STRATEGY FOR GROWTH
IN THE
DOMESTIC HONEY MARKET

Submitted in partial fullfilment of the 15.412 Research Report requirements of the Massey University Executive Master of Business Administration Degree

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EXECUTIVE SUMMARY

The objective of this report, prepared for the National Beekeepers' Association of New Zealand Incorporated, is to provide a "Strategy for Growth in the Domestic Honey Market". This objective has been achieved through research which studied and evaluated the production, and supermarket distribution, of honey consumed in New Zealand. The work encompassed personal interviews and surveys by questionnaire of producers and major supermarket buyers of honey as well as a review of current data on the honey industry.

The outturn was that a number of opportunities were identified for growth in the domestic honey market. These can be capitalised on by the beekeeping industry with the adoption of the recommended overall strategy which is focussed on:

- Rectifying reported weaknesses in the industry
- Adding value to the industry's products and services
- Achieving collective action in the industry

ACKNOWLEDGEMENTS

The research work undertaken for this project has been a team effort. The people who helped turn the study into a reality extend far beyond the research group. Thanks are due to the individuals, groups and companies, who provided inspiration, assistance and support over the year that the study has been conducted.

The research group would like to especially acknowledge the extensive assistance provided to it by the following during the course of the research:

- Massey University - Dr. Norman Marr, Dr. Robin Smith and Art Thomas
- The National Beekeepers' Association of New Zealand Incorporated and, in particular, its liaison officer, Nick Wallingford of Tauranga.
- The Honey Industry Trusts
- The beekeepers who were interviewed and surveyed
- The supermarket grocery buyers who were interviewed and surveyed
- Ministry of Agriculture and Fisheries

1. INTRODUCTION

1.1 NATURE OF THE REPORT

This report investigates the New Zealand honey industry and identifies, describes and recommends a strategy that the National Beekeepers' Association of New Zealand Incorporated (NBA) should implement to stimulate growth in the domestic honey market.

1.2 INDUSTRY SUPPORT

The research was supported by the NBA as shown by the letter of authority in Appendix A.

1.3 RESEARCH OBJECTIVES

The objectives of the research work were:

- To identify market segments of honey in New Zealand.
- To identify customer needs within a chosen segment.
- To identify opportunities in the chosen segment.
- To develop a strategy for exploiting the identified opportunities.

In the above context "market segment" means customer groups with similar needs, and includes both middlemen and final consumers.

1.4 THE RESEARCH GROUP

The research work was undertaken by the following persons who had the agreed primary roles:

Ko Chai Fang	Information management
June Hui	Questionnaire design management
Russell McGuigan	Project management
Colin Perfect	Group Secretary and NBA liaison
Ramesh Singaram	Massey University liaison

1.5 REPORT STRUCTURE

The report which follows has been ordered in such a way that the reader obtains in sequence:

- An introduction to, and explanation of, the purpose and objectives of the study along with an outline of the methodology used in carrying out the research.

- An outline of the history of the honey industry in New Zealand and how and why it is structured and regulated like it is. The outline provides a context for the reader on which the later sections of the report are built.

- A description of the two principal honey markets in which the New Zealand industry is active along with a description of the target market segment that has been selected as the focus of this study.

- A survey of the attitudes of producers and key honey buyers, in the selected target market segment, obtained by a combination of questionnaires and personal interviews.

- A comparison of the results of the attitudinal surveys of producers and key honey buyers.

- A growth strategy that has been derived from the analysis and interpretation of the attitudinal surveys and performance achievements of the honey industry in the key retail segment selected for this study.

- An in depth consideration of the growth strategy recommended.

- A series of supporting information contained in appendices, tables, figures and a reference source that amplify the material in the body of the report.

1.6 DEFINITION OF HONEY

There are numerous definitions of honey quoted in industry publications, including some which are technical in nature. This report uses the following definition of honey unless stated otherwise.

"Honey is the sugary product which is obtained from the comb of the honey bee".

2. RESEARCH METHODOLOGY

This section describes the methodology that was used in the research for this report. It helped to ensure the work was consistent, rational and focussed on the research objectives stated in Section 1.

The process of designing and implementing the research work involved the following sequence:

- Research purpose defined
- Research objectives defined
- Surveys designed (for both honey producers and supermarket grocery buyers)
- Primary and secondary data collected
- Data analysed
- Possible and recommended strategy determined
- Conclusions formulated
- Research report prepared

2.1 DESIGN OF HONEY PRODUCERS' SURVEY

Personal interviews were held with several honey producers to better understand the industry. These interviews assisted in the refinement of the mail questionnaire that was subsequently sent to all honey producers owning more than 100 hives (the NBA recommended surveying producers owning over 100 hives as these were the most likely to be full time commercial operators).

2.1.1 Personal Interviews

From February to March 1993, four medium to large scale honey producers (three in the North Island and one in the South Island) which included a beekeeper in Levin who practiced "apitherapy" (ie. the use of honey and bee venom for therapeutic purposes) were interviewed. Each interview took about three hours and included a tour of the interviewees' honey production facilities.

The personal interviews were undertaken to:

- Gain an understanding of the honey industry and the operations of individual honey producers.
- Obtain honey producers' comments on the industry's past performance.
- Obtain honey producers' views on industry trends.
- Obtain honey producers' ideas on potential opportunities in the industry.
- Gather sufficient information for an effective and meaningful mail questionnaire to honey producers.

2.1.2 Mail Questionnaire Survey

Data from the personal interviews of honey producers and from secondary sources of information enabled a three-page honey producers' questionnaire to be prepared. This contained thirteen questions (See Appendix B).

Purposes of Questionnaire

The questionnaire was designed to:

- Gather background information on honey producers' operations and levels of production.
- Establish any gaps existed between producers' expectation of buyers needs and the producers' own performance.
- Seek producers' opinions on possible ways of increasing sales of honey in the domestic market and the best way of achieving each.
- Obtain producers' ideas on opportunities in the honey industry.

Pre-Testing of Questionnaire

The questionnaire was pretested by a executive of the NBA with feedback being incorporated into the content and layout.

Sample Selection

The mail questionnaire survey of selected honey producers was carried out in May 1993 with the support of the NBA (See Appendix C for letter of support). All NBA members owning 100 hives or more were used as the survey sample. A total of 373 producers in all. Each producer received a copy of the questionnaire, together with a supporting letter from the President of the NBA which requested the cooperation of each recipient.

The survey sample selection was entirely composed of commercial honey producers owning 100 hives or more, who accounted for more than 90% of the country's honey production and represented people with more interest in the well being of the honey industry than hobbyist beekeepers.

Control of Survey Process

A time frame of four weeks was allowed for producers to respond to the questionnaire. At the end of that time frame, a reminder letter was sent to each of those whom had not responded. Each producer was informed at the outset about the confidentiality of any information collected and the purpose to which it would to be put. Additionally, procedures for data security and publication of results were also covered. These controls were aimed at encouraging truthful, brief and unambiguous responses from producers. A response rate of 47% was achieved.

2.2 DESIGN OF SUPERMARKET GROCERY BUYERS' SURVEY

Information gathering was done in two phases.

- **Phase one** involved personal interviews of supermarket grocery buyers in the Wellington region.
- **Phase two** involved a mail questionnaire survey of key grocery buyers in all the national supermarket chains.

2.2.1 Personal Interviews

Interviews of supermarket grocery buyers (persons responsible for purchasing honey for supermarket resale) were conducted in the Wellington region between March and May 1993. This was done to obtain a better understanding of the main issues impacting on honey sales in supermarkets, as well as to assist in the design and development of the mail questionnaire for phase two. The personal interviews were structured around a prototype questionnaire. Interviews lasted from between 30 and 45 minutes.

2.2.2 Mail Questionnaire Survey

The four-page mail questionnaire was designed utilising information gathered in the personal interviews (See Appendix D).

Purposes of Questionnaire

The questionnaire was designed to:

- Obtain background information on honey sales in supermarkets.
- Identify potential problems with the marketing of honey in supermarkets.
- Compare the performance of honey against other spreads in supermarkets.
- Test proposed strategies for increasing honey sales in supermarkets.

Pre-Testing of Questionnaire

Whilst no pre-testing of the questionnaire was done, its final form was shaped by information gathered from personal interviews.

Sample Selection

The population targeted by the survey was all key supermarket grocery buyers having primary responsibility for *bulk purchasing* of honey products for their New Zealand outlets (honey products here includes both branded honey products and house-brands). These key supermarket chains account for over 90% of retail grocery sales of honey in New Zealand (Grocers' Review, July 1992). Eleven key buyers in six supermarket chains were identified and chosen as the sample for the mail questionnaire survey. Some supermarkets chains have more than one buyer and this accounts for the additional questionnaires.

Control of Survey Process

The mail questionnaire survey was conducted between July and August 1993. An advance letter was mailed to buyers to inform them of the research and their impending receipt of the mail questionnaire survey. Questionnaires were mailed out a week later. Buyers were asked to return completed questionnaires within a fortnight. Reminder letters were sent out to non-respondents after that period and they were also subsequently followed up by telephone calls where necessary. All prospective respondents were assured that any information provided by them would be treated in strict confidence and they have also advised that all completed questionnaires would be destroyed on completion of the research project. A response rate of 54% was achieved.

2.3 DATA COLLECTION

The research utilised both primary and secondary sources of data. Primary data consisted of original information obtained from the survey questionnaires and the personal interviews of honey producers (including those who packed honey) and supermarket grocery buyers. Secondary data consisted of existing information on the honey industry which was obtained from the following sources:

- The NBA and others in the honey industry
- Various public and private libraries
- Government departments
- Commercial research companies
- Academic institutions

3. HONEY INDUSTRY PROFILE

3.1 OVERVIEW OF THE INDUSTRY

New Zealanders consume more honey per head per annum than most other countries (See Table 3.1); and the average annual domestic consumption statistics since 1974 (See Figure 3.1) show a trend towards a sustained increase.

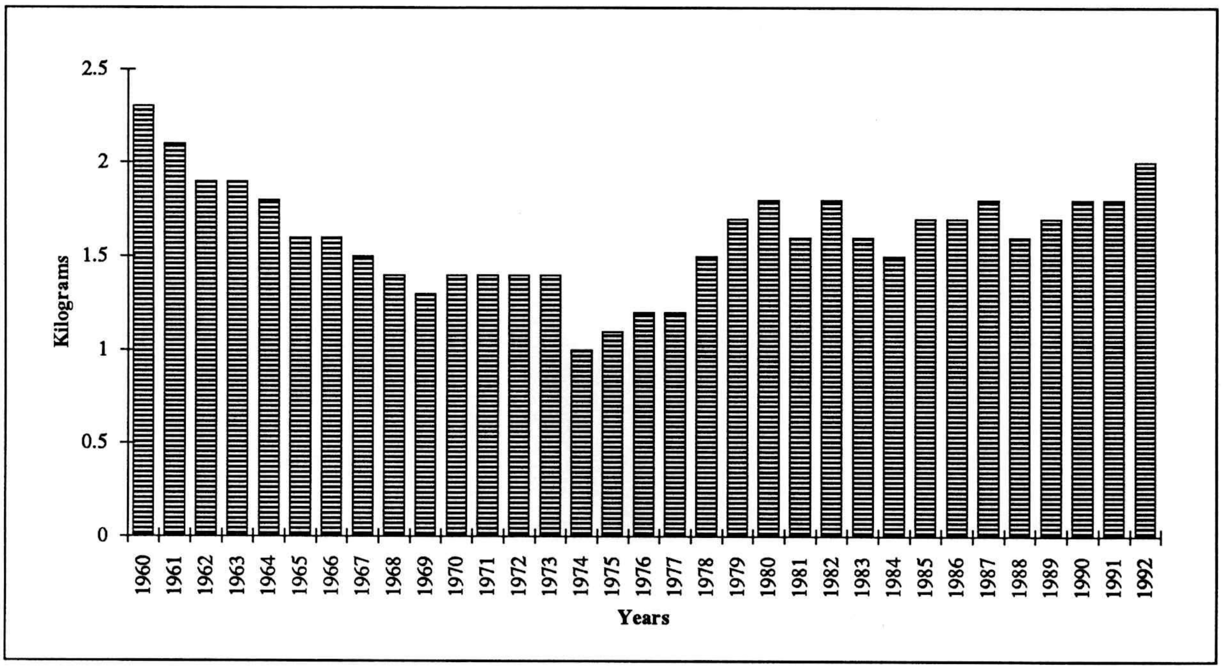
The honey industry in New Zealand has traditionally been oriented to satisfying domestic demand. Obtaining a consistent supply of honey for export sales has, however, always been problematic because of the large variations in the quantity of honey produced each season (See Figure 3.2). These supply variations have been principally caused by the influence of weather patterns on the activities of honey bees and on the supply of nectar from floral sources.

