

TASTY PROFITS FROM CRISP COLLABORATION



Improving Scotland's
food and drink businesses
through collaboration

SCOTLAND
OF FOOD & DRINK

Mackie's of Scotland, based at Rothienorman in Aberdeenshire, is a well known ice-cream manufacturer. The family has been farming there since the turn of the century and has a 'plough to plate' approach – the company produces its own wind generated energy and grows its own crops to feed the cattle, which produce the milk and cream for the ice cream.

The Taylors have been farming at Inchtute in Perthshire since 1927 and their company, Taypack, is one of the UK's biggest potato growing and processing businesses. They also have several other related businesses – Taylor Transport, originally founded to distribute the crop, but now comprising a fleet of 10 articulated vehicles; and Taylors Regional Foods, which sources and distributes local products to a wide range of customers throughout the UK. They also own Taypack Engineering, which designs and installs food processing equipment.



Kirstin Mackie & George Taylor

One of Mackie's goals is to maximise the value of its brand and to diversify into other markets. All of the company's research pointed to premium crisps - a market in which there was no other Scottish company. It is also a growth sector, with sales increasing by about 30% each year. Mackie's tested out its idea on focus groups and received very positive feedback on the potential for Mackie's branded crisps.

Mackie's applied for funding from the Scottish Rural Development Programme's Food Processing, Marketing and Co-operation Grant Scheme, for its planned £1.2 million development project at Rothienorman - and was awarded just under half a million.

Meanwhile, Russell and George Taylor of Taypack had also identified the same gap in the market and had been undertaking their own research on the market, including detail on equipment requirements and a design for packaging for a premium crisp product.

The Taylors contacted Mackie's to arrange a meeting to discuss the situation. Mackie's initial response was to encourage Taypack to leave the field open for them. But, following a second meeting, they realised that both companies could definitely benefit if they worked together. It was agreed to create a new joint venture company - Mackie's at Taypack.

GETTING IT OFF THE GROUND



business and their entrepreneurial spirit has helped each to develop, diversify and grow.

These similarities also help them to work together. Says Russell Taylor: "We just seemed to hit it off straight away, thinking along similar lines."

But whilst they could see the benefits of a joint venture, they also realised that they needed some help to hammer out the detail of the shareholders' agreement.

SAOS, through its Cultivating Collaboration (C2) project, provided help and expertise to both parties, acting as an independent facilitator. Says Kirstin Mackie, now MD of Mackie's at Taypack: "SAOS helped us structure and direct discussion to the most important matters first. It was very useful to have someone helping us to think through different scenarios and the impact these could have on the individual businesses, as well as the joint venture. SAOS helped us to think through how we would tackle any of these issues if they arose and had some sensible suggestions for situations drawn from their own experience. In this way, we worked together to draw up our own Heads of Agreement."

The companies managed to resolve any potential issues through open discussion.

The two businesses quickly realised that they had a lot in common. They both wanted to grow their companies - Mackie's by maximising its brand and Taypack by maximising its product value; both had identified the premium crisp market as a growth opportunity; and both had similar corporate values across important issues like product quality, treatment of staff and environmentally friendly management. Each company began as a family farming

BENEFITS

The joining of resources – and consequent doubling of investment in equipment and increased commitment to marketing support - has enabled the company to create a formidable new Scottish entry in a competitive market.

The benefits for each company made the joint venture a much more attractive, and stronger, option than going it alone.

Most of the potatoes are supplied by Taypack, with some provided by other Scottish growers who have the right conditions for crisping varieties. The new company is based at Taypack in Inchtute, rather than at Mackie's base in North East Aberdeenshire, which is a more central location, offering access to a bigger labour pool and the benefit of existing factory space.

Says Russell: "Taypack also has a very strong breeding programme in place with the Scottish Crop Research Institute (SCRI), so we are well versed in the type of varieties which are best for crisping. But SCRI has also been looking into the potential of developing a new, exclusive variety, which will add even more value to the product."

