

Scotland's Economic Performance
Highlands and Islands Enterprise
Case Studies

Isle of Harris Distillers Ltd

Food and drink business

Tarbert, Isle of Harris

CLIENT DETAILS

Isle of Harris Distillers Ltd (IOHD) was established in 2007 to create a niche distillery producing a premium malt whisky on the Isle of Harris in the Outer Hebrides.

Described as a 'social distillery', the enterprise aims to benefit the local community and promote the island around the world.

The distillery opened in September 2015 and will produce around 300,000 bottles of single malt whisky a year. Called 'The Hearach', (Gaelic for an inhabitant of Harris), it will be distilled, matured and bottled in Tarbert.

The distillery produces a multi-award-winning gin which is sold online direct to customers and has achieved results beyond expectations. Meanwhile, casks of The Hearach are maturing in its warehouse by the shores of Loch an Siar.

HIE SUPPORT

Isle of Harris Distillers raised £11m from public and private investors to build and equip the distillery. This included £1.9m Scottish Government grant funding through its Food Processing, Marketing and Co-operation scheme and an investment of £1.5m from the Scottish Investment Bank.

HIE has approved investment totalling £1,251,420, broken down as follows:

- £900,000 approved in December 2013 towards establishing the distillery.
- £93,600 approved in January 2015 to support business development, design, packaging and marketing
- £244,895 approved in March 2015 towards constructing a warehouse
- £12,925 approved in March 2016 to attend international trade fairs during 2015 and 2016

HIE helped the business to connect with Skills Development Scotland (SDS), to assist with training, and with Scottish Development International (SDI) to develop its presence overseas.

The company has used Scotland House in London for media events and anticipates making further in the future.

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IMPACTS AND OUTCOMES

Turnover has increased from £300k in 2015 to over £2.6m in 2017.

Sales of Isle of Harris Gin have been highly successful, with the result that the company now employs around 30 people. This is well ahead of its original expectations, which were to reach 21 employees by 2021.

The distillery attracted 80,000 visitors in 2017, twice as many as had been forecast.

As well as launching in the Far East in November 2017, the distillery is now supplying the Canadian market through the Liquor Control Board of Ontario (LCBO), one of the world's largest buyers and retailers of alcohol.

FUTURE PLANS AND POTENTIAL SUPPORT

The company's direct-to-consumer model has been crucial in keeping more of the work on Harris and adding to the prestige of this premium brand. This model is now being employed for the Isle of Harris Gin in European markets and Japan, and supply of The Hearach looks likely to follow the same format.

The distillery is working closely with SDI on prioritising international markets for 2018 and onwards.

The success of the Isle of Harris Gin means the company is now looking at expansion for continued growth. It has also enabled IOHD to lay down more spirit, potentially bringing forward plans for a second offsite warehouse.

BARRIERS TO GROWTH

The direct-to-consumer model may not work in all countries and markets. However, IOHD are willing to look at adapting this approach in some territories, as it has already done in Canada.

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Ocean Kinetics Ltd

Technology and advanced engineering business
Lerwick, Shetland

CLIENT DETAILS

Ocean Kinetics Ltd (OKL) is a successful and ambitious engineering company, established in 1992 and based in Lerwick, Shetland, where it employs 70 staff. Offering a range of engineering services, the company has developed an excellent reputation through quality and innovation, and is growing its operations in mainland Scotland, the rest of the UK and overseas.

Its ambitions for national and international growth focus on four sectors:

- ports and utilities;
- marine renewables;
- oil and gas, and
- aquaculture.

The company is a local leader in providing pipe and structural work to the oil and gas industry and has a key strength in cathodic protection of steel work, a technology suited to harbour repairs.

HIE SUPPORT

Highlands and Islands Enterprise, the Scottish Manufacturing and Advisory Service (SMAS), and Scottish Development International (SDI) have supported the growth of Ocean Kinetics over the past two years with a range of targeted interventions. These include:

- Investment of £125,000 to develop a non-destructive testing facility in Shetland
- £420,000 towards a £1.1m workforce development programme, including training in complex oil and gas work
- Leadership support
- Innovation support
- 4 graduate placements
- Signed up to the Scottish Business Pledge
- Exporting workshops
- Global Scot mentor

The company has signed up to the Scottish Business Pledge.

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IMPACTS AND OUTCOMES

Sustainable growth

The company has proven resilient through the recent oil and gas downturn. Turnover currently stands at £8.5m, slightly higher than 2014. By 2020, it aims to:

- increase turnover by £6.4m,
- expand international sales by up to £1m, and
- create 25 new FTE jobs.

Business growth and efficiency

Support to Ocean Kinetics has enabled the business to provide an innovative one stop shop solution to the oil and gas industry, creating opportunities to work on new projects and with new clients. This new system is also enabling increased efficiencies, and reducing waste.

Sectoral benefits

A new, non-destructive testing facility being developed by Ocean Kinetics will lower costs for businesses across Shetland's energy sector through import substitution.

FUTURE PLANS AND POTENTIAL SUPPORT

The business has the potential and ambition to grow much further over the next few years through international trade and business acquisition. HIE support is likely to focus on expansion of the business off-island, and in international markets.