TABLE 3.1 Worldwide Consumption of Honey: 1989 estimates

Country	Kilograms per head
Argentina	0.3
Australia	2
Brazil	0.8
Canada	0.7
China	0.1
Colombia	0.1
Hong Kong	0.1
India	0.1
Indonesia	0.1
Kuwait	0.1
Mexico	0.9
New Zealand	**2.4**
Singapore	0.2
South Africa	0.1
South Korea	0.1
Taiwan	0.1
United States	0.6
Venezuela	0.1

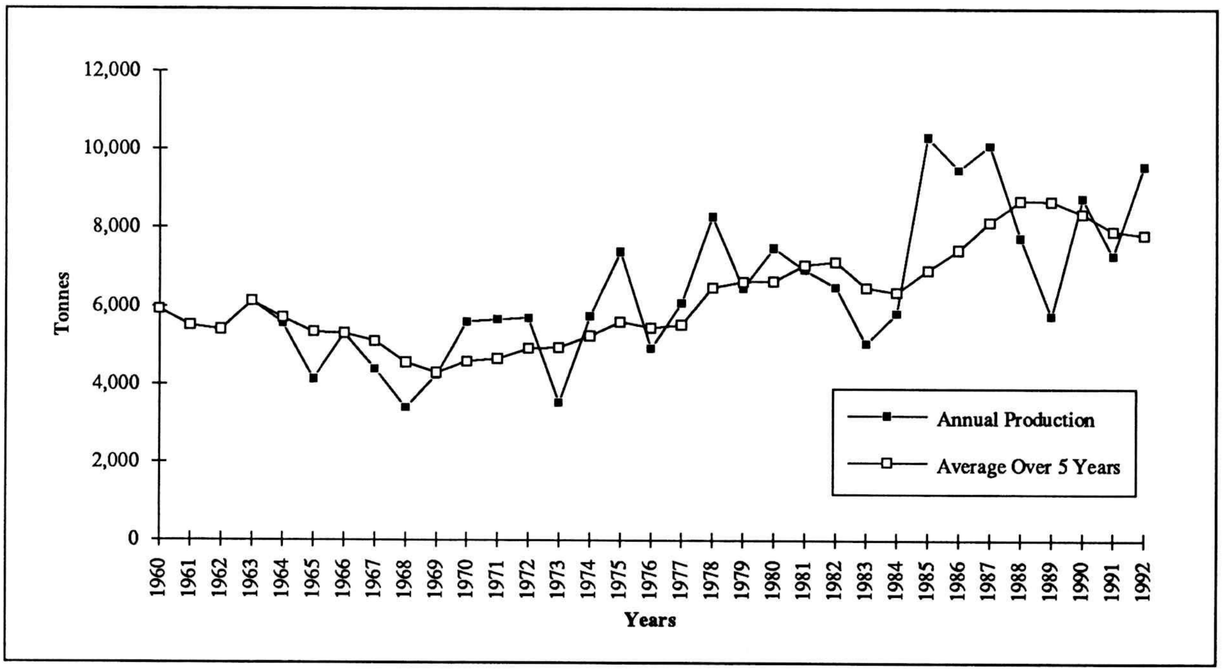
Source: International Marketing Data and Statistics 1992.

FIGURE 3.1 Domestic Consumption of Honey per Head in Kilograms on a 3 Year Moving Average



Source: Statistics New Zealand 1993.

FIGURE 3.2 New Zealand Honey Production (1960-1992)



Source: Statistics New Zealand 1993.

The traditionally produced honey that is most familiar to New Zealanders is creamed Clover honey. However the selection, by beekeepers, in recent years of different single source floral varieties from which to collect nectar has seen a broader range of honey types produced for consumers (See Appendix E). The most notable being "active" Manuka honey. This honey contains the only known antibacterial agent effective against helicobacter pylori, a bacteria implicated as a cause of gastritis and stomach ulcers (Manuka honey good for wounds. (21 October 1992). The Dominion, p.7).

The trend to "added value" products has also seen the development and introduction to the market of a number of innovative products (eg squeeze bottle honey and tourist presentation packs). The NBA has indicated that it is aware that it needs to help producers by better coordinating the industry's efforts in marketing its products which are still largely treated by producers as a commodity with no added value attributes.

The industry is subject to both statutory and regulatory intervention and protection but there is a threat that current barriers to importation of honey may be removed with the possibility of cheaper honeys from Australia, the United States of America and other countries entering the domestic market.

3.2 HISTORY OF THE INDUSTRY

Key aspects of the history of the honey industry in New Zealand are set out below:-

1839	Honey bees first imported into New Zealand at Hokianga.
1842	Honey bees imported into the South Island from Australia.
1874	First semi-commercial production of honey.
1884	New Zealand Beekeepers' Association formed.
1880's	The beekeeping industry declined during and after this decade due to the effects of American Foulbrood disease (Bacillus larvae).
1905	Isaac Hopkins was appointed Government Apiarist, after campaigning for more effective disease control measures.

1906	The Apiaries Act 1906 enacted. This legislation was principally designed to eliminate practices that permitted the development and spread of diseases affecting bees. It also made some hive types illegal and permitted the appointment of travelling inspectors to check hives throughout the country.
1915	Compulsory export honey grading regulations came into force to prevent the export of inferior quality honey.
1924	The Honey Export Control Act was passed and the Honey Control Board established. The Honey Producers' Association was formed by producers dealing with export honey. This latter body did not survive the downturn of the depression years due to bankruptcy.
1934	New Zealand Honey Limited, a private company, was formed by producers to replace the bankrupt Honey Producers' Association. The aim of the new company was to stabilise prices for producers over good and bad seasons. However, like its predecessor organisation, it also failed through being unable to afford to buy all the honey offering in a good production year whilst also being unable to match the high prices commanded by honey in bad production years.
1938	The government took over New Zealand Honey Limited and incorporated it into the government Marketing Department.
1953	The Honey Marketing Authority (HMA) was established under the Primary Products Marketing Act 1953 and took over all the assets, operations and marketing policy of the Honey Section of the government Marketing Department. The HMA remained virtually the sole exporter of honey for the next twenty five years.
1970's	The HMA allowed private exports of honey.
1982	The HMA ceased to function and most of its assets were sold to beekeepers.
1992	The NBA appointed a marketing consultancy to produce a marketing plan for the producers in the industry.

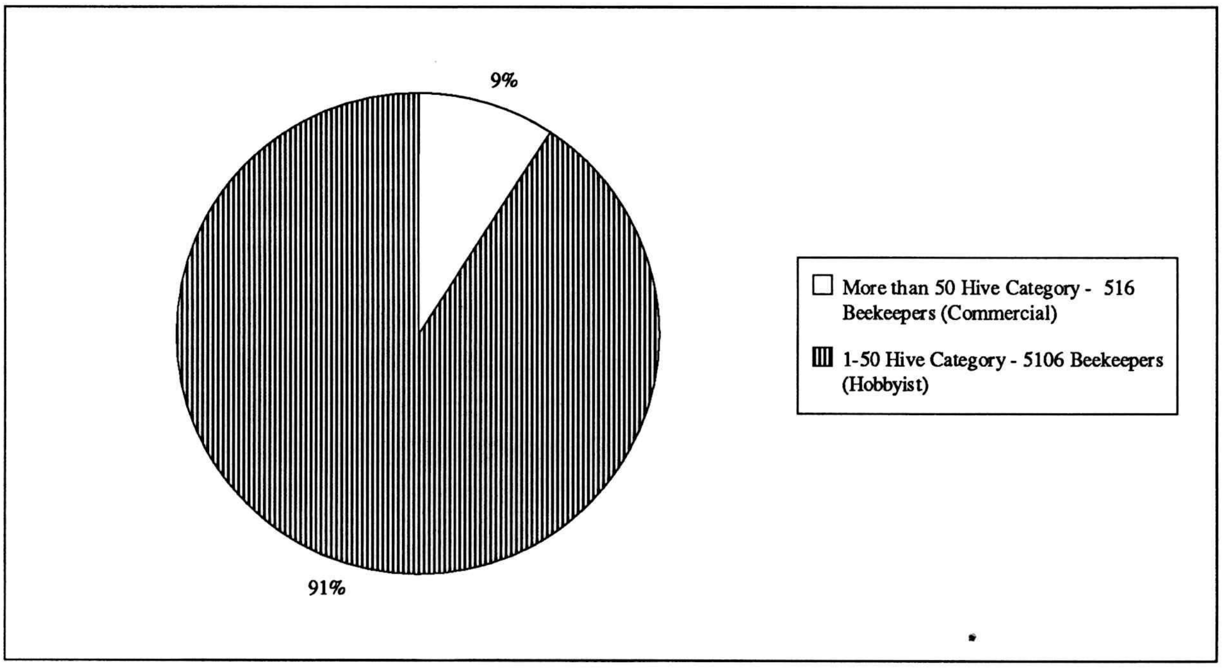
3.3 INDUSTRY STRUCTURE

The industry in New Zealand in 1993 is made up of:

- 5622 producers registered with the Ministry of Agriculture and Fisheries (The New Zealand BeeKeeper. (Spring 1993). p.14) some 500 of whom are considered to be commercial producers by the NBA
- commercial agents (employed by honey producers to market and sell their products)
- buyers
- retailers
- consumers

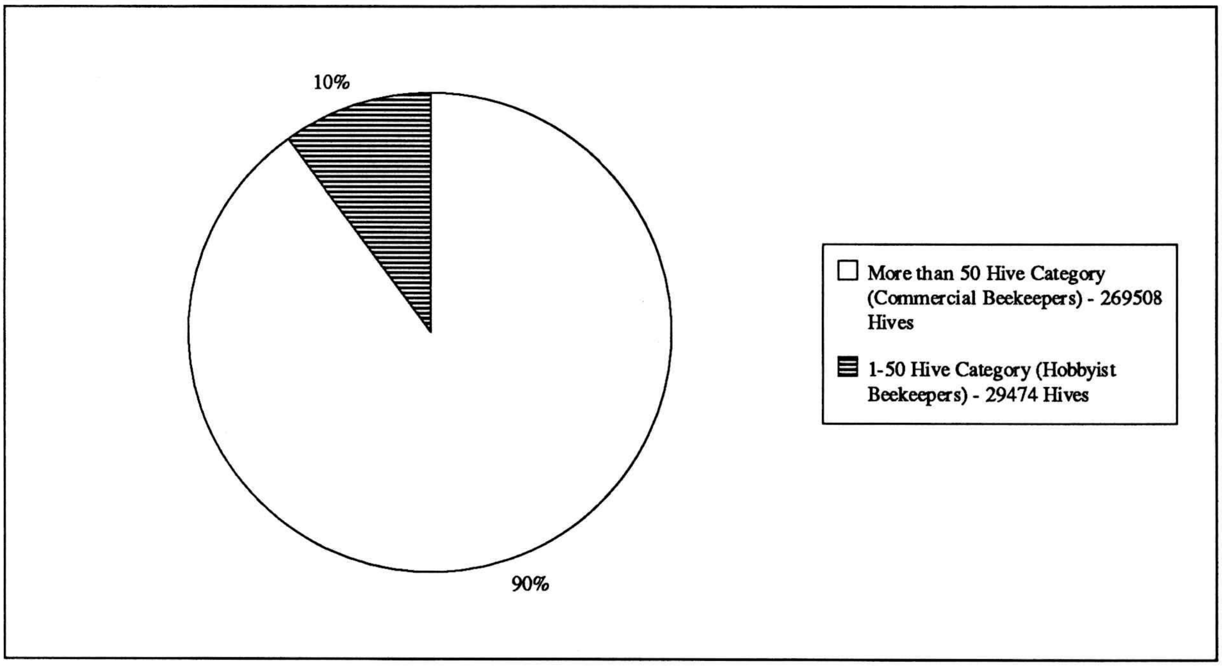
The honey industry has traditionally been founded on small cottage-industry sized operations, frequently family owned and operated, that "farm" bees and collect and process the resulting honey crop to the stage where it is able to be sold directly to wholesale and retail outlets. These small undertakings whilst numerous have only 10% of the country's total hives. The remaining 90% of hives are kept by 9% of producers (see Figures 3.3 and 3.4).

FIGURE 3.3 Beekeepers in Each Hive Holding Category (as at 30 June 1993)



Source: The New Zealand BeeKeeper. (Spring 1993). p.19.

FIGURE 3.4 Number of Hives Owned by Beekeeper Categories (as at 30 June 1993)



Source: The New Zealand BeeKeeper. (Spring 1993). p.19.

3.3.1 Industry Bodies

The principal industry body is the NBA to which any person or beekeeper may belong but to which membership is mandatory (in terms of the Apiaries Act 1969) for any beekeeper having over 50 hives. The NBA represents the producers in the industry and is responsible for promoting its products on their behalf.

There are also a number of specialised interest groups for honey producers such as those dealing in:

- Comb honey
- Honeydew
- Packed honey
- Export honey

Most producers of honey not only manage the beekeeping aspects of the process but also extract and pack the honey crop. There is consequently little specialisation in the industry such as is the case in the United States of America where specialist packing companies exist in their own right and which buy honey direct from producers.

The result of producers undertaking all aspects of the honey production process is that there is a substantial under utilisation of extraction and packing plant within the industry. Its inefficient utilisation is not helped by the relatively short honey production season each year.

3.3.2 Producers

Producers are situated throughout New Zealand and currently comprise about 500 commercial beekeepers (ie producers with over 50 hives). Most producers pack their own honey, but some is packed by other producers on their behalf, and there are also two "packing-only" companies located in Timaru and Hamilton.

The relatively small scale operations of most honey producers (90% of beekeepers own less than 50 hives) denies them the gains made through economies of scale by the few large honey production companies (the largest company owns 17,000 hives), unless they are involved in a cooperative operation, and the nett financial returns per kilogram of honey produced by them are correspondingly less.

As the industry has traditionally viewed, and dealt with, honey as a commodity rather than as a product to which value can be added, all producers have tended, each season, to get the same basic price for their product. Some producers, as reported in the personal interviews, have had to accept the price offered for their honey crop by buyers as they cannot sell it elsewhere for better financial returns and this has helped set industry wide bench mark prices for the product.

