

O'Donnell Enterprises

Case Study Company **O'Donnell Enterprises, Cavan, Ireland**

Regions Involved **ROI, US**

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Jodel® Heat Pads

"I have been very fortunate in my business life and some would say successful, but the part played in this project by Enterprise Ireland can never be under-estimated"

*Jimmy O'Donnell
Managing Director*

Lessons Learnt

Get Lucky! No-one can guarantee this but explore opportunities, talk with people and identify those who might be able to help; this can give your business the chance to have a lucky break.

Patent your IP/product. It's extremely expensive in the short-term but if you don't own the patent your business will have nothing to sell. And royalty payments arising from patents are tax-free. However remember to secure patents in each market that you intend to sell into.

Licensing the manufacture of your product is a good way to earn export revenue when the manufacturing option poses difficulties.

Working with Enterprise Ireland opens doors – to opportunities, business contacts and to the right experts. Other State Agencies can also prove invaluable in supporting your business. In this instance the ESB and the local Enterprise Board had critical roles in making the business a success.

Background

O'Donnell Enterprises was founded in 1991 by Jimmy O'Donnell. Originally the company acted as a distributor, importing farm products including electric heat pads for use with piglets. However there were issues over the reliability of the pads and there were also safety concerns. Jimmy says "There was a fire on a farm we supplied and it scared me; although the pads were not the cause, it made me realise how vulnerable the business was if we couldn't depend on the safety of these pads".

Jimmy discussed the problem with a friend who introduced him to a student doing a Masters in applied physics, who also had an interest in electronics. Jimmy also discovered that the local Enterprise Board in Cavan was offering manufacturing facilities on a subsidised basis.

"Within a short time, we invited this student to come to live with my family for 6 months to work on developing a prototype" Jimmy explains. "The brief was to develop a product that was totally safe but also reliable".

Get Lucky!

The prototype developed was both safe and reliable and during the development process, the product was encased in a polymer compound for this purpose. Jimmy says "What I didn't appreciate at the time was that by using a particular polymer, the finished product's energy-efficiency was hugely enhanced".

As the ESB were doing an energy-efficiency drive, it tested the product thoroughly for safety and reliability – and critically for energy efficiency. "After two long weeks they gave it the thumbs-up" (See Table Below)

| Heat Source | Power consumption per 24 hrs. |
|-----------------|-------------------------------|
| Jodel® HEATPAD | 0.47 KwHr |
| 250W IR Bulb | 4.5 KwHr |
| 175W Par Bulb | 3.2 KwHr |
| 100W Light Bulb | 1.8 KwHr |

"This is where we got lucky - the product development spec. was based on safety and reliability; it was sheer luck that the prototype was energy-efficient. This was in '94 and about 80% of Irish pig producers were using 250w bulbs, at a cost of about 36p for 24 hours. The Jodel® heat pad cost just 5p for 24 hours." Jimmy explains. In the event the ESB offered farmers interest-free loans over 3 years to switch to the pads. By '96, the turnover for O'Donnell Enterprises was about €500,000 and there was a staff of 4. However the Irish marketplace was limited and although there were sales abroad from word-of-mouth referrals, the business had to seek growth opportunities.

Building the business....

According to O'Donnell securing and paying for the patents was a painful process "We had to pay for short-term patents in Ireland, the UK and the U.S. as well as registering Jodel® as a Trademark. For a small business, it was a complete financial nightmare – we spent about IR £100,000 and it was money we didn't have!

However if we had no patent, we had nothing to licence out". However the business opportunities were enormous – in '97 there were about 170,000 sows in Ireland; in the U.S. there were millions and about 18% would require heatpads. Enterprise Ireland worked with O'Donnell Enterprises to identify useful contacts in the U.S. O'Donnell Enterprises also tried selling direct through regional trade shows and at one of these shows they arranged to meet a large U.S. business in the farming sector, who had a sow herd of several hundred thousand sows. Although impressed, they were not convinced so "we had to install the pads on a trial basis – every month they'd compare the energy costs of two rooms with pads compared to two rooms with bulbs. If the cost-savings weren't evident, they wouldn't pay. Luckily they were and they did!" Jimmy explains. This business was taken over in the meantime by another larger pig production company which increased their sow numbers close to 1 million however no order came for 6 months. In the U.S. many felt that heat pads were generally unreliable, based on past experience. "Then out of the blue, at the end of 2000, an order came in for 2,500 heat pads – it nearly killed us to fulfill that order....then nothing at all for months!" The company was running out of money and the payments for patents were taking their toll. Due to decreased profitability in the U.S. hog market, suppliers were informed that all capital expenditure had to have a payback of 18 months. Jimmy says "As a result of this we had to look for a cheaper manufacturing base. Manufacturing in Ireland was no longer an option."

"At this stage I talked with Enterprise Ireland's Technology Transfer dept and they suggested manufacturing in the U.S. under license. They put me on the North American Partnership Programme and a number of possible manufacturers/distributors were identified". The Programme also funded expert advice from a consultant, Brian Harrington, who traveled to the meetings and guided Jimmy through the process. "His advice was invaluable – I would often call him to run through an issue and he could immediately grasp the problem and make helpful suggestions".

In 2003, Jimmy was introduced to a US-based manufacturer who expressed an interest in manufacturing the Jodel® heat pads. "We signed a non-disclosure agreement (NDA) and as the product was patented we had little concern about disclosing information. By 2004 we were negotiating a royalty. The company has been manufacturing the pads for 2 years now and to date they have been very successful producing 2,500 pads per month.

Future Developments

Jimmy is optimistic about the future, "The growth opportunity in the U.S. alone is huge – the Top 40 producers will require 350,000 heat pads over the next 5 years and we haven't even scratched the surface of that potential.

In conclusion, Jimmy says "I have been very fortunate in my business life and some would say successful, but the part played in this project by Enterprise Ireland can never be under-estimated. I would urge anyone who might have an idea for a business venture to talk to them and to their local Enterprise Board, as the part played by the Cavan County Enterprise Board in the early days of developing my business was such that without them I would never have gotten the project beyond an idea".