

Healthy is Trendy

The Slovak experience with SME's transition.

This is a story of a company, that started in a basement of a family house in mountainous central Slovakia town Banska Bystrica back in the 90s of the previous century, that managed to successfully grow into middle-size enterprise producing the biggest amounts of soya based healthy food products in Slovakia. Their speciality and core product is production of Tofu - lactose-free cheese made of soya beans.

The story started back in 1980, when mother of the founder - **Jan Lunter Sr.** - got seriously sick and he wanted to help her. She needed lactose-free and vegetable only diet, that was in those times of the socialist Czechoslovakia nearly impossible to get and was costly too.

Thus Jan, by profession electro-technician and informatician, found his interest in healthy eating and food products. Soon he found the role-model in the East Asian kitchen and came across of recipe for Tofu, that has been produced in the Far East for centuries.

Tofu - sometimes also called "bean curd" - is a word most probably of Japanese origin literally meaning "fermented bean". It is a white cheese-like food produced through coagulation of soya milk. It is well-known in the East and South-East Asia. It can have number of forms from spreads like through soft to firm consistence. Due to its vegetable origin - made from soya - it is very low on fats (zero cholesterol), but very rich in proteins and much needed minerals such as iron, calcium and magnesium.

Mr. Lunter Sr. first started the production of Tofu in the basement of their family house in Banska Bystrica and just for the own consumption. After the fall of the communist regime in the former Czechoslovakia in 1989 and the re-establishment of private ownership, the "IT guy" Mr. Lunter Sr. along with few of his friends and family members founded his company named "**Alfa Bio**". At that time there was exactly ZERO Kg of Tofu being produced in the whole Czechoslovakia and "Alfa Bio" was the very first mass producer of Tofu in the country.

His son Jural Lunter Jr., remembers that they were producing 30 tons of Tofu a month in basement of their house - true start-up at that time! In the year 2016 they were producing 160 tons of Tofu and plus 100 tons of other - related - food products each month. In 1995 they moved production out of the basement to the first factory on the outskirts of Banska Bystrica. Since then the company grew significantly. Crucial for their development was combination of East Asian recipe and the Western Technology - they were learning by examples from Japan, Taiwan, the US and Canada.

Since Tofu was a relatively new thing at then Czechoslovak (later just Slovak) market, they had to persuade customers to try the unknown product. Slovaks are quite conservative in terms of food and eating, but Tofu from Mr. Lunter's production managed to attract customers and they expanded gradually. They were organizing tasting campaigns around major cities in Slovakia and also the Czech Republic - 300 tasting events per year. Participated in food and agricultural fairs, started to sell their products to restaurants and schools' dining facilities - first in their home town, later nation-wide. From there they expanded also to neighbouring countries - Czech Republic, Poland and Hungary.

They based their marketing on promoting healthy - vegetable based eating habits to decrease amount of meat in daily consumption, as in their opinion we - here in the Central and Western Europe - eat too much of meat. That reflects also on various health problems among the population - e.g. Slovakia ranks high in the cardio-vascular as well as digestion related diseases in the EU. They succeeded in a way - Slovakia is with 180 grams of annual Tofu consumption per capita No. 1 in the whole EU, thanks to the Lunter family business. But this is nothing compared with the annual Tofu consumption in Asian countries e.g. in the Okinawa prefecture of Japan it is 56 kg per capita!

Reaching the “western market” - understand the EU market was more complicated, because of higher food quality standards. That motivated them to increase quality checks, apply new quality standards, buy modern technologies - financed from the EU grants and thanks to that, they are currently successfully exporting their products to 9 EU countries.

The company grew from approximately 60 employees before 2004 to current 200 employees, with revenue of cca. 11 mil. EUR annually (fiscal year 2017), making it one of the biggest middle-sized companies¹ in the central Slovakia and very important employer in otherwise unemployment plagued region. The company also won and implemented number of EU projects - starting with the pre-accession SAPARD fund. Until today they have received five EU-funded projects that helped them with investing in new technologies and technical equipment - automatization and robotization of the production as well as in increasing quality of production.

