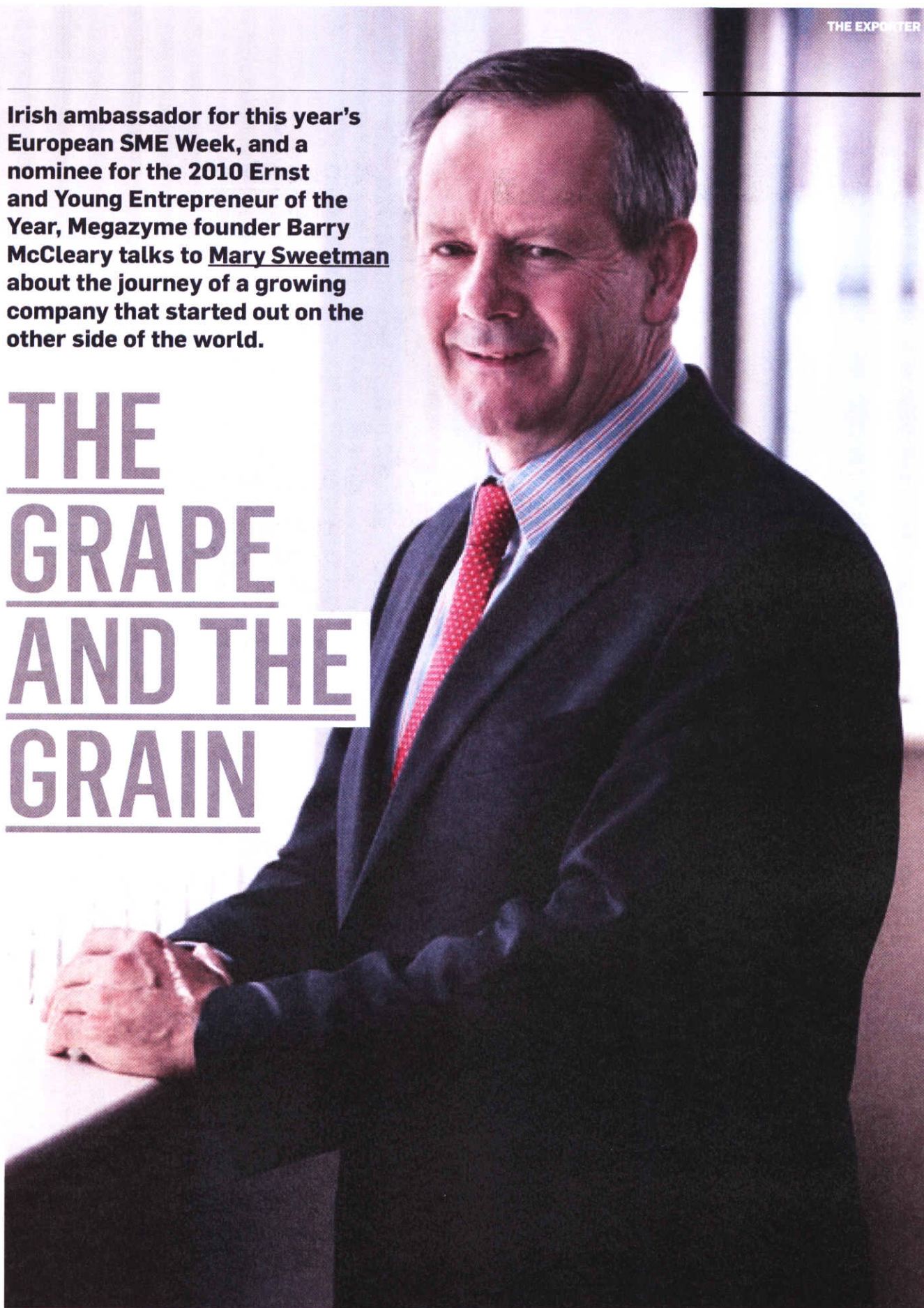


Irish ambassador for this year's European SME Week, and a nominee for the 2010 Ernst and Young Entrepreneur of the Year, Megazyme founder Barry McCleary talks to Mary Sweetman about the journey of a growing company that started out on the other side of the world.

# THE GRAPE AND THE GRAIN





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**W**hen the recent Innovation Taskforce report talked about establishing Ireland as an international hub, attracting entrepreneurs from around the world, you got the sense that Barry McCleary, founder and CEO of Megazyme in Bray, was the kind of person they had in mind. A biochemist, decorated with medals and awards for scientific achievement from his native Australia, in 1985, he developed a new method for the measurement of beta glucan – the important fibre component in wholegrains - that is still the world's standard.

Megazyme's products contain a high R&D-input, and many are unique to the extent that, in some niches, it is the only supplier worldwide, while in other areas, it has managed to push the big boys out of the picture. Currently, the Wicklow company sells enzyme-based test kits to the food and drinks industry in 55 countries and counts Unilever, Proctor & Gamble, Guinness, Heinz and Kelloggs among its customers.

Established in a home garage in Sydney, it was homesick Irish wife Angela Kennedy that persuaded McCleary to relocate to Bray. The Megazyme boss admits he wasn't easily prized from his sunny birthplace. But with Australia's 30+ per cent tax rate, it seemed he was constantly saving to pay the next tax bill. Ireland's low corporate tax base, together with its location, central to important US and European buyers, provided the additional incentive to up sticks in 1992.