BARRIERS TO GROWTH

Oil and gas

Current challenges include the continuing pressures on price in the oil and gas industry, reducing margins for many businesses operating in the sector.

Steel price

The fall in the value of Sterling, following the UK's EU referendum, has had the effect of increasing the price of steel in international markets, and this rise is projected to increase in 2018. Iron ore and coking coal prices also remain significantly higher than they were 18 months ago.

People and skills

The limited labour market in Shetland is a challenge, as is the availability of training support locally. This adds to business costs when with travel is required to attend training on the UK mainland.

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Meatsnacks Group Ltd

Food and drink business
Moray and Highland

CLIENT DETAILS

From modest beginnings in a domestic garage, Meatsnacks Group (MGL) has evolved into Europe's largest manufacturer of jerky and biltong, both own-brand and private label. The business operates from three UK sites:

- Forres in Moray, produces beef, pork and chicken jerky, employing 51 FTE;
- Grantown-on-Spey in Highland, which began producing salmon jerky in late 2017 and employs 6 FTE, and
- Milton Keynes, where biltong is produced and 57 FTE are employed.

All Meatsnacks products are high protein, free from artificial colours and flavouring, MSG, and preservatives.

HIE SUPPORT

Highlands and Islands Enterprise has an account management relationship with the business and has provided a broad range of support to accelerate the growth of its operations in the region. These include:

- £155,750 grant towards rebranding and expansion (total project cost £557,500).
- Internationalisation support with Go Global and Scottish Development International, enabling attendance at trade fair and meet the buyer events, market specialist support, and research.
- Working with Interface on product development, including a potential knowledge transfer partnership with a leading Scottish university.
- Innovation support, including packaging design.
- Zero Waste Scotland is helping MGL reduce waste.
- The Scottish Manufacturing Advisory Service has provided support with lean principles and employee engagement
- Staff have benefited from HIE's leadership and mentoring programmes

IMPACTS AND OUTCOMES

- Turnover projected to rise from £12.9m to £16m by July 2020.
- International sales up by £480,000 a year
- 25 FTE jobs created in Forres, and more jobs expected in Grantown on Spey site as demand for salmon jerky increases.

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FUTURE PLANS AND POTENTIAL SUPPORT

MGL plans to expand the Forres site's packaging capability during 2019-2020.

HIE is continuing to provide marketing and sales support, including working with SDI to aid growth in new markets.

Through account management, HIE will continue to help the business progress innovation, new product development, and workforce development.

BARRIERS TO GROWTH

Exporting

Some countries still present barriers to imports of British beef, and these restrict international growth.

Finance

Development activities including new product development, marketing and market development for international growth are limited by the availability of finance.

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CLDB Ltd (trading as Carbon Dynamic)

Technology and advanced engineering business

Invergordon, Ross-shire

CLIENT DETAILS

CLDB, which trades as Carbon Dynamic, designs and manufactures low energy, modular timber buildings using locally sourced and sustainable materials.

Highlands and Islands Enterprise has supported the business to grow substantially over the past 5 years, and it now employs almost 50 FTEs.

Its innovative 'fit house' concept incorporates flexible internal walls and the ability to install remote health sensors, enabling people with long-term health issues to continue living in their own homes.

PACKAGE OF SUPPORT FROM HIE AND PARTNERS

Support from HIE and partners has included:

- £125,000 in two loan investments to expand the business
- Scottish Edge grant (£20,000) and loan (£50,000)
- £41,000 SDI support, including learning journeys to Sweden, Japan, New Zealand and the USA
- Expertise on a range of topics, through our specialist advice framework
- Attendance at the acclaimed Entrepreneurship development programme of Massachusetts Institute of Technology, in Boston
- Graduate placement through ScotGrad to support marketing
- Introduction to social enterprise Albyn Housing Society, resulting in a £1m contract for affordable housing
- Assistance to recruit a finance director
- Advice on intellectual property
- Skills audit from Skills Development Scotland
- Review by Scottish Manufacturing Advisory Service (SMAS), and participation in SMAS academy programmes
- HIE has facilitated introductions to a range of private sector lenders
- HIE supported an independent financial review to strengthen operations and forward planning.

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IMPACTS AND OUTCOMES

Turnover has multiplied, from £355,000 in 2013 to more than £2.5m in 2017, and is expected to double in the next 12 months to £5m.

Employment has risen to around 48 FTEs from a baseline of fewer than 10 in 2013.

Rapid growth has created challenges, but and HIE and partner organisations' support has helped CLDB overcome these to develop a sustainable business with the strength to expand further.

A partnership between CLDB and two other companies (one account managed by HIE, and one by Scottish Enterprise) has won a £1.2m Innovate UK grant to develop an integrated CAD software system.

FUTURE PLANS AND POTENTIAL SUPPORT

This is a growing business with ambition and capacity to expand its market both domestically and internationally.

Future support could include:

- Access to HIE's manager for hire programme
- Help to expand the manufacturing facility
- Training and development for management and staff, involving SMAS and SDS
- ScotGrad placements
- Potential to develop the Fit Homes concept and license designs worldwide, with SDI support and intellectual property expertise
- Investment readiness support and engagement with the Scottish Investment Bank

BARRIERS TO GROWTH

Access to finance will be a major factor in enabling the company to fulfil its potential and meet growth ambitions.