Other producers reported that they stockpile honey in times of low financial returns in the hope of achieving greater financial returns at a later date.

3.3.3 Consumers

Consumers of honey are:

- Individuals
- Households
- Institutions - such as hospitals and prisons
- Industry - such as for food processing and restaurants

The predominant forms of honey consumed are:

- Creamed honey
- Liquid honey
- Comb honey

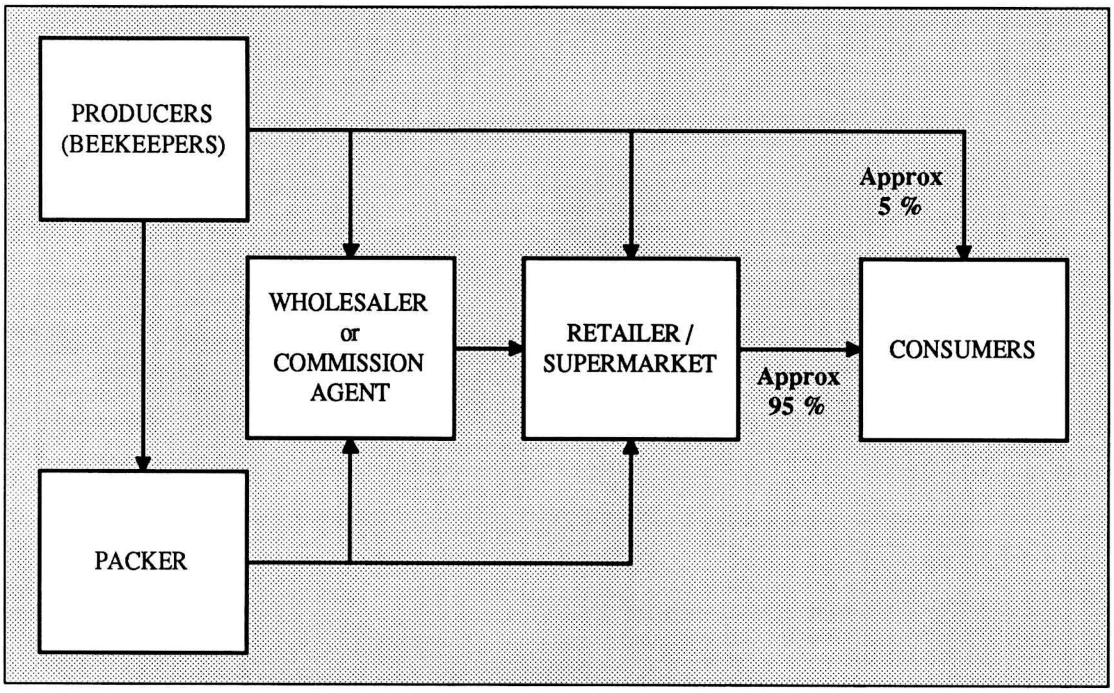
Honey can be consumed as a:

- Spread
- Drink, or ingredient in a drink
- Sweetener or moistener in cooking

3.3.4 Distribution Networks

Honey is distributed from the producer in a number of ways as shown in Figure 3.5.

FIGURE 3.5 Consumer Domestic Distribution Channels for Honey



Notes

1. In most instances, producers and packers are the same. There are, however, *packing-only* companies.

2. This only maps channels for *consumer* honey; honey for other outlets such as the food industry, institutions, and restaurants has been excluded.
3. Figures quoted are approximate and derive from the findings of this research work.

This highlights the importance of supermarkets and similar grocery retail outlets; together they account for most of the honey sold to consumers. Most of the annual honey crop, apart from that which is exported, is sold by producers to supermarket chains either directly or through a commission agent.

3.4 CURRENT MARKETING INITIATIVES

The industry has recognised, by the employment of a marketing consultancy to prepare an industry wide marketing plan for honey, that continuing to deal with honey as a commodity has reduced the potential financial returns which might otherwise be gained from adding value to the product.

Several individual producers have shown that adding value through superior presentation and packaging as well as innovative honey based products can be beneficial. Examples are the specialised honey products made for the tourist market and the squeeze bottle honey dispenser.

The NBA established a marketing committee in the mid 1980's to establish marketing goals and strategies for the industry as a whole and to improve the image of honey in the eyes of the public.

Each beekeeper was levied an additional 50 cents a hive in the 1992-1993 (which was later reduced to 30 cents a hive due to pressure from producers) financial year to fund the employment of a consultancy that who would assist with the aims of the marketing committee in producing a coordinated marketing plan for the industry. The extra levy was expected to raise $120,000 (the base hive levy of $1.11 and a small sum originating from donations were the sole income sources for the NBA). The hive levy is a statutorily required payment provided for in the Hive Levy Act 1978.

A marketing plan is currently being prepared by a consultant employed by the NBA.

3.5 REGULATORY ENVIRONMENT

Honey production and sale, whether in the export or domestic market, is subject to control through a number of statutes and regulations. The principal controls and their impact on the honey industry are set out below. Each, with the exception of the Honey Export Certification Regulations and the Pesticides Regulations, contribute towards the fixed costs that beekeepers and packers incur in processing, handling and selling honey for the domestic market.

Apiaries Act 1969

This provides for the prevention of bee diseases in New Zealand and includes for the registration of apiaries and appointment of government inspectors to monitor apiaries. In addition it also provides for controls on the import of bees, bee products and appliances. Government proposals to repeal the import controls contained in this Act may result, if carried through, in increased competition on the domestic market from imported honeys.

Food Act 1981

This provides for minimum standards of labelling, packaging and advertising of food such as honey. It specifically prohibits misleading descriptions of food types and ingredients.

Food Hygiene Regulations 1974

Thus provides for the registration of places that are used for the extraction, processing and packaging of honey. Registration is administered by Territorial Authorities.

Hive Levy Act 1978

This authorises the levying by the NBA of all beekeepers owning more than 50 hives to provide finance for the promotion, development and improvement of the beekeeping industry. The Act requires beekeepers to provide an annual return to the NBA stating the number of hives that own and upon which the levy is assessed. Adverse producer reaction to the scale of levy increases over the last three years resulted in the NBA's recent reduction of the marketing component of the levy from 50 cents to 30 cents per hive.

Honey Export Certification Regulations 1980

This specifies the certification process and the requirements for persons or businesses exporting honey products.

Medicines Act 1981

This provides for minimum standards of labelling, packaging and advertising of honey products offered or used as therapeutics. Its specifically prohibits misleading descriptions of ingredients.

Pesticides Regulations 1983

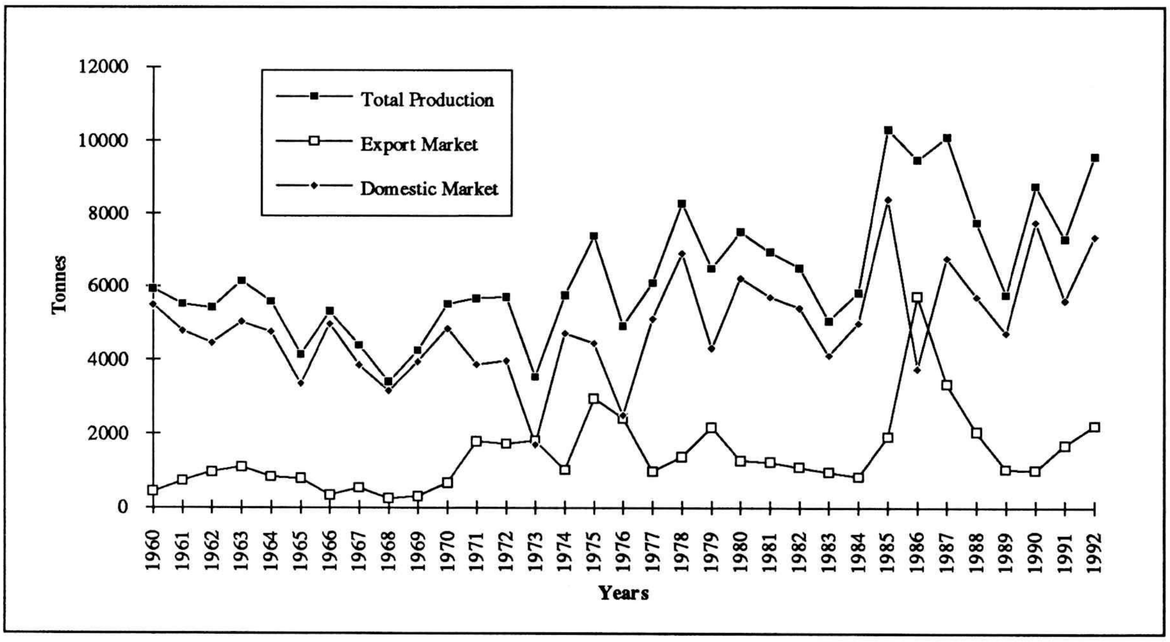
This provides for all insecticides that are toxic to bees to carry a label saying "Toxic to bees" along with the conditions for that insecticide's use.

4. HONEY MARKET SEGMENTS

This section describes the two principal honey markets which the New Zealand honey industry serves; these being the domestic and export markets. The former is then considered in terms of the market segments of which it is composed.

The relationships between quantities of honey consumed domestically and exported are shown in Figure 4.1 (See Appendix F on details of honey production and consumption in New Zealand). The average honey production per annum over the last ten years was about 8,000 tonnes of which approximately 25 percent was exported overseas.

FIGURE 4.1 The Domestic and Export Honey Market Segments



Source: Statistics New Zealand.

4.1 EXPORT HONEY MARKET

Exports of New Zealand honey were worth approximately 7 million dollars in 1992 and comprised 23% of that years production (Source: Statistics New Zealand 1993).

They included:

- Comb honey
- Honey in retail packs
- Honey in bulk

Comb honey, according to several honey producers involved in exporting, is a popular item in Middle East and Asia which attracts relatively high prices compared to other honey types sold in that area.

Specialty honeys from single floral sources such as Manuka and Ling Heather also attract premium prices. Other specialty lines include high-moisture honey, light-coloured honey and organic honey.

The main countries buying New Zealand honey are Germany, Japan, United Kingdom, Yemen, and the Netherlands. Other buyers include Australia, Austria, Saudi Arabia, Singapore, Hong Kong, United States and Malaysia (Source: Statistics New Zealand). See Appendix G for the export markets of New Zealand honey in 1992.

4.2 DOMESTIC HONEY MARKET

In 1992 77% of New Zealand's honey production was sold on the domestic market. The domestic honey market includes the retail segment and the industrial segment (See Figure 4.2).

4.2.1 Retail Segment

Honey used by households, accounts for the bulk of the honey consumed in New Zealand, where it is primarily used as a spread on bread (includes toast). However some is used as a natural sweetener primarily in home cooking. According to producers, light-coloured honeys are generally more acceptable than darker types but certain darker honeys (ie. Manuka) sell well in supermarkets. A survey of the Wellington City retail market in 1986 (by Victoria University Marketing Department) showed that honey users bought their honey as follows:

- 91% from supermarkets
- 5% from corner grocery stores

- 4% from dairies
- 15% from apiaries
- 3% from delicatessens
- 6% from health food shops, and
- 2% from other retail outlets.

Note: due to some users buying from more than one outlet type the percentages above total more than 100%.

The substantial percentage of honey that sold in the supermarket segment resulted in a concentration of research on that outlet type.

4.2.2 Industrial Segment

Honey is used in this segment for baking, in confectionary and in cereal products. It is also used by manufacturers of baby food, beverage products, toiletries, pharmaceuticals and cosmetics.

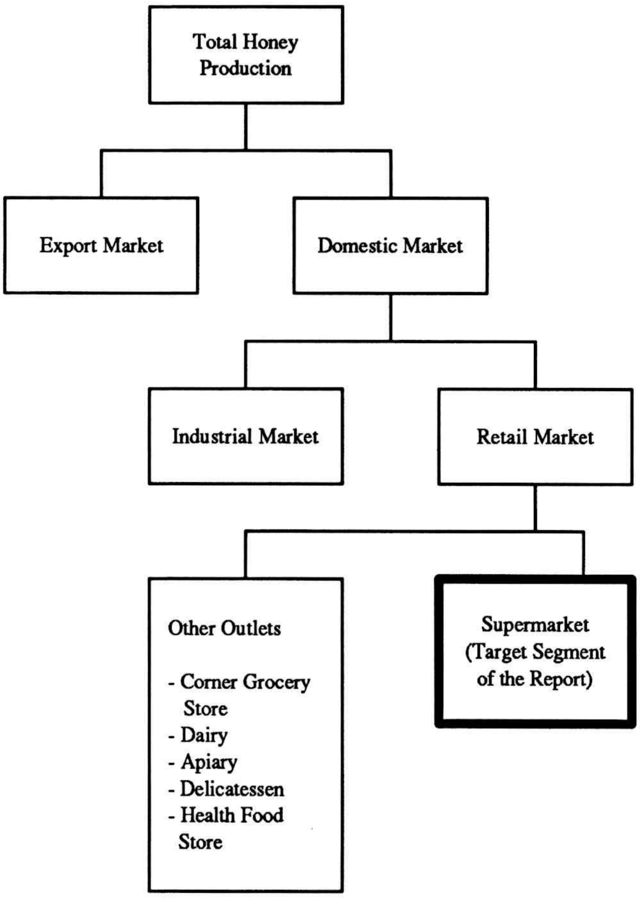
According to producers, consumption of honey in the industrial segment is small compared to that in the retail segment. There is potential to increase sales of honey as a food ingredient in this segment.

