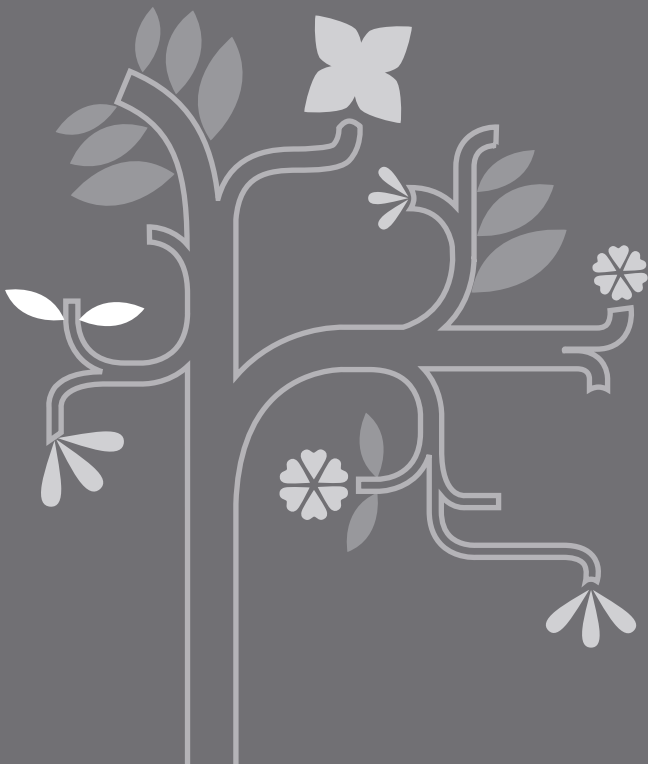


Winner

Vitabiotics

“Health, wealth and happiness”





Vitabiotics

Winner

J.P. Morgan IFB Family Business Honours 2009



Brief description : Vitabiotics was founded in 1971 and is Britain's leading and fastest-growing vitamin supplement company, with eight national brand leaders. The business is responsible for some of the UK's best-known health products and has built a reputation for producing effective treatments for multiple types of medical conditions.

Industry sector: Healthcare

Founding year: 1971

Founder: Dr Kartar Lalvani

**No. of employees
in 2008:** 67 (UK); 2,200 (worldwide)

**No. of family
shareholders:** Family Trust (100%)

Generation: Second: Founder and son work in the business

Sales in 2008: UK: £38.5 million; Worldwide: £270 million

First impressions

On a beautiful spring morning in North London, we come down Dollis Hill and cannot fail to notice the Vitabiotics company sign ahead of us, a symbol both of the energy and marketing ability of this remarkable family business. The first thing we spot as we are welcomed by company Senior Vice President Tej Lalvani is that the adjacent offices belong to Binatone, the cordless phone business run by his uncle's family; this sets the stage for a familial atmosphere which only intensifies during our visit.

“We know we have the best products. Why can we not be Number 1?”

Tej Lalvani, Senior Vice President, Vitabiotics

Tej first walks us through the marketing department, which undertakes all its development work for graphic design and websites in-house, before introducing us to the newest Vitabiotics creation: Perfectil Twin Serum, the latest in a long line of innovative products which have taken the market by storm. We then meet Nicholas Avierinos and Rohit Shelatkar, the leaders of (respectively) the Export and Registrations teams, who patiently explain how the business tackles the challenges

of overseas partnership and market penetration; complex processes mastered over years of experience. Indeed, one of the most striking things about Vitabiotics is the comparative longevity of service of their staff; the majority of employees we meet have been with the firm for at least five years, and some have been there much longer.

The boardroom where our discussions are held is lined with awards of all kinds, mostly praising the business for its innovative achievements. Such is the pre-eminence of the Lalvani family in the field of science that, as Tej explains, his professor brother Ajit has recently been responsible for pioneering a new vaccine against tuberculosis through his research team, the Tuberculosis Immunology Group, which promises to save countless lives.

