain the accreditation, Louise used external consultants as she recognised her own team were not familiar with the process.

A lot of time has gone in to developing the image of the company. Drawing on examples from the cosmetics industry, Louise developed attractive packaging for Nutri-Science's products. Although developing this type of packaging is more costly, Louise feels this helps to project an image of a professional company and it also has the benefit of giving the impression that the company is bigger than it actually is. *"The customer needs to feel that you are not here today, gone tomorrow",* says Louise. In fact, Nutri-Science has reinvented the approach to packaging in their industry by focusing on customer needs and ease of use of the product. For example, some of their equine products are now manufactured in gel format and packaged in ready to use syringes, making them easier and quicker to apply. Also, some of their small animal products are now packaged in pump dispensers, similar to toothpaste dispensers, making it easier to give the right amount to the animal. This innovative application of packaging, more usually seen on supermarket shelves, helps Nutri-Science to distinguish itself from its competitors.

Currently, Nutri-Science produces 17 products that are marketed and sold through over 20 distributors in 15 countries worldwide. They have a number of additional products in development. The main geographical markets for the products are Ireland, the UK, Scandinavia, Continental Europe, the US and Canada, with the export market accounting for about €1.7 million, representing about 85% of Nutri-Science's sales. In the company's first year of operation, sales of €110,000 were achieved; at the end of 2005 sales had grown to over €2.5m. The company has been profitable every year to date and the company has a policy of retaining and reinvesting profits for business development.

The highs and the lows of exporting

Nutri-Science has developed a considerable export market, with the domestic market accounting for just 15% of total sales and the remainder of its sales in Europe, the United States and Canada. The company has built up a base of over 20 distributors to manage its overseas markets, with the European

market accounting for the majority of the company's overseas sales. Louise considers the Irish and UK markets to be performing well; however, the company's biggest European market is currently Scandinavia, which accounts for 25% of all sales. Louise explains why the Scandinavian market is so well developed: *"It is not a result of a predetermined strategy but totally due to personal contacts and the building of relationships."* Louise is very much aware that building market share in the other European countries will require significant investment both in finance and company time.

The biggest difficulty in the US is finding a satisfactory distributor. Nutri-Science managed to secure a good distributor and started exporting their products in 2004. The distributor is Kevin Babington, a horse rider for the Irish international team, who has established a successful horse training business in the US. He discovered the effectiveness of Nutri-Science products while training in the UK for the 2004 Olympic Games. His horse, Carling King, was diagnosed with ulcers and the vet suggested that Gastro, a supplement manufactured by Nutri-Science, would help. On starting a course of Gastro, there was immediate improvement, and within 3 months, Carling King was found to be completely free of ulcers. Kevin and Carling King went on to be placed 4th in the Individual Show Jumping Final of the Olympic Games in Athens. When Kevin returned to his business in the US after the Games, he wanted to continue his use of Gastro as well as other supplements offered by Nutri-Science - not only for Carling King but for all of his training horses. These products were not available in the US at the time, but because Kevin was so impressed by their effectiveness, he started negotiations with Louise and became the distributor.

The American market, although attractive, has proved challenging for Nutri-Science. Despite exporting small amounts of its products successfully to the United States for about three years prior to 2004, trading was suddenly blocked by the Food and Drug Administration (FDA) in January 2004 when the company had a large order going to their distributor in the US. *"This was a big let down",* admits Louise, *"and difficult to understand as our products are food supplements and as such don't need FDA approval."* The FDA block created a significant problem for their US customers, as the company could not guarantee supply, which is crucial for customers. Louise feels the FDA block was essentially an indirect barrier to trade, something many companies are confronted with when they export. The company's only option to guarantee supply to their customers was to outsource manufacturing to US companies, so the liquid form of the product is now being manufactured in Georgia and the powder form in Connecticut. This

was a very big decision for Nutri-Science but it was a necessary one to keep their US customers happy. They have two manufacturers in place now and are seeking an additional two to spread their dependency. This decision has actually turned out to be beneficial for Nutri-Science, as US customers are happy with guaranteed supply and going forward, margins will increase for the company. The Logistics Operations Manager in Ireland handles all US sales orders and control of manufacturing and the relationship with the customer also remains with head office.