This report does not, focus on, or recommend, any strategy for the industrial honey segment, but this is an aspect that the industry could separately consider for further investigation.

4.3 TARGET SEGMENT OF THE RESEARCH

The supermarket segment shown in Figure 4.2 has been selected as the target segment as about 90% of all retail honey sales are made through it.

FIGURE 4.2 Market Segments in the New Zealand Honey Industry



5. SURVEY OF PRODUCERS

This section examines the findings from a nation-wide survey of producers. Producers referred to in this section are respondents to the questionnaire. The survey of producers in the honey industry was undertaken to:

- Provide background information on the industry, its past performance and producers' role within it.
- Obtain information on possible future trends in the industry.
- Measure producers' actual performance against their perceptions of buyer expectations.
- Evaluate the possible methods for growth in the domestic honey market.
- Gather producers' ideas about opportunities for growth in the domestic honey market.

5.1 INTERPRETATION OF SURVEY FINDINGS

The survey's principal findings relating to growth in the domestic honey market are set out below. More detailed information of secondary importance is included in Appendix H.

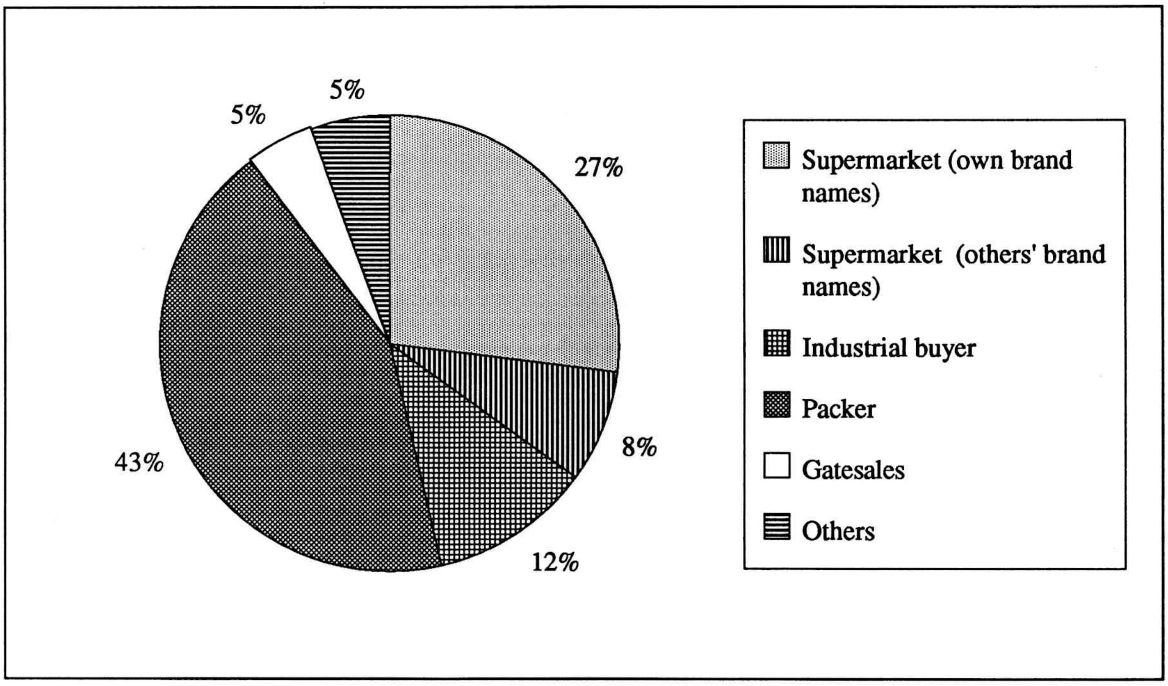
5.1.1 Importance of Supermarkets

The survey indicated that supermarkets accounted for the largest volume of producers' domestic honey sales with 35% of the sales made direct to supermarkets (27% under the producers' brands and 8% under supermarkets' house brands) and 43% being sold to packers most of which is sold on to supermarkets using the supermarket brand (See Figure 5.1).

Gate sales at about 5% of domestic sales are a relatively small proportion of total industry sales of honey (See Figure 5.1).

These findings support those of a 1986 market survey (by Victoria University of Wellington Marketing Department) on the Wellington City retail honey market which found that 91% of consumers bought their honey at supermarkets. Because of the dominant role played by supermarkets in domestic honey sales, it was decided to separately survey supermarket buyers to identify ways of in which honey sales could be increased through supermarket outlets. The findings of that latter survey are discussed in Section 6.

FIGURE 5.1 Average Yearly Sales of Honey by Producers To Different Domestic Sales Outlets

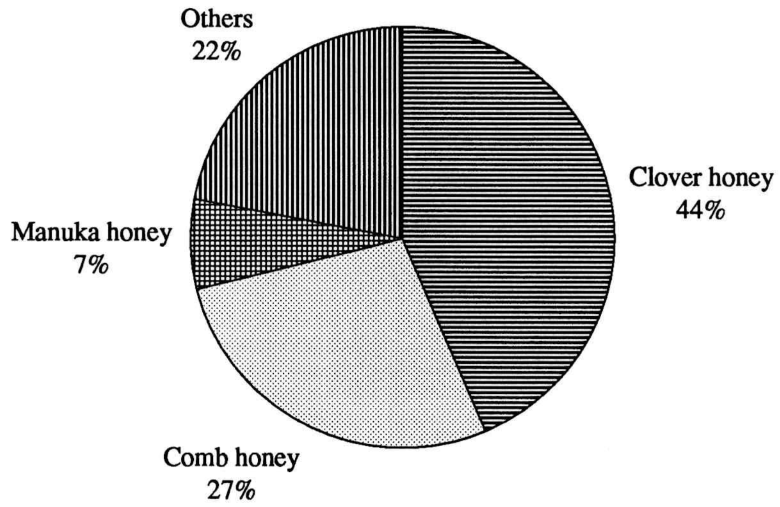


5.1.2 Perceptions of Honey Varieties

Clover honey was found to account for the highest volume of sales of all varieties (44% of the respondent producers' total domestic sales volume is Clover honey). Comb honey come second at 27% of the producers' sales. Although a number of producers considered Manuka honey had substantial potential, it only accounted for 7% of the total domestic sales volume. All other types of honey were comparatively modest in terms of sales and together accounted for only 22% of producers' total domestic sales volume (See Figure 5.2).

The differential in sales volumes of each honey variety was considered by four producers to reflect the inadequate knowledge of consumers of the distinctive qualities of each type. An opportunity therefore exists to increase domestic consumption by promoting the distinctive qualities of each variety (e.g. Blue Borage, Vipers Bugloss, Rata, etc.) to consumers.

FIGURE 5.2 Composition of the Producers' Average Yearly Sales of Honey



5.1.3 Control over Packing and Marketing

The mail survey showed that:

- 35% of producers packed their own honey, and 36% marketed their own honey.

These figures indicate that producers tend to concentrate on production rather than on packing and marketing (some small volume producers on-sell their honey to larger producers and/or packers). The survey also found that:

- 43% of total domestic sales of producers were made to packers.
- 38 out of the 174 producers packed and directly sold their own honey to supermarkets using the producers brand name.

The findings also show that producers are production orientated. Further, the survey showed that a high proportion of honey sold in supermarkets was packed by a few large-volume producers and/or packers and that the marketing of honey is predominantly under their control. Smaller volume producers were found to be reliant on a few large volume producers and/or packers to both pack and market their honey whilst the small scale producers concentrated on production.

Personal interviews with five producers showed that there was a divergence of view on who should undertake marketing; one of the five considered that marketing should be undertaken by producers themselves and not external marketing professionals, whilst the remainder supported external consultants.

The concentration of control of packing and marketing of honey in a few large producers and/or packers coupled their divergent attitudes on the ways of marketing honey will need to be addressed by the honey industry if any collective promotion effort is to be successful.

5.1.4 Buyer Expectation Factors

Understanding buyer expectations is important to the success of any business. The mail questionnaire survey included buyer expectation factors (these were derived from discussions with producers and buyers as well as from secondary data sources) which are arranged below in descending order of importance according to the ratings given by producers in the mail questionnaire. In addition, the self-rating of producers on each of the factors is also given along with the performance gap (i.e. the difference between the self rating and relative importance rating of each factor) is also given on Table 5.1.

TABLE 5.1 Buyer Expectation Factors - Relative Importance, Self-Rating and Performance Gap

Buyer Expectation Factors	Relative Importance	Self Rating	Performance Gap
Product quality	4.56	4.11	-0.45
Service quality (e.g. timely delivery, supplies)	4.19	3.95	-0.24
Price competitive	3.75	3.36	-0.39
Business relationship	3.73	3.62	-0.11
Product packaging	3.63	3.47	-0.16
Promotion	2.93	2.3	-0.63
Special terms offered	2.91	2.36	-0.55
Provision of marketing information to buyers	2.85	2.58	-0.27
Proximity of suppliers to buyers	2.72	2.98	0.26
Other factors	4.36	4.59	0.23

Note: The relative importance rating and the self rating were obtained by averaging all the questionnaire responses on each of rating. The performance gap was established by taking the difference between the two ratings for each buyer expectation factor.

"Product quality" was indicated by producers as the most important buyer expectation factor with an importance rating of 4.56 out of a maximum high of 5. Whilst *"other factors"* (including export standard, organic content of honey, courtesy, reputation, bush flavour, honesty and integrity, clients' information, clean and green image, distinctiveness, personal contacts) had the second highest relative importance rating of 4.36, its result may not be representative enough as less than ten of the producers gave ratings this category.

Most attention in this section has been given to those ratings of over 3. These are considered to be key aspects which need to be addressed by the honey industry in order to expand the domestic honey market.

Negative performance gaps were found (i.e. where the relative importance rating exceeded the self-evaluation rating) with eight out of ten buyer expectation factors. The largest negative performance gap was 0.63 for *"promotion"* followed by 0.55 for *"special terms offered"* and 0.45 for *"product quality"*. The smallest negative performance gap was 0.11 for *"established business relationship"*. These gaps indicate that potential weaknesses exist in the honey industry which need to be corrected. Growth in the domestic honey market will prove difficult to achieve if the identified weaknesses are not addressed.

Positive performance gaps (i.e. where the self-evaluation rating exceeds relative importance rating) were found with two buyer expectation factors - *"proximity of suppliers to buyers"* (0.26) and *"other factors"* (0.23). Positive performance gaps indicate strengths that the honey industry should capitalise on to achieve growth. Implications of buyer expectation factors on the honey industry are discussed in Section 7 of the report.

5.1.5 Ways of Increasing Domestic Honey Sales

The survey results show that most producers disagree with the proposition that *"the consumption of honey in domestic markets is almost at its maximum at present and hence any further promotion and/or marketing efforts will have little or no effect on domestic sales"*. By implication, they have concluded that potential exists in the domestic honey market for growth.

85% of producers agreed that collective actions by the honey industry along the lines listed below would also bring growth to the domestic market:

- Promotion of the honey industry as a whole
- Promotion of the healthy image of honey
- Promotion of honey to the food industry
- Promotion of the distinctive qualities of honey
- Education of consumers on new uses of honey
- Research into, and development of, new honey products
- Use of new and innovative packaging
- Engagement of professional experienced marketing personnel

68% of producers agreed that the honey industry should set up a central fund to finance collective actions. 20% of producers indicated they were strongly against such a proposal. There is therefore no consensus of view on the cost effectiveness of collectively funding marketing campaigns.

5.1.6 Opportunities for Growth in the Honey Industry

Opportunities for growth were identified by producers in the mail questionnaire survey as:

- Increasing sales of Manuka honey especially the "active" variety for therapeutic purposes.

- Introduction of new honey based products such as mixes of propolis and honey, royal jelly and honey, pollen and honey, and cider vinegar and honey.

- Expanding the use of honey as an ingredient in the food industry, especially the use of non-stick honey crystals (dry and granular honey).

- Growing the use of added value honey based products for the tourist market to gain higher financial returns.

- Filling growth in the export market with Clover honey. This would provide the opportunity, if sufficient consumer education is undertaken in the domestic market, of meeting local needs by other types such as Manuka and Thyme honeys.

- Further improving existing products such as the squeeze bottle to lessen the problems associated with honey's stickiness.

- Developing a local identity for honey (ie. to parallel the development of local identities for wine by the wine industry).

- Extending the range of uses of honey as:

  - a sweetener
  - an ingredient in industrial and home cooking
  - a healing/antiseptic agent
  - an ice-cream topping
  - an honey/butter spread mix
  - a yoghurt
  - a dip for crackers
  - a marinade for meat, etc.

These opportunities need further investigation to determine potential market size.

6. SURVEY OF SUPERMARKET GROCERY BUYERS

This section integrates the main findings of this research on the marketing of honey through New Zealand supermarkets. The findings are drawn from existing secondary data and from the nation-wide survey of supermarket grocery buyers. (Refer to Section 2 for the research methodology used, and to Appendix I for summary of supermarket grocery buyers' survey results).

The purpose of the survey was to:

- Obtain background information on honey sales in supermarkets.
- Identify potential problems with the marketing of honey in supermarkets.
- Compare the performance of honey against other spreads in supermarkets.
- Test proposed strategies for increasing honey sales in supermarkets.