“We aim to be the leading international supplier of innovative, nutrient-based healthcare products”

Vitabiotics mission statement

A brief history of Vitabiotics

1971

After spending ten years working in active pharma-medical research, Dr Kartar Lalvani sets up Vitabiotics.

1970s / 1980s

Dr Lalvani successfully markets his first two products, Oralcer and Omega H-3, in the UK and develops a profitable Nigerian export business.

1990

Dr Lalvani appoints the retiring Dean of School of Pharmacy, King's College, Professor Beckett as Non-Executive Chairman of the board at Vitabiotics.

1992-93

Vitabiotics acquires the Pharma business of Merck & Co in Nigeria. Launches a wider range of supplements for specific stages of life.

1994

Entry of Vitabiotics products in all multiples, including Boots, Superdrug and leading supermarkets.

1996-99

Export drive in Africa and Indonesia. Entry into Russia and CIS.

2003-04

Dr Lalvani obtains the Queen's Award for Enterprise and Asian of the Year Award. DTI Innovation Award for Excellence following use of Immunace tablets in control trial against AIDS conducted by London School of Tropical Medicine.

2008

Vitabiotics receives a second Queen's Award for Enterprise and sells in over 100 countries worldwide.

“We fine-tune our products in great detail and take perfectionism to a new level.”

Dr Kartar Lalvani
CEO
Vitabiotics



Dr Kartar Lalvani is the founder and President of Vitabiotics, Britain's leading nutraceutical company. He is a fellow of the Royal Pharmaceutical Society, has a degree in pharmacy and a doctorate in medicinal chemistry, and has built his business on scientific innovation. Today, Vitabiotics is a household name, with eight of his products, such as Wellman, Wellwoman, Pregnacare and Osteocare, widely recognised as Britain's best selling brands in their respective therapeutic segments.

Business model

A global vision

Vitabiotics is the UK's leading researcher, manufacturer and distributor of advanced vitamin/mineral supplements (VMS) and nutraceuticals and has been developing innovative health care products for over 30 years. During this time, the business has demonstrated a trail-blazing commitment to human health and research, matched by increasingly impressive profits.

The company works with partners throughout the world and has significant presence in countries as far-flung as India, Nigeria, Indonesia, Russia, Egypt, Iran and now Germany; in the UK, in addition to boasting eight national brand leaders, Vitabiotics is one of the top 50 suppliers to Alliance Boots across all their business categories.

Total global turnover is over £270 million, with global profit margins of 18-20% and nearly 30% in the UK. The business has won numerous awards including two Queen's Awards for Enterprise.

Masters of innovation

Vitabiotics has revolutionised the UK's Vitamin and Mineral Supplements industry, through a pioneering approach

to segmentation of the market based on science and consumer needs. The business was among the first to recognise the significance of nutritional research which suggested that it was possible to modulate biological function by the consumption of selected nutritional elements found within our food. Vitabiotics was the first company to develop products by bringing together nutrients selected on the basis of this research, translating it into comprehensive and effective products targeted at specific health concerns (heart, joints, menopause, eyes, immune function, pregnancy etc.). Furthermore, the company's innovative packaging firmly identifies each product with its purpose (Jointace, Menopace etc.).

It is testament to the success of the Vitabiotics approach that the rest of the industry has followed suit with many companies now producing health/lifestyle-targeted products. Moreover, not only are Vitabiotics product developments based on the clinical research evidence of individual ingredients but in many cases the finished products have also been clinically tested in placebo-controlled human clinical studies to prove their effectiveness.

Retaining talent

A key factor in the success of Vitabiotics has been its approach to developing the potential of its staff; employees are often hired direct from university, with several we met having advanced to senior positions. Perhaps the most notable among these was Technical Director Rohit Shelatkar, who was elected to the Board earlier this year only four and a half years after joining Vitabiotics as a graduate. The business inspires great loyalty among its staff; the fact that several employees can point to more than ten years in key positions makes for good continuity, as does the low turnover of approximately five individuals per year. Marketing Director Robert Taylor and Finance Director Hardip Singh lead the way with (respectively) 18 and 29 years as part of the Vitabiotics “family” .