Even though they are now making inroads in the US market, Louise recalls how cultural differences nearly destroyed their chances in this market altogether. While greyhound racing enjoys a good reputation and image in Ireland, the industry has a very poor image in the US and is associated with animal abuse. Louise was not aware of this and when she mentioned their greyhound range of products at a meeting with a potential distributor in the US, it nearly damaged Nutri-Science's image with this company. The distributor was ready to walk out of the meeting but fortunately Louise and her colleagues were able to explain the differences between greyhound racing in Ireland and the US. Now the company is careful about what products it promotes in the US and the American version of the website, www.nutri-scienceusa.com, highlights the equine products only.

As well as the problems with exporting, Nutri-Science has also had to deal with the market in the US being structured very differently to other markets. Equine products are mainly marketed through what are called "trainers' barns", which are purpose-built premises where a number of horses from multiple owners are kept. This involved a new approach for the organisation as it was used to dealing with individual vets and horse trainers in the European market. To get access to this market, Louise has trained specialist sales people to demonstrate and sell Nutri-Science's products at seminars organised for potential customers which are held at these trainers' barns. Louise believes that the US market is largely unproven with much work to be done to realise its potential.

Being an entrepreneur

Despite all the challenges faced with establishing and running Nutri-Science, Louise still loves what she does. When asked what helps her manage the business on a day-to-day basis, she feels the word *tenacity* represents her core business strength. Louise feels that this encapsulates the persistence, drive and determination that she brings to the business. She believes that business ability, commitment and personal support from family and friends are all critical components of the success of a business. She is also of the view that building

relationships is vitally important if a business is going to grow and develop. *"It's all about relationships; even doing business on the internet is about relationships,"* says Louise. She feels this to such an extent that she is personally familiar with all of her suppliers and distributors and, of course, her key customers. *"I would not hesitate to get on a plane in order to meet people face to face even if I only see them once; I will always want to meet the key person"* asserts Louise. As a result of this approach to business relationships, she is confident that she can personally resolve any problems or issues that might arise with any of these key stakeholders.

She is of the view that there are no particular barriers for female entrepreneurs in Ireland. However, she does recognise that significant problems must arise for entrepreneurs who are also mothers, as the conflicting time demands of business and family are very real. It is also her view that it is often easier for a man to be more credible when approaching financial or other institutions where the majority of those in authority is still male. *"Clare and I are still regarded as 'the girls' by our financial advisors. I have decided to treat this as a joke and accept it as a compliment,"* she says with a smile.

Louise is eternally optimistic about the business. She never contemplates failure; in fact, she simply does not see it as an option. *"The business is my livelihood and I have put too much into it for it to fail,"* says Louise with feeling. She strongly believes that it is possible to run a successful business no matter where you are located. Although Waterford would not be considered a major industrial centre in Ireland like Dublin or Cork, Louise has still been able to grow the business significantly through focusing on a network of distributors overseas. Despite her optimism and her success to date, Louise does not understate the realities of running a business. *"You do give up certain things such as security and a lot of your time. There is a lot of risk and cash flow is a constant concern,"* she acknowledges. Louise is frank about her own limitations regarding the development of the company. She does not see people management as her strong point and the challenge of day-to-day management has increased as the business has grown. She suspects that many entrepreneurs must experience this problem as their business operations develop and expand in complexity. As a result, she has recognised the need to introduce some new management expertise in the near future.

Planning for the future

Over the years, Nutri-Science has built a strong reputation in the marketplace and has achieved recognition of its achievements. The company has received notable press coverage and has been the

recipient of a number of key awards such as the Shell Livewire Award for Entrepreneurs, a Highly Commended Award at the Bank of Ireland National Enterprise Awards, the Ulster Bank Business Achievers Award, and Exporters of the Year in the Industrial Products Category from the Irish Exporters Association. Louise puts the company forward for awards when the opportunity arises as they are good for publicity but more importantly, she says *"They are the only time you get to take time out and get a pat on the back!"* The awards are also recognition of the team's approach to developing the company.

Louise is now in a position to think strategically about the direction of Nutri-Science. In particular, she is facing a fundamental and critical decision regarding expansion. The increased output that the management team and their advisors envisage for Nutri-Science will require the expansion of the manufacturing facility in Waterford. Such expansion requires a substantial level of investment in physical space and capital equipment. As well as expanding their own manufacturing facility, there is the option of outsourcing production as there are many pharmaceutical companies in Ireland to which manufacturing could be contracted out. A decision to outsource would soften the demand for new capital investment and free up resources for research and development, market development, promotion and sales. This is a strategic challenge requiring balanced judgement and risk analysis, with Louise facing a classic resource allocation dilemma, familiar to many entrepreneurs, as the business grows.