The findings have been organised in terms of:

- An overview of supermarkets and the retail grocery trade.
- A background on honey in supermarkets.
- Problems reported with honey.
- Growth strategies recommended by supermarket grocery buyers.

6.1 SUPERMARKETS AND THE RETAIL GROCERY TRADE

A C. Nielsen Research Company classifies the New Zealand retail grocery trade into Key Account and Non-Key Account stores. Key Account stores are the major named supermarket chains. They may be further divided into full-service supermarkets (eg. Foodtown) and discount supermarkets (eg. Write Price). Non-Key Account stores are banner stores (eg. Four Square Discount stores), dairies, takeaways, milk bars and the like.

Key Account stores (ie. supermarket chains) provide the major proportion of grocery categories' sales in New Zealand. They account for between 80 and 95 % of the total market volumes. (Grocers' Review, July 1992)

There were 328 Key Account stores in New Zealand as at August 1992. (Grocers' Review, Dec-Jan 1992-93)

6.1.1 Structure of the Retail Grocery Trade

The three players that dominate grocery retailing in New Zealand are Foodstuffs (NZ) Limited, Dairy Farm International and Foodland Associated Limited. Table 6.1 provides some details on these organisations.

TABLE 6.1 Major Retailing Organisations

ORGANISATION	RETAIL OUTLETS	NUMBER OF OUTLETS	MARKET SHARE (Approx)
FOODSTUFFS (NZ) LIMITED	New World Supermarkets Write Price Pak 'N' Save Retail Food Warehouse Four Square Four Square and Discount Group	155	54 %
FOODLAND ASSOCIATED LIMITED	Countdown Supermarkets Foodtown 3 Guys Rattrays	83	33 %
DAIRY FARM INTERNATIONAL	Woolworths Big Fresh Price Chopper	64	13 %

Source: (15 June 1993). Supermarketing, late news insert.

The New Zealand owned Foodstuffs operates as three separate and autonomous cooperative societies. Foodstuffs supermarkets are *members* of the cooperative. (eg. New World Supermarket is one of Foodstuff's' members.) Foodland Associated Limited is Australian owned, whilst Dairy Farm International is Hong Kong based.

6.1.2. Trends in Supermarkets

A major theme in recent years has been the swing to the discount segment of the retail grocery market. This is reflected by the following trends :

Growth of Supermarkets over Non-Key Account stores

Supermarkets have been steadily increasing their share of the grocery market. Sales growth in supermarket chains have been at the expense of sales in Non-Key Account stores. Consumers have been moving to supermarkets over recent years due to lower prices offered, increasing numbers of such stores and extended shopping hours. (What happened in 1993. Grocers' Review. (Dec-Jan 1992-93). Grocers' Review.)

Growth of Discount supermarkets over Full-Service supermarkets

The number of full-service supermarkets - such as New World and Woolworths- has declined from 254 in August 1990 to 235 in August 1992. Discount supermarkets - such as Countdown and Pak 'N' Saves - grew by 19 stores to 93 over the same period. Discount supermarkets have also increased their share of total Key Account turnover. (The same structure changes. (Feb 1993). Grocers' Review.)

Squeeze on the Dollar

The growth in *volume* sales is greater than the growth in *dollar* sales in Key Accounts. Product prices are being kept low in supermarkets by intense competition and increased trade promotions. Prices have declined for both branded and housebrand products. (What happened in 1993. (Dec-Jan 1992-93). Grocers' Review.)

Increasing Penetration of Housebrands

Much of the lowered dollar growth in sales in supermarkets is due to growing housebrand penetration. Housebrands are products marketed under brands owned by the supermarkets. (eg. *Pams, Countdown, No Frills*). Housebrands normally compete by offering a lower-priced choice to budget conscious consumers. Consumer emphasis on price is fuelling housebrand growth; and this is adversely affecting the performance of branded products .

6.2 HONEY IN SUPERMARKETS

6.2.1 Honey and the Spreads Category

Honey is one of at least 5 products in the *'bread spreads'* category sold in supermarkets. The spreads category comprises :

- Jams and Marmalade
- Peanut Butter
- Honey
- Vegetable and Yeast Extracts (eg Vegemite)
- Miscellaneous other spreads

Nielsen reports that the expanding spreads category was worth approximately $65 million in sales in Key Accounts (ie supermarkets) in the year ended December 27, 1992. Table 6.2 shows a breakdown of Key Account sales in the spreads category for this period.

TABLE 6.2 Breakdown of Key Accounts Sales in Spreads Category During the Year Ended December 27, 1992

SPREAD	SALES VALUE	SHARE	TREND	MISCELLANEOUS
Jam and Marmalade	$25.0 million	39%	Growing (Jam +6.4 % Marmalade +2.9 %)	
Peanut Butter	$15.9 million	24%	Growing (+5.3 %)	
Honey	$12.1 million	19%	No information	Creamed Clover honey occupies 80 % of this market
Vegetable and Yeast Extracts	$9.4 million	14%	Growing (+9.5 %)	
Miscellaneous Other Spreads	$2.5 million	4%	No information	

Source: (February 1993). Supermarketing.

"Jam and Marmalade" is the biggest segment in the spreads category, with a 38.6% share. Housebrands showed the most growth within this segment. Honey ranks third with about $12 million in sales. Like Jams and Marmalade, housebrands dominate this segment. Sales in the spreads category grew during the year in key accounts, but declined by 30% or more in banner stores and dairies.

Table 6.2 shows the market share, in terms of annual dollar sales, of the various spreads in key accounts.

Most buyers surveyed for this research felt that sales for the entire spreads category had been growing over the past two years, and was likely to continue growing. The Nielsen data mentioned earlier supports this conclusion. However, most buyers felt that sales of honey had been the same over the last two years, and was likely to remain the same. If correct, the buyers' assessments imply that *honey is losing its market share in the spreads category.*

6.2.2 Honey Supply

Honey purchasing is done on demand; buyers reported that no formal contracts for supply exist. They had few problems with being supplied with honey. Outages occurred infrequently, such as when demand for Manuka honey suddenly grew. Supplies are obtained mainly from honey producers or their representatives. Some honey comes via wholesalers. (See Figure 3.5 for domestic distribution channels).

Where a cooperative structure exists, individual supermarket members get most of their honey supplies from their parent organisation. Organisations like Foodstuffs do most of the honey purchasing (about 75%) for their members. The remainder is sourced directly from suppliers by individual members.

6.2.3 Market Leader

Buyers identified one of the branded products as the current market leader and attributed its success to promotion, brand recognition by consumers, and its quality. On fast growing housebrands, buyers attributed growth mainly to their *cheap pricing*.

6.2.4. Honey Sales

Creamed Clover honey is the major seller. It is reported to comprise as much as 80% of the total honey sold in Key Accounts. (Supermarketing, February 1993). Manuka honey has begun selling well in recent years. Some buyers in the survey report that the 500gm packs of honey are the main sellers. Large sized packs are not reported to sell well; neither do the expensive, specialist honeys. Housebrands were reported to do just as well, if not better, than branded honey products.

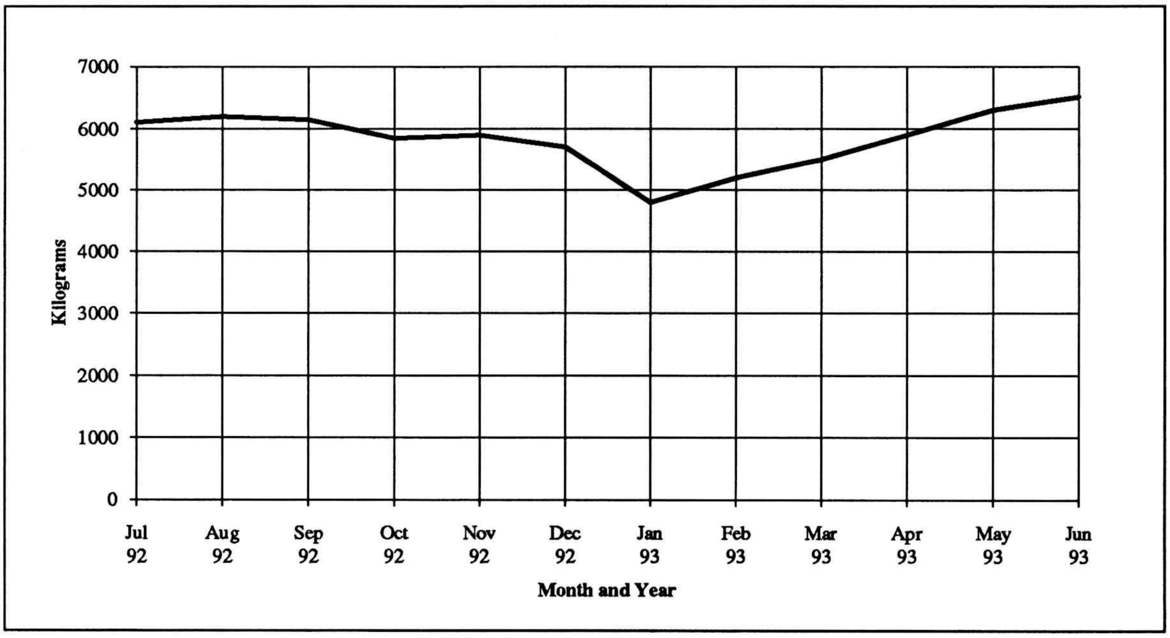
6.2.5 Seasonality of Honey Sales

The amount of honey sold in supermarkets varies with the seasons. Honey sales peak during the late winter-early spring months (August and September) and plunge in the summer months (December). It is not clear why this occurs and more research is needed to verify the reasons. Up to 80% of the buyers surveyed indicated that honey sales peak in the winter months and plunge in the summer months. The seasonal nature of honey sales was also mentioned by most grocery buyers during personal interviews. One buyer indicated that his supermarket sold about 20 cartons of honey per week in winter, and only sold about 10 cartons per week in summer.

No clear reasons were provided for this seasonal fluctuation in sales. One buyer speculated that honey sales were driven by cold weather and consumption by children. Consumption by children, it was suggested, declines during the school holidays in summer.

Figure 6.1 illustrates this seasonality of honey sales. It is based on supermarket scanning data of honey sold in Lower North Island supermarkets between 1992 and 1993. (Units used are kilograms).

FIGURE 6.1 Honey Sales in Lower North Island Supermarkets



All grocery buyers surveyed agreed that promotion needs to be done when the market for honey is peaking - during autumn and winter months. Two also suggested that promotion should be done for all four seasons in order to grow the market throughout the year. One buyer suggested that suppliers should promote in summer which is the low season.

6.2.6 Sales Information

Grocery buyers use historical sales information for planning purposes. Such information is used to track sales trends and helps in their buying decisions. However, it appears that not all grocery buyers have access to this type of information.

About half of the grocery buyers surveyed reported that honey suppliers do not provide them with information on honey sales. Consequently the sales trend for each brand's line may not be known to these buyers. These buyers consider this as a shortcoming in the performance of honey suppliers; and they would like their suppliers to provide them with this sales information.

One buyer suggested that honey suppliers should track their sales to their client supermarkets and provide them with information on a six monthly basis. (eg. Johnson & Johnson and Watties are reported to do this *monthly*). Several buyers felt that this would ultimately benefit both the supermarket and the suppliers.

Information provided may be national, regional or supermarket specific sales information on specific product lines. Some buyers indicated that this information is currently available from ScanData or Nielsen but not from the suppliers.

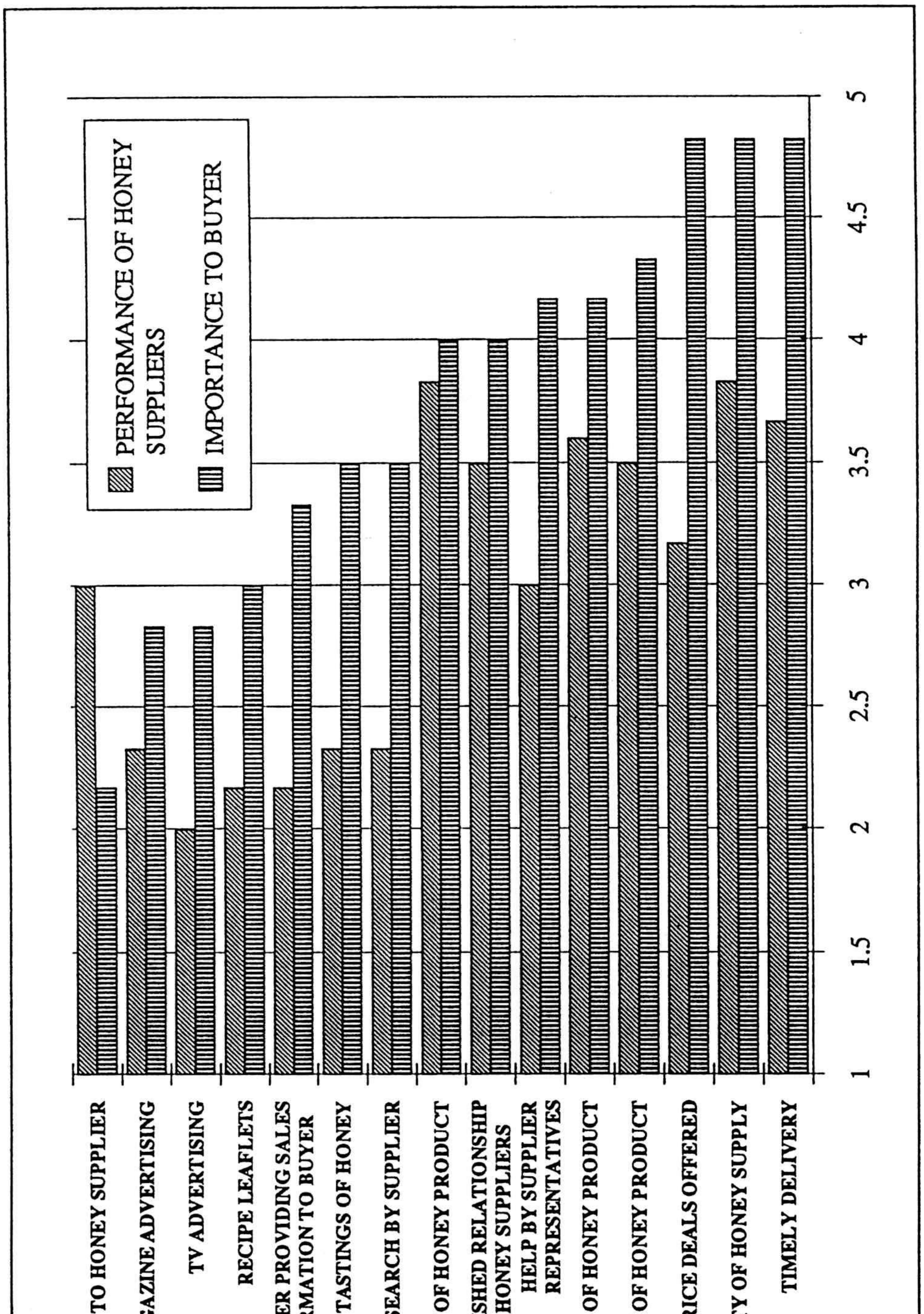
6.3 PROBLEMS REPORTED WITH HONEY

Supermarket grocery buyers approached during this research indicated many problems relating to the marketing of honey through their supermarkets. These problems were elicited both directly during personal interviews and indirectly by means of a gap analysis in the mail questionnaire survey. (See Appendix I for problems reported during personal interviews and detailed results of the gap analysis).