“Vitabiotics is like my second home.”

Junior employee, Vitabiotics

The business operates a regular appraisal system, with the Board meeting on a quarterly basis to assess each employee. The Board also meets at the end of each year to decide how individual bonuses should be allocated. Also on a quarterly basis, a half day Company Meeting is held where each department’s progress is discussed, motivational and celebrity speakers are invited and commendations presented to staff. An ‘Employee of the Year’ scheme is also operated, with the

three main winners chosen each year by the Board of Directors.

In addition to this, staff-nominated awards are held a minimum of once each year, enabling peers to recognise one another’s achievements.

Embracing change for long-term growth

Always recognising the need for the business to evolve, the directors of Vitabiotics have clear plans for the future. At the heart of these lies a focus on continuing to build very strong brands, and to maximise the leverage of these brands through successful extensions (for example, plans are in place to develop the Pregnacare brand with products relating to conception and breastfeeding).

The directors have also developed a strategy designed to replicate the UK success of the business in export markets, maximising growth and spreading business risk across the maximum number of countries. The company aims to expand and diversify its product portfolio with natural cosmetic products (e.g. Perfectil Twin Serum), drinks and herbal products. In addition, they plan to develop new distribution points (e.g. gyms, salons and opticians). In the US, the business has teamed up with mid-size department store chain Duane Read as part of a strategy to penetrate a highly competitive market; initial progress has

left the Board confident of emulating the success the business has already enjoyed in India, Nigeria and Russia.

The company's ability to embrace change is further reinforced through separate board brainstorming meetings which enable plans to be revised as the market alters. Moreover, with Marketing Director Robert Taylor sitting on the Health Food Manufacturers' Association council, the business can keep directly involved with changes in legislation.

“It is better to lose an opportunity than to make a big mistake.”

Dr Kartar Lalvani, CEO, Vitabiotics

Finally, and perhaps most importantly, the company enjoys a highly conservative outlook, preferring to maintain debt levels of zero and to take a long-term view.

Social Responsibility

A commitment to charity

In addition to work undertaken for local community initiatives, Vitabiotics plays an active role in supporting a wide range of national charities and other non-profit organisations. The business has been a long-term supporter of Wellbeing of Women, which through co-operation with the Royal College of Obstetricians and Gynaecologists is dedicated to solving the major health issues that affect women. Vitabiotics is an active supporter of Kidney Research UK, sponsoring several national awareness campaigns including an event at the House of Lords through the now four-year-old Vitabiotics Foundation; the company also supports TB Alert, Britain's leading charity in the fight against tuberculosis which strives to create awareness of the risk of the disease among Asian communities.

Other notable charities that have benefited from Vitabiotics involvement in recent years include:

- The Miscarriage Association
- Sparks (The Children's Medical Research Charity)
- NAPS (The National Association for Premenstrual Syndrome)
- Bliss (The Premature Baby Charity)
- Foetal Alcohol Syndrome Aware UK
- The Daisy Network
- The Macular Disease Society
- The National Aids Trust
- The National Osteoporosis Society
- The National Childbirth Trust (NCT)
- Alzheimer's Society

Vitabiotics has been involved in a wide range of projects for each of these causes, in some case with an association that spans more than 10 years. Such long-term support is given through various activities including direct donations, assistance with fundraising, events and promotional activities, as well as financial support for educational campaigns and materials. Vitabiotics supports academic work and sponsors the School of Integrated Medicine at Westminster University.

"The company ethos has always been to put as much back as possible"

Dr Kartar Lalvani, CEO, Vitabiotics

Moreover, the company donates a significant volume of its products to charities both for overseas projects and for disadvantaged members of society in the UK. By aligning with International Health Partners UK, Vitabiotics provides

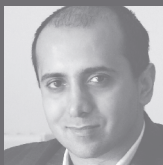
products in doctors' travel packs that are used in the developing world.