If Mackie's or Taypack had gone along with the original plan to proceed alone, production would have been on a much smaller scale. The joint venture reassessed their separate research on equipment to take into account their increased volume targets. Meanwhile, the financial benefits include the fact that the investment for each company is on a similar scale to Mackie's original plan, because it is now equally shared between the two businesses.

For Taypack, the value of the Mackie's brand has proved to be a major benefit – it clearly generates curiosity and loyalty from existing consumers and has received very positive feedback and even some immediate listings from customers before production had begun.

"We had only three weeks from delivery of the equipment to our intended launch at the Royal Highland Show in June", says George Taylor, "and we then had only six weeks before our first major listings went live. Of course there has been a steep learning curve, and we have had, and still do have, several teething problems to work out, but I am proud that we've done it – and that there is a good product out in stores already."

STRUCTURE AND FUTURE PLANS

The new company – Mackie's at Taypack – employs nine people, with Kirstin Mackie as Managing Director and her sister Karin Hayhow as director with responsibility for marketing. Russell Taylor is Chairman and his son, George, and Kirstin's brother, Mac, are the other directors.

The overall objective is to grow Mackie's at Taypack sales to £3 million within two years and to increase the number of employees to 15. They aim to secure listings with the major multiples, independent retailers, delicatessens and wholesalers – and to investigate export opportunities. The company will also continue work on new product development within the snacking sector.

To help the new company in the early stages, each company absorbs some of the costs – providing some of their own expertise and services without charge. For example, sales and marketing is carried out by Mackie's existing personnel and potato sourcing, engineering and production personnel have been provided by Taypack. Costs are calculated to monitor an equal investment by the companies. New production staff are directly employed by the new company and all costs will be charged to the joint venture in due course.

Both families are aware that they have to foster understanding about the new



undertaking within their companies. A major objective is to make sure that the sales and marketing staff work closely with the production side of the business, so that they operate as a team.

Says Kirstin: "We know that good communication throughout both our companies is vital, so that the staff at Mackie's and Taypack are kept informed, to enable them to perform their own roles well, work together and feel confident about the new venture. It is also important to try and involve all our staff in the new venture – for example, Mackie's ice-cream staff also want to know more about the crisp operation, and we'll arrange a staff visit to the plant at Inchture for them."

Taypack's staff are also very enthusiastic about the new venture. Says Russell: "This has been a big morale boost for them. There had been some concern about the future when we stopped supplying ASDA, one of our major customers, for cost reasons. We are still producing and shipping the same tonnage of potatoes to other packers, but it has reduced the value-add at Taypack. This allows us to get that value-add back into the product here."

As production volumes become established and grow, the company intends to look at how it structures the working week, to make it as energy efficient as possible. Mackie's uses a four day production system - one option which may well be adopted for the crisp production line.

LESSONS FOR OTHERS



Both parties agree that the only real difficulty in creating the joint venture was the length of time it took to iron out the details of the new venture and to finalise the legal documentation.

But, says Kirstin, they were able to overcome these

"by open, frank discussion, help from SAOS and our legal team, who kept us right on the 'what if' scenarios, coupled with the strong foundation and the consensus that the joint venture is a win-win situation for both our companies and the synergies of working together feel right."

Russell agrees. "We've been very open with each other from the beginning" he says, "so building trust wasn't an issue for us. I think that this is partly to do with the fact that each company has similar values."

There is daily communication among them all about the business, as well as formal board meetings and monthly sales and production meetings – and an internal newsletter to keep all staff informed on progress.

Both companies expect that there will additional benefits to come from their relationship – not necessarily directly related to the joint venture.

For further information about the Cultivating Collaboration project

please contact **Fiona Hamill** on 07799 450792 or **Rona Sutherland** on 01360 850763 or visit our website at www.ctwo.org.uk

Funded by