6.3.1 Problems Identified by Gap Analysis

The gap analysis measured the importance of 15 areas in the buying decisions of supermarket grocery buyers. It also measured how honey suppliers were performing in these 15 areas - as rated by grocery buyers. Figure 6.2 summarises the results of this analysis.

FIGURE 6.2 Analysis of Performance Gaps Identified by Supermarket Grocery Buyers



Note on Scale

Performance of Honey Suppliers	:	1 = Poor	2 = Not Good	3 = Ok	4 = Good	5 = Excellent
Importance to Buyer	:	1 = No Importance	2 = Slight Importance	3 = Important	4 = Quite important	5 = Very Important

Results indicate that grocery buyers rate these 15 areas as follows :

Very Important	Quite Important	Important	Slight Importance
Timely delivery	Price of Honey Product	Market Research by Supplier	Proximity to Honey Supplier
Continuity of Honey Supply	Packaging of Honey Product	In-store Tastings of Honey	
Price Deals Offered	Help by Supplier Representatives	Supplier providing Sales Information to Buyer	
	Established Relationship with Honey Suppliers	Recipe Leaflets	
	Quality of Honey Product	TV Advertising	
		Magazine Advertising	

When the *current performance* of honey suppliers (as rated by grocery buyers) is compared against these, important gaps are noted. These gaps signify areas where the honey suppliers' current performance is *below* that expected by supermarket grocery buyers. Honey suppliers are not measuring up to grocery buyer's expectations in seven key areas. These are:

- Price deals offered
- Timely delivery of honey supplies
- Continuity of honey supply
- Market research by supplier
- Promotion by supplier - *in-store tastings of honey*
- Supplier providing sales information to buyer
- Help by supplier representatives

Price Deals Offered

This refers to the pricing incentives such as temporary price reductions offered to grocery buyers to help move products in supermarkets. This is not surprising, given the trend towards discounting in supermarkets, as mentioned earlier in Section 6.1.2.

Timely Delivery of Honey Supplies

This refers to the delivery of honey products on time to supermarkets. Buyers are saying - from the gap analysis - that honey suppliers are not meeting their expectations in this area.

Continuity of Honey Supply

This refers to the assurance of supply of honey for the grocery buyer. This reported deficiency is a reference to variations in the honey supply caused by the effects of unseasonable weather on bees and floral sources.

Market Research by Supplier

This was an area rated poorly by most buyers. All buyers indicated that they had rarely been approached by any honey supplier conducting market research; whereas, most large food manufacturers conduct market research regularly. The buyers expect to see more market research being carried out by the Honey Industry.

Promotion by Supplier - In-Store Tastings of Honey

Whilst most buyers considered this as important, all indicated that this had not been done in their supermarkets. In-store tastings are considered by buyers to work well when introducing new products or varieties to consumers. One buyer felt that honey producers missed the opportunity to promote honey varieties when the new honey flavours entered the market.

Supplier Providing Sales Information to Buyer

About half of the grocery buyers surveyed reported that honey suppliers did not provide them with information on honey sales. Consequently the sales trend for each brand's line may not be known to these buyers. These buyers considered this to be a shortcoming in the performance of honey suppliers, and they would like their suppliers to provide them with such sales information.

Help by Supplier Representatives

This refers to the servicing aspects that grocery buyers expect from the representatives of honey suppliers. Many buyers mentioned that these representatives only approached them to "push" their products.

Summary

The performance gaps identified represent problem areas that may render growth in the domestic honey market difficult. Given the importance accorded to these seven areas by the buyers; individual honey suppliers and the honey industry as a whole should target filling these performance gaps as one means of improving sales in supermarkets. This simply means providing the buyers with what they want .

6.3.2 Other Problems Mentioned

Apart from the performance gaps identified above, grocery buyers also mentioned the following problems with the honey industry :

Fragmentation of Industry

One buyer commented on the apparent fragmentation of the honey industry. Honey producers, he indicated, tend to service their own regions and have little interest in national issues.

No Nationally Recognised Brand

Another buyer suggested that the "biggest" problem was that there is no nationally recognised *brand* of honey; none with a national identity. This, he believed, suggested a need for generic advertising of honey. (ie. advertising honey as a whole rather than a particular brand of honey).

Honey Varieties Lack Distinctive Image

One buyer indicated that there is no distinctive image for each *variety* of honey. Each variety varies markedly in flavour from region to region. (eg. Clover of one region tastes differently from Clover of another region). Moreover, the buyer felt that this variation is an advantage that has never been capitalised on by the industry through proper promotion.

Lack of Promotion

Promotion was considered very important by the buyers interviewed. All buyers indicated that honey is hardly promoted - *if at all.* By contrast, the rest of the spreads category is promoted - by recipes, and in advertisements on television and in magazines. This lack of promotion, according to one buyer, means that honey is *price-driven rather than value-driven.*

The suggestion of lost opportunities was illustrated, according to another buyer, when Manuka sales took off. Honey producers responded by raising prices, without doing any promotion at all. This buyer felt that producers should have capitalised on this growth in sales with a proper *marketing effort.*

Product Orientation of Honey Suppliers

All buyers reported that honey suppliers or their representatives approached them only to "push" their products. One buyer felt that marketing by honey suppliers is currently being done poorly and unprofessionally. He added that honey producers need an umbrella organisation - like the Dairy Board to better coordinate collective marketing within the honey industry. This indicates a potential problem in relation to the marketing orientation of honey suppliers.

6.4 GROWTH STRATEGIES RECOMMENDED BY SUPERMARKET GROCERY BUYERS

Buyers were asked for their views on appropriate strategies for increasing sales of honey through supermarkets. The following lists the more important strategies mentioned by buyers (See Appendix I for other strategies mentioned during personal interviews and mail questionnaire survey).

6.4.1 Promote Honey

This was the major theme in the recommendations of all the buyers interviewed. Promotion was considered the *best* way of increasing honey sales in supermarkets. The five strategies buyers consider as most likely to increase honey sales are all promotion strategies. (See Appendix I for details). The suggestions on promotion took the following forms :

Act Collectively to Promote Honey

A collective promotion campaign by the honey industry is considered by grocery buyers to be the best way of increasing sales of honey in supermarkets.

Promote Regional Differences in Honey

Honey originating from different regions was reported to have different flavours. A suggestion was made to market or promote the regional flavour difference (as has been successfully done by the Wine Industry).

Promote the Honey Varieties

Another suggestion was to introduce and promote the use of different varieties of honey by giving consumers a range of flavours to choose from. This would encourage consumers to have different honey varieties on their shelves, instead of just Clover. The implication here is that consumers are not as *"honey literate"* as they could be.

Promote a National Brand of Honey

One buyer suggested promoting a brand that is recognised nationally. Producers should get a brand in front of the consumers. The buyers surveyed indicated that one of the existing brands is attempting to do this.

Use In-Store Tastings

Almost all buyers recommended using in-store tastings to promote honey to consumers. This would get consumers trying a range of honey products. With discounts, buyers reported that sales volumes usually increased by between 2 to 5 times. Bread companies were reported to frequently do in-store tastings. There is an opportunity for honey suppliers to combine with bread companies for mutually beneficial in-store tastings.

Use End-of-Aisle Bins

A few buyers suggested using end-of-aisle bins to entice consumers into trying the product. Such bins are regarded as a very successful means of promotion. (However, these involve more cost, so small scale producers may not be able to afford them).

Educate Consumers

A few buyers felt that consumer awareness of honey is minimal. They suggested educating consumers by promoting *new uses* for honey. (eg. honey drinks).

6.4.2 Price Honey Competitively

A few buyers felt that pricing was a key way of increasing sales. The suggestion was that prices be more competitive. A few suggested that suppliers should offer better price deals that then can be passed onto consumers. Most buyers felt that more competitive pricing would increase honey sales in their supermarkets.

6.4.3 Enhance Product Packaging

Another implied theme was the use of more attractive packaging and labelling for honey products. Examples cited include squeeze bottle honey, honey in clear jars and clear packs for comb honey. Buyers felt that this strategy was very likely to increase honey sales but this would only occur if it has value to the consumer.

6.4.4 Customise Product Offerings

The idea here is that *one size does not fit all consumers*. One buyer recommended introducing a range of pack sizes to suit different consumers. He recommended using 250gm packs for pensioners, aging population, and one-person families.

6.4.5 Develop New Products

One buyer suggested new product development as a means of increasing sales by enhancing existing products in some way (ie squeeze bottle honey), or by developing fundamentally new honey and honey-based products.

6.4.6 Act Collectively

One buyer recommended that honey suppliers act collectively to "drive" the whole market, with suppliers collective action *extending beyond* promotion.

7. GAP ANALYSIS

This section discusses the gaps that have been identified in the surveys and personal interviews, previously commented on in Section 5 and 6 between:

- *What supermarket buyers want from producers and,*
- *What producers offer to the supermarket buyers.*

It does so to provide an understanding of the key issues that need to be addressed in formulating strategy for growing honey sales through supermarkets.

7.1 IDENTIFICATION AND MEASUREMENT OF GAP

The findings arising from the supermarket grocery buyers' survey give an indication of what buyers want from producers. The findings from the producers' survey indicate what factors (or "buyer expectation factors") producers *think* are important to buyers. As the producers' way of thinking directly affects their behaviour this has an impact on what they offer to supermarket grocery buyers.

The following were used as measures to help determine the key issues to be addressed by the honey industry:

- Differences between producers and supermarket grocery buyers. in the factors considered as *important* in the purchasing of honey

- Differences between producers and supermarket grocery buyers. in how they rated *producer performance* against these same factors

- Differences in marketing orientation of producers and supermarket grocery buyers

- Consensus of view between the producers and the supermarket grocery buyers

7.2 DISCUSSION OF FINDINGS

A detailed summary of the gap analysis findings is included in Appendix J of the report.

7.2.1 Relative Importance

The surveys showed that the five most important factors indicated by supermarket buyers are:

- Special terms offered
- Timely delivery
- Continuity of supplies
- Price competitiveness
- Product packaging

Producers gave *much less* importance to each of these five factors. The differences in importance rating given by the buyers and the producers are summarised below:

- Special terms offered 1.92
- Timely delivery 0.64
- Continuity of supplies 0.64
- Price competitiveness 0.58
- Product packaging 0.54

These differences show that producers have not placed sufficient emphasis on these factors which are important to buyers.

It is worthy of note that "product quality" is considered by producers to be the most important factor (having a rating of 4.56) whilst buyers have only assigned it a 4.00. Producers are obviously giving far more attention to "product quality" than the buyers expect.

7.2.2 Performance

As mentioned earlier, buyers rated 5 factors as very important. On these 5 factors

- Producers considered these as less important than buyers did.
- Producers do not have any marked difference in performance when compared to their own expectations.
- However buyers regard producers' performance as being far below expectations. Producers do not appear to consider their performance as inadequately as buyers do.

The five factors most important to buyers received lower ratings from producers than the importance ratings given by buyers. Buyers see the producers' performance against these factors being far below expectations.

7.2.3 Marketing Orientation

The findings of the buyers' survey show that buyers generally perceive producers to be more product driven (ie focused on selling products) than market driven (ie focused on meeting buyers' needs profitably). Buyers are signalling that they expect producers to be more market driven. The gap analysis shows that *buyers* consider "provision of marketing information to buyer" as being more important than producers do. This factor received a relative importance rating of 3.33 from the buyers; whereas, the producers only gave a rating of 2.85.