**CROSSROADS** These days, McCleary is fully occupied with the challenges of growing a small business. "It's obviously a big risk when you start, and there are certain stages - after three years or after five years - that people say if you get past, you're okay. But the bottom line is that you constantly have to keep your eye on the ball to ensure that what you are doing is making a profit and that you are conservative about what you do with that profit," he told *The Market*.

For Megazyme, one of the first obstacles to continued growth came around 2002 when the company reached a crossroads. "We got to a point where we had to do something because, in the areas we were working, we had really made all the products we could. There were other little bits and pieces we could do, but we would be scrapping the bottom of the barrel," McCleary recalls.

One option was to go after the allergens-testing market; another to develop test kits for the wine industry. The latter would be a step into the unknown, as it meant setting up a molecular biology division at a cost of several million to genetically engineer and clone well over 100 different enzymes in order to develop the full range of test kits required for winery analysis. Strategically, however, this route made more sense, and after some baulking, McCleary decided to bite the bullet with a €4 million R&D facility that more than doubled the size of his factory.

**NEW ROUTE TO MARKET** The move also required Megazyme to forge new channels to market. In its grain and cereal testing business, the company sells direct, mainly "because we were too mean to pay an agent a commission", McCleary jokes. "With Fedex, we can get products to anywhere in Europe and most of the US on a next-day basis and to the rest of the world in two days.

"But wine is different. People who are harvesting their grapes and measuring the changes in the sugars and the acids want their kits straight away because they are making decisions about a vat of wine, and they want to know that the distributor down the road has got the kit in stock.

Initially, McCleary says he picked some good distributors and some "not so good". Since then, Megazyme has refined the selection process with a more advanced questionnaire, designed to get a "sense of whether this person is going to be the right match for us."

"You need to get a distributor who is hungry for money and hungry for sales. Ideally your range should also be complementary in terms of product and handling to what they are currently doing," he advises.



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So far, the company has neatly conquered the southern hemisphere. "If you drink any wine made by the Hardys Group, or the Fosters group, they are all analysed with our test kits. Our major competitor in that area was Roche Diagnostics, part of Roche the multinational, and we have now taken lead market share from them in Australia, New Zealand and Chile."

The French market, where Megazyme counts Moët et Chandon as a customer, is also developing nicely. Despite some wins, however, there is further business to be extracted from other markets. McCleary recently recruited his daughter Kerri to go country-by-country through the major wine laboratories, identifying their key decision-makers and then making contact and setting up face-to-face meetings.

**WINNING NEW SALES** US customers include the Constellation Group and Gallo. McCleary says the focus is on getting the biggest groups onboard first. "If they make the switch, then it becomes easier to persuade the smaller producers.

"We know we are only getting a small percentage of the American wine market. Amongst those who started using our kits, we never lose a customer, but it's very hard to make them make that initial move. So we have had to put major effort in.

"Earlier this year, we went to a trade show, then I did a lecture tour throughout the Napa and Sonoma Valleys. The local distributor there got a lot of the key players – the heads of the analytical laboratories – the oenologists – to come along, and we are starting to see feedback on that already. If all goes to plan, we should start to see sales orders in the next three months."

"When we give a lecture series," McCleary continues, "we will always offer every participant a test kit; we don't charge them, but they have to tell us if they like it or hate it. Once you get them to try it, you have started them along the process of change."

In its existing grain and cereal analysis markets, meanwhile, Megazyme continues to battle with competitors by striving to continually improve its kits. "The sorts of things that are important in testing is how reproducible the results are, how stable the reagents are and how linear the standards curve is. We aim at getting better quality product in these areas – at the same price."

Sometimes, rather than demanding hard

science, this centres on simple improvements to usability. "These tests are usually related to measuring a colour, which outputs in the form of a number on a machine, which the tester will use to do the calculation," McCleary explains. "We have developed an Excel calculator, so when they get these numbers, the calculator will do all the calculations for them. It's about adding value with stuff like this. We have also developed training videos, which we can supply on CD at basically the cost of postage, or they can watch them on our website or on You-Tube."

**THE NEXT CHALLENGE** As any company grows, new issues inevitably arise. "Avoiding being the Achilles heel and knowing when to bring in other people is one of the challenges that I face and am trying to find a solution to," McCleary admits. "Over the next month, I'm going to start to look for a general manager. Obviously, bringing in someone at that level is going to cost a lot of money, so the tendency is to keep doing everything yourself. But eventually you can't because there are just not enough hours in the day. I want to hand over a lot of stuff, such as the general running and the general overseeing of projects, because I need to spend more time looking at business strategy, what new areas we should be going into and a lot more technical marketing."

With a shiny new molecular biology lab in place, there are many avenues McCleary would like to explore – all centred on the ability to produce enzymes. One possibility is in developing analytical systems to help medical researchers better understand lysosomal storage disorders such as Pompe disease, which can lead to death in young children due to an accumulation of carbohydrates within cells. Another potential direction centres on basic science aimed at understanding the breakdown of biomass materials like woody cellulose and industrial waste streams and the possibility of identifying enzymes to significantly speed these processes.

Here, McCleary displays characteristic Aussie confidence. "There is a need for a major breakthrough in the degradation of plant biomass before that industry becomes viable economically, so any basic research that helps could have a very significant effect. We have worked with enzymes and carbohydrates right from day one, so you never know; a small company could probably come up with answers just as quickly as a big one," he contends. And why not?