The company supports individuals at all levels, from students and midwives to up-and-coming sportsmen, and to this end has set up Team Inspiration, a web-based initiative designed to inspire children to strive for great things in life. Furthermore, the business also encourages and regularly sponsors individual staff members in their individual fundraising activities, from cycle races to climbing Kilimanjaro, as well as giving them time off to do charitable work.

Dr Lalvani himself has supported a new eye hospital for the poor in Lagos and the KVOWRC Foundation in Nairobi, a rehabilitation centre for young, orphan girls; in addition he has also recently opened a new restaurant, the Indali Lounge, which has pledged to donate a minimum of 20% of profits to the homeless.

“We see our workforce as an extended family; winning this Award represents just reward for their efforts.”

Tej Lalvani
Senior Vice President
Vitabiotics



Tej Lalvani has been at Vitabiotics for 14 years, having trained at a KPMG affiliate in India. He currently oversees international expansion for the Vitabiotics Group, which involves the establishment and management of local operations in the US, Russia, Iran, Egypt, Nigeria, Germany, India and Indonesia. His ambition is to build Vitabiotics into the largest specialist vitamin company in the world.

Vitabiotics philosophy and culture

Company values

According to the company mission statement, Vitabiotics employees are encouraged to perform to the best of their individual capabilities at all times, do the company proud and enjoy their work. The company is built upon Dr Lalvani's own core ethical principles:

- To treat our suppliers and customers as we would wish to be treated ourselves.
- To treat staff like extended family.
- To adhere to the core values of honesty and integrity.
- To produce the highest standard of products that actually improve the quality of life of the end users.

The business sets great store by teamwork: there is plenty of overlap between departments, which better enables staff to help one another. Employees are allowed to manage their time as they see fit, and to leave work early if desired; according to senior management, so trusting a policy often means that staff stay late of their own accord. There is a culture of accessibility designed to enable staff to approach senior management at all times, with Dr Lalvani in particular making himself

available and often inviting staff to his restaurant. The quarterly staff meetings and award schemes facilitate a pleasant working environment with teams often mixing socially outside work.

The integrity of the business is uncompromising. Due to the constant evolution in scientific knowledge, Vitabiotics will often be on the verge of launching a product only to find that one ingredient is not right. Whenever this happens, Dr Lalvani will immediately insist that the product is redone and corrected, even if it costs the business money in the short term. Vitabiotics updates its products constantly, rarely needing to wait for the release of official research due to its highly advanced internal engine; indeed, it took the UK Department of Health ten years to verify the research behind Pregnacare. As the directors explain, this approach works better in a family business than in a plc where such flexibility might not exist.

Vitabiotics has built excellent relationships with its major UK customers over the past fifteen years, receiving the award for "Vitamin Supplier of the Year" from Boots, its largest UK customer, for four years in a row between 2002 and 2005.

Additionally, the company received the Boots' Award for Best Exclusive Product Launch during 2007. The business also applies great care and attention over its export customers, seen as an extension of Vitabiotics itself; each relationship is governed by an exclusive contract which provides each customer with a stable and reliable trading relationship.

“I believe in waiting for the right product to come along.”

Dr Kartar Lalvani, CEO, Vitabiotics

Vitabiotics undertakes various measures to nurture these relationships. Every two years the business invites 100 export customers to a major Export Agents Conference in London, while overseas suppliers are visited regularly to ensure that they are working to the company's strict guidelines. Vitabiotics also regularly sends leading scientists to overseas markets to conduct scientific presentations and to help keep customers up-to-date with the latest developments. The business places great importance on feedback from customers and produces a regular newsletter for those overseas. The extent of their satisfaction is reflected by the level of repeat purchases by existing customers; Vitabiotics has built very long-standing relations with both UK and Export customers, with some overseas agents having been with the company for over twenty years.