Additionally, buyers gave high ratings to the other two factors that are directly related to marketing, these being:

- Help by supplier representatives 4.17
- Market research by supplier 3.50

Despite the buyers' expectations, the producers' survey showed that a large number of producers (especially small volume producers) tend to give most attention to production and not to marketing; the latter is considered of secondary importance. This tends to confirm that producers' business orientation is more product driven than market driven. Some of the supermarket grocery buyers commented that producers were not proactive enough when marketing their products to supermarkets.

7.2.4 Promotion

Buyers and producers agree on the effectiveness of collective promotion and education campaigns in growing domestic sales through supermarkets. Both parties also agreed that collective action on the following identified opportunities will be effective in bringing growth to the domestic industry:

- Promotion of the honey industry as a whole
- Promotion of the healthy image of honey
- Promotion the distinctive qualities of honey
- Education of consumers on new uses for honey

7.3 SUMMARY

The key issues that have been identified which should be considered when formulating strategy for growth in domestic sales through supermarkets are:

- Special terms offered
- Timely delivery
- Continuity of supplies
- Price competitiveness
- Product packaging
- Marketing orientation
- Promotion

8. IMPLICATIONS FOR STRATEGY

This section captures the key ideas in the report's preceding sections which are important to the development of a growth strategy for the honey industry. It does this by first evaluating the industry's resources in terms of its strengths and weaknesses. It then considers key aspects of the industry's environment in terms of the opportunities and threats they present. This is followed by a listing of the factors important to marketing honey successfully in supermarkets. A summary of the key strategic issues then follows.

The section ends with a consideration of the strategic directions available to the honey industry. Note: This analysis is predominantly set in the context of marketing to the supermarket grocery market segment.

8.1 RESOURCE ANALYSIS

The honey industry is characterised by strengths and weaknesses that help determine its success in its various markets. The following lists current strengths and weaknesses of the supply side of honey industry:

STRENGTHS

POSITIVE HONEY ATTRIBUTES	A traditional food and a natural sweetener, honey has therapeutic and health connotations associated with it. Honey also has bactericidal properties that extend the shelf life of other food systems when combined with them. *These attributes of honey can be promoted as product advantages.*
PRODUCTION CAPACITY	The industry has the ability and capacity to produce more honey to support increased sales.
EXAMPLES OF GOOD PERFORMANCE	There are successful honey producers in the industry who are operating effectively by product development and marketing. *These leaders can be emulated by others in the industry.*

INDUSTRY CHAMPION	The industry has the NBA, which exists to promote the collective interests of the honey industry. *This provides producers and packers with the means for leveraging the entire honey industry.*

WEAKNESSES

LIMITED FUNDS	The industry has low asset backing. *This makes it difficult to raise capital to fund growth.*
LIMITED RESEARCH & DEVELOPMENT	Low margins have contributed to low R&D funding. Producers do not have specialist personnel working on R&D. *This reduces the ability of producers to innovate and introduce new products.*
SUPPLY VARIATION	The weather affects bee activity and nectar availability. Consequently, honey production levels are weather dependent. This poses problems for the industry in assuring regular supply, particularly for export markets. *This will reduce customer confidence in suppliers and shut them out of some markets.*
COMMODITY FOCUS	Much of the industry views and treats honey as a commodity product. Consequently consumers may treat it as a commodity too. *This exposes honey to price competition and makes it a price taker.*
INDIVIDUALISM & FRAGMENTATION OF THE INDUSTRY	The industry is characterised by the individualism of its producers. There is rivalry between producers, many of whom have divergent attitudes on collective industry action. As there is no collective vision for the industry, there has been no concerted effort to grow the entire market for honey. *This limits the effectiveness of the industry.*

INADEQUACIES CITED BY TRADE CUSTOMERS	This research has revealed many inadequacies in the ability of honey suppliers to meet the expectations of supermarket grocery buyers. *This limits the growth of honey sales in these retail outlets.*
INADEQUATE MARKETING ORIENTATION	The industry is seen as mostly product driven. Producers mostly focus on product quality, production and sales, do little promotion and provide little market support. *This exposes the industry to competitors who are market and customer focussed.*

8.2 ENVIRONMENTAL ANALYSIS

The environment that the honey industry operates in presents it with many opportunities and threats. The following lists current opportunities and threats to the industry :

OPPORTUNITIES

BETTER MARKETING	Honey is currently not marketed well by producers, particularly in supermarkets. *This provides room for honey to differentiate itself by better marketing.*
PROMOTION	Unlike other spreads, honey is seldom promoted. *This presents opportunities to promote regional and varietal differences, new uses, natural & health attributes.*
IN MARKET SUPPORT	Honey producers offer limited market support to supermarkets. *This provides an opportunity for differentiation by developing partnerships with supermarkets.*

NEW PRODUCTS	There is increasing competition in the spreads market with new products being introduced. New honey products such as squeeze bottle honey are reported to be successful. *There is opportunity for existing and new honey products to be marketed in different packaging, sizes and presentation. Added value honey products will help reduce dependence on low profit commodity honey.*
NEW MARKETS	There is an opportunity for the honey industry to diversify into other market segments such as Food Ingredients, Pharmaceutical's, Cosmetics and Flavour. *Such markets will help reduce the industry's dependence on any one market.*
QUALITY MANAGEMENT	There is an opportunity to offer trade customers and consumers more value with decreased costs in the long term by introducing an industry-wide quality management programme. *This will aid long term profitability by helping "lock-in" customers.*

THREATS

NEW ENTRANTS	There is a possibility of the removal of import restrictions on honey. If this occurs, the domestic market would be open to new competitors such as low cost Asian honey and surplus products from Australia and USA. *The likely effect will be over capacity, increased price competition and reduced profitability of the industry.*
GROWTH OF OTHER SPREADS CATEGORIES	The other spreads categories (like Jam & Marmalade, Peanut Butter, Yeast Extracts) are all growing in terms of market share. These spreads are better funded and better marketed. Competition for shelf space will intensify. *This is likely to erode honey's market share.*

STRONG DISCOUNTING TREND IN SUPERMARKETS	Consumers have been shifting towards the low priced, discount end of the grocery retail trade. This trend is also reflected in the growth of house brand honey. *This trend will result in continued low margins for producers who survive.*
BUYING POWER OF SUPERMARKETS	Supermarkets are the major market segment for the honey industry and large volume buying affords them the power to dictate purchase terms. *This places a ceiling on the profitability of the industry.*
LOSS OF KIWIFRUIT BUSINESS	The downturn in the Kiwifruit industry may lead beekeepers back to producing honey for the domestic market. *This may lead to increased production and further price competition if new markets are not found.*
CONSUMERS NOT HONEY LITERATE	Consumers are not made aware of the range of honey products, nor of their many uses. This manifests itself in the high volume sales of traditional creamed clover honey. *This lack of awareness makes it difficult to sell new honey products or encourage greater honey consumption.*

8.3 SUCCESS FACTORS IN THE SUPERMARKETS SEGMENT

Meeting buyer expectations is fundamental to the success of honey suppliers in the supermarket market segment. The research identified key factors that grocery buyers consider when purchasing honey for their supermarkets. These factors are listed below in order of importance (from *very important* to *important*).

- Timely Delivery
- Continuity of Honey Supply
- Price Deals Offered
- Price of Honey Product
- Packaging of Honey Product
- Help by Supplier Representatives
- Established Relationship with Honey Suppliers
- Quality of Honey Product
- Market Research by Supplier
- Promotion by Supplier - *In-store Tastings of Honey*
- Supplier providing Sales Information to Buyer
- Promotion by Supplier - *Recipe Leaflets*
- Promotion by Supplier - *TV Advertising*
- Promotion by Supplier - *Magazine Advertising*

There seven areas in which honey suppliers are not measuring up to grocery buyer's expectations and on which they need to focus are :

- Timely Delivery
- Continuity of Honey Supply
- Price Deals Offered
- Help by Supplier Representatives
- Market Research by Supplier
- Promotion by Supplier - *In-store Tastings of Honey*
- Supplier Providing Sales Information to Buyer

8.4 KEY ISSUES

The honey industry is faced with a number of key issues that will define and shape its future strategies. These are:

COMMODITY FOCUS	Treating honey as a commodity will ultimately reduce the profitability of the industry. Honey must be differentiated in order to be more profitable.
BUYER NEEDS	There are several needs expressed by supermarket grocery buyers that are largely unfilled. Sales can be enhanced by meeting their unmet needs. (Refer to section 8.3)
INCREASING COMPETITION	Honey's market share will come under pressure from other spreads, as competition for the consumers' dollar intensifies in supermarket grocery outlets. Furthermore, the trend towards price competition in supermarkets is likely to continue, and will mean a continuing reduction in the margins for producers. Ways need to be found to mitigate these threats.
CONSUMER EDUCATION	Consumers largely see honey as just honey. They tend to think light honey is better than dark honey, and that it comes in one flavour - Clover. Consumer perceptions must first be shifted before consumers will pay more for honey.
FUNDING LIMITATIONS	The honey industry's limited funds place a constraint on its ability to fund growth. This implies that existing resources need to be better targeted at more profitable and more secure segments.
LEVERAGE	Most producers are small scale, have limited resources and work independently. Producers can leverage their resources by finding ways of working together in order to stave off threats to the whole industry and *grow* the *entire market* for honey.

MARKET HONEY	Producers tend to focus more on production and sales, with little attention to marketing. This emphasis needs to change if more value is to be delivered to trade customers and consumers. This is a key opportunity.
PROMOTION	Honey is seldom promoted. Promotion must be done if customers and consumers are to change their perceptions of honey.
PRODUCT DEVELOPMENT	Profitability is limited by continued sales of commodity honey and mature honey products. The introduction of new honey products will assist sales growth in supermarkets.
QUALITY MANAGEMENT	The food sector, like many others, is rapidly embracing quality management. This is widely seen as a competitive *necessity*. The honey industry will have to do the same if it is to stave off foreign competitors (such as the Australians) having quality certification.

These are the main issues that the industry needs to address. The challenge for the honey industry is to capitalise on available opportunities and deflect threats by building on its strengths and compensating for its weaknesses.

8.5 STRATEGIC OPTIONS

8.5.1 Generic Strategy

There are two fundamental or generic strategies open to honey suppliers in order to grow. These are :

- A *Cost Leadership* strategy, where profitability is secured by offering honey products of *standard* quality at costs that are *lower than the industry's average.* The focus is on having *low costs.* There is only room for <u>one</u> player to be the lowest cost producer.

- A *Differentiation* strategy, where profitability is secured by offering products that are *unique* in ways that are *valued by customers* and at higher prices. The focus here is premium pricing for valued features. Many more players can adopt a differentiation strategy.

The choice between these two generic strategies will depend on which will be most beneficial for the industry as a whole. There has been strong price competition within the supermarket grocery trade over the past few years. This is likely to continue in the near future. Honey is generally seen (both by producers and by consumers) as a commodity item which competes mainly on price. Honey is also considered a price taker rather than a price maker. However, competing on price *alone* will lead to ever reducing margins for honey producers, and an eventual shake out within the honey industry. Consumers will also continue to regard honey as a commodity and this will help to reinforce the price competition. *The lowest cost producer will be the one that grows in this environment.*

In the light of the above, it is believed that the *long term* interests of the honey industry would be best served by a differentiation strategy, where higher prices are obtained through provision of features *of value to buyers/consumers* in the products being marketed. When undertaken successfully, this added-value component will allow for higher pricing and therefore higher profits for producers. As a consequence, perceptions of honey will change. A shift to differentiated products needs to occur if honey producers are to avoid competing exclusively on price.

Several honey producers are already competing more on value and less on price with new honey products, innovative packaging, and promotion.

8.5.2 Strategic Direction

Given a choice of generic strategies, there are several alternative strategic directions open to honey suppliers for growing the domestic market for honey.

Maintain Status Quo

This means doing nothing differently. The current strategies and tactics are observed in current markets.

Market Penetration

This involves increasing sales of *existing* products in *existing* market segments. No new products are introduced.

Product Development

This involves the development of *new* honey products for the *existing* market segments.

Market Development

This involves the introduction of *existing* honey products in *new* market segments.

Diversification

This involves the introduction of *new* honey products in *new* market segments. It is usually the most risky of the four strategies.

The focus of this research has been on developing opportunities within the retail grocery sector. Therefore the strategic direction considered will *primarily* be one of market penetration - increasing sales of honey to supermarkets. Product development options will also be considered.

8.5.3 Summary

It is recommended that the thrust of the strategy for the retail grocery segment should be as follows:

- Increase honey sales to supermarkets using both existing and new products.
- Offer products and services that are *unique* in ways that are *valued by customers* but at higher prices.
- Take due regard of the key issues mentioned in Section 8.4 above.

The strategy recommended in the next section are guided by this framework.

9. THE RECOMMENDED STRATEGY

This section describes the recommended strategy for promoting growth in the domestic honey market. It does so by first framing the goal and the overall strategy. It then discusses both short term and longer term means for achieving the goal. The section ends with a call for collective action.

It is believed that an action plan to implement this overall strategy will result in increased sales of honey and enhanced profitability for producers.

9.1 GOAL AND OVERALL STRATEGY

The goal is to *increase industry honey sales to supermarkets*. This will be achieved by an overall strategy of:

- Rectifying weaknesses in the short term reported by supermarket buyers.
- Adding value to products and services being offered over the longer term.
- Acting collectively as an industry.

