

DEFINING QUALITIES

Interview with
FRANCIS HORAN
JOINT MANAGING DIRECTOR
UNICORN INGREDIENTS

PMW | Partridge Muir & Warren

CHARTERED FINANCIAL PLANNERS

In a series of interviews with Simon Lewis, chief executive of Partridge Muir & Warren, owner-managers consider their approach to business and the specific qualities which deliver sustainable success.

The interviews will be brought together as a report to be published by DECISION magazine and then as a digital book.

A SIMPLE PARTY GAME emphasised to staff at Unicorn Ingredients the importance of teamwork. Explains joint managing director Francis Horan: "At our Christmas party, we asked everyone to describe what it is we do. Most said we are seed suppliers, but really we are supply chain experts. We showed them this by doing a game where we passed sweets down the line and then asked certain people to step aside. It made the point that everybody in the line is important."

Horan says the business, which imports and distributes seeds for use in the food industry, is dependent on its ability to manage the supply chain. "The business of importing and wholesaling seeds and other ingredients is complex, fast-moving and sometimes unpredictable. We have to make sure customers have exactly the quantity and quality they need at an agreed price. That means we have to be involved at every stage of the supply chain: production, transportation, import, warehousing and supply to the customer."

The challenge of being the 'middle man' between producers around the world and customers means that Unicorn Ingredients have to focus on maintaining strong relationships with both.

They also have to reconcile a lead time of up to twelve weeks from the supply chain with a three-day lead time to the customer. "That means cash flow is probably the biggest challenge for a

business like ours," says Horan. "If we get the logistics wrong, stocks go down and cash flow would become a problem."

"Food importation is inherently unpredictable," he adds. "For example, it normally takes twenty-eight days for a shipment to arrive from India but if the ship gets held up by the port authorities here or in India, which isn't such an exceptional occurrence, it could take forty days. It's a huge challenge, and meanwhile, customer expectations continue to escalate. They want to hold no stock and they expect us to deliver to shorter lead times."

There can also be problems with food shortages, so Unicorn Ingredients need to always have a contingency supply arrangement from other parts of the world. The other big challenge is best-before dates. "We're dealing with a product that only has a twelve-month shelf-life and we might have already lost three months by the time it's delivered," says Horan.

"Our computer systems trace every batch of food, so we know where every consignment is at any time, as well as which suppliers are approved for specific customers - even what packaging it's in."

Sourcing from around the world, ensuring product is packaged to the customer's requirements, and delivering on time requires more than just supply chain skills. It also means taking responsibility for quality control and testing to ensure consistency.

"Lead times from the supplier have got longer because of the quality steps which have to be taken before dispatch," explains Horan. "Going back twenty years, every product had to be re-processed in the UK because of possible contamination by glass or stones. Now most suppliers are at a standard that allows direct supply, but our challenge is ensuring that their certifying body's standards are properly adhered to. You can't just rely on the quality being as good as we would expect in the UK. So we have to audit it, do the monitoring and sample analysis."

Supporting the operation, the company has warehouses across Europe in Dublin, Amsterdam, Barcelona and Bremen, as well as the UK.

Horan set up Unicorn Ingredients with his co-director Nikki Divers a decade ago, having worked together for fifteen years at a food and ingredient trading company. Today the company now has regional offices in Germany, China, and India staffed by experienced local professionals.

The culture Unicorn have inculcated is one of responsiveness, which is defined rather than being a statement of intent. Every communication, for example, is to be responded to within twenty-four hours, even if it's just a holding message.

They also insist on openness with the customer. "We take the view that having a major role in our niche means we can

be really brave about the information we share," explains Horan. "We are not fearful about offering transparent, fixed agreements so that customers know exactly what they're going to pay, even when currencies are fluctuating on foreign exchanges. It means customers and suppliers know they can trust us."

Another market leadership characteristic is being able to respond positively to a customer's specific requirement. "There is no such thing as standard service," Horan maintains. "If you want a pesticide certificate in every batch, if you want a delivery three times a week on a particular type of pallet, we can do that."

To get to where they are today, Unicorn Ingredients had to find a bank that understood the requirements of a fledgling business which was trading globally from day one. "The first one we went to resulted in a stand-up row," Horan recalls. "We had to visit a number of banks before we managed to find a small business manager who had the knowledge of dealing with different currencies and foreign exchange rates."

The nature of the business - high turnover, low margin and increasing costs - means that constant growth has to be a given, says Horan. "Most people look at turnover as a simplistic measure but you can increase turnover without growing the business, or you could grow the volume of the business

but not increase turnover. It so happens that we have had a market that delivers growth in both turnover and volume, so our internal targets optimise this."

Horan observes that in a sector with slim margins, risk mitigation is a pre-requisite for survival; Unicorn Ingredients have credit insurance for all customers, currency variation insurance, marine insurance; every aspect of their modus operandi is covered.

He makes the point that despite its trading nature, the food market is not like a futures market where people gamble on changing prices. "We are old-fashioned merchants, not speculators," asserts Horan. "You do get speculators in this market but not many of them; they tend to be local to the supply, have a bit of cash and who buy stock and then sell it on hoping that the price will have risen, but they are not big enough to worry us."

As an international business, what impact, if any, will Brexit have on them? "There will inevitably be changes," says Horan. "But if a product has a higher tariff or levy because of Brexit we will simply look at alternative places of origin to get the best quality at a favourable price, whether it comes from inside or outside the EU. Perhaps a bigger concern might be legislative issues regarding UK exports to the EU."

For this reason, Unicorn Ingredients have already set up a German subsidiary

which they can trade through to avoid any problems.

Of course consumer food trends when it comes to food can feed through to the demand for seeds. For example, more bakers are adding seeds to their bread. That adds perceived value in the eyes of the consumer, says Horan, adding: "And I would hazard a guess that it adds margin, too."

Meanwhile, Unicorn Ingredients have added an organic range as well providing products that are gluten-free either by supplier certification or analysis. In fact, Unicorn Ingredients are going further than that.

"While the standard definition of a gluten-free product is that it should contain less than twenty parts per million (ppm), an increasing number of customers are asking for seeds which contain less than five ppm and we can do that," explains Horan.

The company is run very much a partnership and it has benefited from what one might describe as a symbiotic business relationship with Horan and Divers. "One of us will push or restrain the other, but we have a common belief system and common ways of behaving," Horan says. Is there an exit or succession plan for the shareholders? "We will keep our options for the future open for now, but we have brought on some bright youngsters so we will see what happens with them."

"Nikki and I enjoy what we do. The work has provided opportunities for travel and to meet people from different backgrounds. It has been a great way to see the world."

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