Another dilemma facing Louise is which market segments to concentrate on for future growth. Currently the company's sales are distributed across three segments, namely small animal, equine and human as shown in the table below:

Segment	% Sales
Small animal, including greyhounds and companion pets	55
Equine	30
Human	15

Clearly, the bulk of the company's sales come from the small animal segment. One reason for this is that the routes to market in this segment are well defined and accessible. One such route is via veterinary clinics where products can be readily displayed, promoted and sold. Vets can be targeted for promotional material and generally they read professional journals and join trade organisations, making it easier to advertise and promote products to them. Pet shops offer a similarly well structured route to the end customer. A further exciting development is that the major supermarkets are

now beginning to stock small animal supplements, with Nutri-Science delivering their first order to Tesco in 2005. This is seen as a significant new departure, requiring a different dynamic in terms of manufacturing lead-time and volumes.

Louise states that the critical question to ask in the equine segment, where vets, trainers and owners all have high profile roles, is "Who is the decision maker?" Vets read the dedicated industry journals and magazines, while trainers and owners are generally best approached on a personal level. Distributors in this segment tend to use specialist equine products sales people, requiring the supply of key product information to these distributors. Louise recognises that the equine sector is a niche market in all countries and she believes that there is huge potential in the equine sector, particularly in the US market.

The human supplement segment is currently the smallest for Nutri-Science and this is partially due to the company's limited resource base. However, the company sells the leading joint supplement in Ireland called Joint Aid, which helps maintain joint mobility. As consumers become more aware of the effects of wear and tear on their joints, Nutri-Science should see a corresponding increase in sales in this area. This product is currently only sold in the domestic market, but Louise feels that domestic and overseas sales in this segment would respond well to the injection of additional resources.

Louise feels that with their segmentation of products and entry into new markets, particularly with the sales potential in the United States, the success of Nutri-Science will spiral. Her vision for the company is to have a turnover of €10 million by 2010. However, business growth and the acquisition of market share always costs money and the company will require a further round of investment soon to fund its expansion strategies.

Louise's decisions regarding the business have served them well in the past, but as Nutri-Science faces a critical point in its development, which is the best path to choose? To expand the business, should Nutri-Science develop its manufacturing facility or look to outsource manufacturing? Which market segments should the company try to develop and which countries should the company prioritise in its plans to expand?



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Industry Profile

The Nutraceutical Industry

Nutri-Science operates in 3 distinct market segments, namely veterinary (small animal), equine and human.

Veterinary (small animals): Overall market size statistics of relevance to Nutri-Science are difficult to find, particularly for Europe. Statistics for the United States are appropriate not just for the US market, but can be regarded as an indicator of equivalent market behaviour in Europe. In the US, overall market size is estimated at \$33.5bn for 2005. This market includes pet foods, supplements, supplies, veterinary services and boarding and grooming. The pet food sector is about \$15.7bn of this. As a sub-segment, supplement sales for pets is about \$1bn, with market growth predicted at 17-22%. The overall veterinary market in Europe is more difficult to tie down. Preliminary estimates by Nutri-Science show an overall market value of €8bn for Europe, and an annual growth rate of 12%.

Equine: The equine supplement market size is based on the number of competition horses in each market. These numbers are derived from the relevant national horse organisation. The total EU market in equine supplements is estimated at approximately €400m, with the joint supplement niche market worth about €80m. The joint disease market is estimated at 20% of the total supplement market, predicated on a 20% incidence of osteoarthritis in competition horses. Arthri Aid Equine is the Nutri-Science key joint supplement product in this market.

Human: The value of the market for food supplements for human consumption is estimated at about €1.1bn in the UK, and €100m in Ireland. The Joint Aid segment alone is estimated at €500k in Ireland and €5m in the UK. Market penetration by Nutri-Science in this niche is estimated at 30% in Ireland and 5% in the UK. The company has confined its marketing efforts in human food supplements to the Irish market, a decision based on more efficient allocation of resources to the veterinary and equine segments. Nevertheless, now that the product has been proven, there is an opportunity to develop the European and US markets and make a stronger push into the UK. There are currently three competitive products on the market but all are in tablet form only. They retail at prices significantly in excess of the Nutri-Science product.

Company Details:

Company Name: Nutri-Science Ltd

Address: Unit 622 Industrial Estate, Waterford, Ireland

Sector: Nutraceutical

Shareholders: Louise Grubb (50%) and Clare Hughes (50%)

Turnover: €2.5m (approx.)

Staff (including founders): 10

Established in: 1999

Main Products: Food supplements for small animals, horses and humans

Website: www.nutri-science.net