Mr. Lunter Jr. remembers how they were awaiting Slovakia’s joining of the EU (took place on 1.5.2004) with worries, because many fellow entrepreneurs in the food and agribusiness industries were painting dark picture how they all will get bankrupt due to higher quality standards, how nobody will be buying their products in the “older Europe” because they are unknown there and how the big food producing factories from the Western Europe will quickly consume markets of newly integrated countries and thus suffocate the local production. After years of adaptation to the needs of market Mr. Lunter Jr. is satisfied - not only his family company did not get consumed by a big international conglomerate. Quite the opposite. His products made it to new markets as far as - Belgium, Croatia, Slovenia, you can buy their products also in Bulgaria and Romania.

In the year 2012 the company underwent major - generational - change. The founder Mr. Jan Lunter Sr. stepped down as the director and passed the leadership of the company on his three sons, who took executorial positions in the company. With the young blood came to the company also the new spirit and new dynamism. They changed the way of managing the company, invested a lot in expanding production capacities and new technologies. They acquired quality certifications ISO 9000 and ISO 22000 that is specially dealing with the system of management of the quality and safety of food products. They also acquired for the company quality certificate IFS Food. The company is Eco friendly, using only products from the sustainable agriculture and do not use GMO (genetically modified organisms).

Except for production of Tofu in various forms and types, they produce also fresh vegetable-based spreads. They don’t use conservants or other chemicals - everything is of natural origin. The production of spreads made from Tofu or soya has gradually become the core business of the company. Currently they export mostly spreads. More than 50% of production is going for the export.

They also opened their own vegetarian Restaurants - one in Banska Bystrica and one in the Czech Republic and they have their own shop selling their products. Company managed to secure deals with the biggest chain stores in Slovakia and neighbouring countries. The modern image of the company is represented also by the web: www.lunter.com that among other things features food blog and section with healthy recipes and tips.

And what has been the recipe for success in reaching the European market according to Mr. Lunter Jr.?

- Finding the niche product - a speciality produced locally that quickly became famous because of its quality.
- Quality is of crucial importance, in the food industry this is twice as important. Nothing is easier than to lose trust of customers due to quality problems. They have invested a lot in quality management and food safety as well as in ecological and sustainable production, plus supporting local producers of soya beans.
- Especially at the beginning of the development of the business - being steadfast and trust in own product is important!

¹ - According to the Slovak legislation, SME is a company up to 250 employees and/or up to 50 mil. EUR of annual revenue.

- Marketing is of great importance too - as they have introduced brand new product at that time Czechoslovak market, they had to persuade conservative consumers to try it. Hence, they have invested a lot in promoting their products through food presentations everywhere - in chain stores, restaurants, at food and agri fairs...
- For them the stepping stone to penetrate to bigger markets of the Western Europe (even prior joining the EU) was the expansion to the Czech market first, which they knew very well through personal contacts and proximity. The Czech customers were also better acquainted with Tofu.
- After joining the EU, they used effectively the EU funds in order to develop the company, invest in new technologies and equipment that in turn gave them edge in terms of quality as well as quantity. If they would have lacked in quantity, they could have not supply the big chain stores in Slovakia and Czech Republic, plus exporting elsewhere in the EU.
- Western Europeans are keen in healthy eating and food and the trend has spread to the Central Europe too. This opens possibilities for those producing Bio and Eco and special healthy products. Lunters' products are lactose-free and very low on fats and oils - all those they use are of plant origin and cholesterol free.
- Slovakia's accession to the EU helped them a lot too. Apart from the funds, it opened them access to the big European market with less bureaucratic hurdles. Very important was also joining the Euro-zone.

One last advice from the founder of the company Lunters', motivation of their business has always been: "the love for the family"!

By Ján Cingel, European Neighbourhood Programme, GLOBSEC Policy Institute

This text is part of the "SMEs' Training Toolkit" used within the Project „Georgia on European Way: Creation of Effective Model for DCFTA and SME Strategy Implementation". The project is supported from the European Neighbourhood Instrument. Photos - courtesy of the company Lunter.