Moreover, Vitabiotics maintains excellent relationships with its suppliers, striving always to ensure that all suppliers, partners and contractors adhere to high standards of corporate citizenship. The business recognises the importance of building mutual respect, never changing suppliers purely for price reasons. Recently one supplier closed and re-launched itself as a new firm; Vitabiotics agreed to pay them up-front and help with their initial cash flow for the sake of retaining a trusted relationship.

Family values

Employees see the Lalvani family as the personification of the company's values, with Dr Lalvani's attitude to his staff resembling that of a benevolent uncle. When one employee of 18 years' standing was diagnosed with multiple sclerosis, Dr Lalvani continued to pay her full salary for five years even though she could only work sporadically and went on paying her a reduced salary even when her productivity inevitably dipped. She and other employees suffering from illnesses have been invited to stay at Dr Lalvani's house, including Chairman Arnold Beckett.

This serves to demonstrate that it is a heartfelt concern for the well-being of his fellow men and women that drives Dr Lalvani – both professionally and personally.

Governance

Family governance and succession

Although Vitabiotics has not adopted a formal family constitution, it is accepted within the business that Dr Lalvani intends to pass ownership on to his two sons, with Tej to run the business in conjunction with Robert Taylor and career academic Ajit providing the benefit of his medical expertise. Indeed, Vitabiotics is unusual among Asian businesses in that there is a non-family individual in a position of high authority (Robert Taylor, who has been with the firm since the age of 21). Dr Lalvani has set up a family trust with himself as the main beneficiary and has made his wishes known to the trustees; these will shortly be finalised and shared with the second generation.

“My father and I share the same vision for the future of the business.”

Tej Lalvani, Senior Vice President, Vitabiotics

Tej has impeccable credentials: his father encouraged him from a very young age to get involved in the business, buying him a computer when he was six and interesting him in the product packaging. Tej later studied Business Administration at university and worked for a KPMG affiliate in his placement year;

unsurprisingly, he cites his father as his main influence and enjoys the challenge of trying to live up to him. For his part, Ajit is a globally respected authority on medical science and has held fellowships at Magdalen College, Oxford and Imperial, London.

Corporate governance

The Board consists of three family members and four non-family members, all seven of whom participate in important business decisions. In addition, Vitabiotics benefits from external fiduciary expertise. The Board meets formally every quarter but in practice regular brainstorming meetings are held both at the company offices and at the restaurant.

Following one of Dr Lalvani’s core business philosophies, the business advocates co-leadership in foreign territories, who act as a natural check on one another; this mirrors the arrangement in the UK which sees Tej Lalvani and Robert Taylor co-run the day-to-day aspects of the business, deferring to Dr Lalvani in rare cases of disagreement, while Ajit provides expertise on medical issues. Dr Lalvani takes a scholarly interest in this area of corporate governance, believing that

many of the problems currently blighting the world's economy could have been averted had more banks employed a dual-manager structure. He is presently working on a book that expounds this theory in more detail.

“We intend to hand the company vision down through the generations like in a relay race.”

Professor Ajit Lalvani, Non-Executive Director,
Vitabiotics

Challenges going forward

For a business whose success relies heavily on satisfying the regulatory criteria of individual countries, future regulatory and legislative changes, particularly within the EU, represent a significant challenge. And despite having thus far proved reasonably recession-proof, there is no guarantee that the current downturn might not impact the business at some level. With this in mind, the company will continue to aim for the 'premium mass market' where it has enjoyed so much success so far.

A more positive challenge lies in finding the time and resources to put the company's myriad good ideas into practice. These include aftershave products, man- and woman-specific creams in the Wellman and Wellwoman ranges, and anti-ageing and anti-wrinkle creams. As the most successful family-run business in the UK vitamin market, Vitabiotics seems well-placed to continue its remarkable success for the foreseeable future.

“Vitabiotics is the definitive Asian business success story”

Evaluation Committee member