9.2 ACTIONS FOR THE SHORT TERM

The honey industry should first address shortcomings identified in this study of supermarkets. These are actions that can be implemented within 18 months. They are to:

- Promote Honey
- Provide Market Support
- Assure Supply
- Price Effectively

9.2.1 Promote Honey

a. Promote Different Uses for Honey

The use of honey as a spread limits its consumption. Buyers have suggested educating the consumer by promoting *new uses* for honey. The idea is to show consumers how they can *extend* the use of honey (eg. through cooking recipes, using honey as a sugar substitute and in drinks) and thereby increase sales.

b. Promote the distinctive Varieties of Honey

Promoting to the consumer about distinctive types of honey can result in greater volume sales, mainly by appealing to different consumer segments. This study has shown that consumers can regard honey as coming in one flavour - clover. This perception will need to be changed by suitable promotion. However, such promotion must be supported by a product range that offers such variety, and temporary price reductions to entice trials.

c. Promote Regional Identities for Honey

The regional variation in honey can be promoted, as has been successfully done with wines. Such variation can be marketed as distinctive qualities of specific regions. This provides another means of adding value to honey.

d. Use In-store Tastings in Supermarkets

In-store tastings will get consumers trialing honey products. This has drawn strong support from grocery buyers surveyed. With discounts, sales volumes can increase by between 2 to 5 times. Bread companies are reported to do this frequently. Honey suppliers could combine with such suppliers to do in-store tastings. These promotions must be supplemented with literature/handouts that provide information on honey varieties, properties, use, and recipes.

e. Promote Honey when sales are growing

Given the seasonal pattern of honey sales in supermarkets, promotion should primarily be done during autumn and winter -when honey sales are growing.

9.2.2 Provide Market Support

Honey suppliers to the various supermarkets need to take a more pro-active role in "locking in" their trade customers. This can take the form of continual assessments of grocery buyers' needs, and the provision of additional support services. Where required honey suppliers need to provide sales information to supermarket grocery buyers to help them track sales. Such sales information could be provided on a six monthly basis to supermarkets that require it.

9.2.3 Assure Supply

Honey suppliers need to provide supermarket grocery buyers with a greater assurance of supply. This study has revealed potential weaknesses in the timely delivery and continuity of supply. If correct, a strategy should be adopted that allows for better management of the supply of honey to supermarket outlets. This strategy must aim to develop an understanding of the current pattern of honey sales by tracking the sale of honey at supermarket outlets during the year. With a better understanding of honey consumption, producers will be able to plan timely delivery of honey products and provide the supermarket outlets with greater assurance of supply.

9.2.4 Price Effectively

Provide temporary price reductions as a means of encouraging greater consumption of honey. This will then provide a means for educating consumers about the range, variety and uses for honey. (See section 9.2.1 above).

Competitive pricing was identified by the supermarket buyers as a key factor for increasing sales of honey. Such pricing can be a successful growth strategy for the lowest cost producer in the industry. However price competition is not recommended for the entire industry, as it will further erode profitability.

9.3 ACTIONS FOR THE LONG TERM

In order to reposition honey as an *added-value* product, other actions must be taken over the longer term. These are intended to shift consumers' perception of honey and ultimately their purchasing behaviour. These actions, which can be implemented within 3 years, are to:

- Market Honey
- Develop New Products
- Adopt Quality Management

9.3.1 Market Honey

The industry must find different ways of meeting customer and consumer needs profitably. The promotion strategies suggested earlier, are part of an *overall marketing emphasis* that should be adopted by the industry as a way of delivering more value.

One aspect of this approach would be to offer different honey products to different consumer groups. The idea here is that one 'size' does not fit all consumers. Products must be tailored to appeal to the different consumer segments who buy honey (eg. the health conscious, the large family, the elderly, etc). The variations in product offers may be in terms of labelling, package size, honey variety, health attributes and the like. This will mean studying consumer preferences in these areas.

Other marketing related activities that should be undertaken include:

- Continuing surveys of supermarket grocery buyers.
- Studies to segment honey consumers into different groups.
- A broader consumer education / public relations programme.

9.3.3 Develop New Products

In order to remain competitive in current markets, honey suppliers must constantly innovate by introducing new, high value products. This will help extend profitability over the longer term. Possible new products mentioned by producers include combinations such as propolis and honey, royal jelly and honey, and pollen and honey. There is also potential for developing honey as a composite food product with cheese, fruit and drink. This includes new cheese and honey spreads, powdered honey as a sugar substitute, honey sweetened instant coffee mix and a large combination of confectionary items.

9.3.4 Adopt Quality Management

a. Quality Certification

Producers need to begin working towards certification to international quality standards. There is growing world wide pressure for the food industry to obtain certification to international quality standards; many countries are imposing trade barriers for goods which do not have quality certification. Growing consumer pressure for better quality goods and services within New Zealand is also forcing companies to provide evidence of quality systems by achieving certification to the international standard ISO 9000. The honey industry will soon find major trade barriers both in New Zealand and overseas markets for their products without quality certification.

Trandenz has recently launched a major quality programme called the Quality Advancement Programme to assist companies in the New Zealand Food and Beverage Industry achieve quality certification.

b. National Quality seal

A honey industry quality seal should be promoted as a method of enhancing the image of honey products in the market place. There are several successful examples of industry groups adopting a collective industry seal of approval as a means of providing greater consumer confidence with produces and services. These include the pork industry with Trim Pork promotions and the wine industry with its various quality awards.

9.4 Act Collectively

All the preceding strategic elements, short term and long term, can be participated in by individual honey suppliers, or by the entire honey industry. It is believed that collective action by the industry is the best way of growing *overall* domestic demand for honey. This view has support from grocery buyers and producers who participated in this study. (eg. A collective promotion campaign by the honey industry is considered by grocery buyers as the best way of increasing sales of honey in supermarkets). The industry will benefit in pooling its relatively modest resources to leverage growth for *all* producers.

The precise means for a coordinated approach will need to be determined by the industry. The NBA should be able to facilitate this.

10. AREAS FOR FURTHER STUDY

This research has focussed on growth opportunities for the honey industry in supermarkets. The long term profitability of the honey industry will be enhanced if it delivers more value to existing markets, and *diversifies* into others. Consequently further work is recommended in the following areas:

CONSUMER RESEARCH

There is little information available on what consumer preferences are for different pack sizes, pack presentation, or flavours for honey. Obtaining such information will enable producers to better target their product offers to specific consumer groups. (See section 9.3.1).

OTHER MARKETS

There are other market segments where further study may also provide opportunities for growth. These include:

Food Processing Industry

There is opportunity for using honey as an ingredient in the Food Processing industry. Honey is already being used in bread (by Tip Top and Country Fresh) and in yoghurt (Intermilk's honey sweetened yoghurt).

Health Care Industry

Honey is seen as having potential in the health care industry and further research is recommended.

Health Food Market

The health food market presents opportunities for added value marketing of honey by promoting the natural health attributes of honey which will appeal to a growing group of health conscience consumers

Export Market

Whilst not the focus of this study, there is nevertheless a growing demand for New Zealand honey from overseas countries and additional research is recommended on how best to position honey export markets.

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GLOSSARY

Active honey	A honey containing an antibacterial agent effective against helicobacter pylori (a bacteria implicated as a cause of gastritis and stomach ulcers)
Apiarist	A beekeeper
Apiary	A place where bees are kept
Apiculture	Beekeeping
Beekeeper	A person who tends and keeps bees usually for honey production
Buyer	Stock purchaser for supermarkets or retailers
Comb honey	Non extracted honey contained in bee-made honey comb
Consumer	As used in this report the consumer refers to the *end user* of honey
Customer	As used in this report the customer refers to supermarkets and supermarket grocery *buyers*.
Creamed honey	Honey which has been partially crystallised at 14 degrees centigrade and is creamy in colour and consistency
Hive	Artificial receptacle containing a colony of bees and used or suitable for use for honey production
Honey	The sugary product which is obtained from the comb of the honey bee
Honey industry	This term is used interchangeably with the Beekeeping industry. Refers to both the supply and demand sides
Honey comb	Wax framework made by bees for storing honey
Key Accounts	Major supermarket chains, such as Foodtown or New World Supermarkets.
Liquid honey	Honey in its natural state as extracted from the comb
Marketing	As used in this report, marketing refers to all means used to profitably meet customers' needs. It implies a customer orientation.
MAF	Ministry of Agriculture and Fisheries

NBA	National Beekeepers' Association of New Zealand Incorporated
Non-Key Accounts	Retail grocery outlets other than major supermarkets. Includes banner stores, dairies and takeaways.
Organic honey	A honey free from pesticides and artificial chemical fertilisers
Packer	Someone who converts bulk honey into retail packs or containers for onward sale
Producer	Beekeeper who frequently is also a packer
Propolis	Resinous wax secreted by bees and used to seal gaps in hives
Retailer	Seller to the end user/consumer

APPENDIX A

LETTERS OF AUTHORITY

ASSOCIATION'S ADDRESS:
P.O. BOX 4048,
WELLINGTON.
TELEPHONE (04) 472-8102
FAX (04) 471-2882
PH. 385 4229
FAX 385 8522

NATIONAL BEEKEEPERS' ASSOCIATION of NEW ZEALAND (INC.)

18 December 1992

TO WHOM IT MAY CONCERN

The National Beekeepers' Association has arranged with the MBA Research Group, comprising Ko Chai Fang, June Hui, Russell McGuigan, Colin Perfect, Ramesh Singaram to undertake a research topic "Strategies for Growth in the Domestic Honey Mmarket"

Students are five final year Massey University Master of Business Administration students, and any help or assistance that you can give them in respect of their project would be greatly appreciated by the Association.

S. C. Goodman

S. C. Goodman
EXECUTIVE SECRETARY

ASSOCIATION'S ADDRESS:
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NATIONAL BEEKEEPERS' ASSOCIATION of NEW ZEALAND (INC.)

21 December 1992

MBA Research Group
PO Box 11 993
WELLINGTON

c.c. N Wallingford

Dear Sir

Thank you for your letter of 30 November 1992, concerning the Honey Research Proposal which was considered at the September meeting of the Executive.

With regard to your enquiries Executive have decided :

a) that the liaison member of the executive will be Mr Nick Wallingford

b) that the industry will provide access to historical information on the industry

c) a letter of endorsement is enclosed

d) the industry has allocated up to $1,000 to assist in any material costs, but appreciate some estimate from you of your expenditure.

If this office can be of any further assistance, please do not hesitate to communicate with us.

Yours sincerely

S. C. Goodman
EXECUTIVE SECRETARY

Encl:

APPENDIX B

MAIL QUESTIONNAIRE FOR PRODUCERS' SURVEY

MBA RESEARCH GROUP - NZ HONEY INDUSTRY RESEARCH

INSTRUCTIONS FOR COMPLETING THE QUESTIONNAIRE

1. Please complete **ALL** questions by filling in the blanks and/or by ticking the appropriate boxes.

2. The term "Honey" used in the questionnaire refers to surplus honey such as Clover honey, Manuka honey, etc. and excludes feed honey and honey left in the hives.

3. The terms "Yearly" and "Each Year" used in Questions 4, 5 and 7 refer to either the calender year or your own financial year whichever is normally used by yourselves.

4. Please contact any one of the following MBA Research Group members if you have any queries concerning the questionnaire:

Colin Perfect
Phone: (04) 498 2152 (Office)
(04) 475 3799 (Home)
Fax: (04) 498 3330

June Hui
Phone: (04) 472 1677 (Office)
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Fax: (04) 495 0569

MBA RESEARCH GROUP - NZ HONEY INDUSTRY RESEARCH

1. Name of Business: ____________________

2. Contact Person(s): ____________________ Phone: __________ Fax: __________

3. Number of Hives: __________ Nature of Business: ☐ Commercial ☐ Hobbyist

4. Average Yearly Tonnes of Honey You Produce: ______ tonnes, You Buy: ______ tonnes, You Export: _____ tonnes

5. Average Yearly Tonnes of Honey You Sell Locally: _______ tonnes, and this is divided into:

   ☐ Supermarkets (under your brand name) ____ tonnes ☐ Packers _____ tonnes

   ☐ Supermarkets (under other brand name) ____ tonnes ☐ Gate sales _____ tonnes

   ☐ Industrial buyers _____ tonnes

   ☐ Others (Specify: ____________________) ___ tonnes (Specify: ____________________) ___ tonnes

6. Location of Domestic Markets: ☐ North Island (☐ Central ☐ North ☐ South)
   ☐ South Island (☐ Central ☐ North ☐ South)

7. Types of Honey Sold and Their Respective Tonnes Sold Each Year:

   ☐ Clover ____ tonnes ☐ Manuka: ____ tonnes ☐ Honeydew: ____ tonnes

   ☐ Blue Borage: ____ tonnes ☐ Organic: ____ tonnes ☐ Vipers Bugloss: ____ tonnes

   ☐ Rata: ____ tonnes ☐ Rewarewa: ____ tonnes ☐ Nodding Thistle: ____ tonnes

   ☐ Thyme: ____ tonnes ☐ Comb Honey: ____ dozens

   ☐ Others (Specify: ________) ___ tonnes (Specify: ________) ___ tonnes (Specify: ________) ___ tonnes

8. Percentage of Products Packed By: ☐ Yourselves ____ % ☐ Others _____ %

9. Percentage of Products Marketed By: ☐ Yourselves ____ % ☐ Commission/Marketing agents ____ %

   ☐ Others (Specify: ____________________) ____ %

10. Understanding buyer expectations is important in any business transaction. The schedule below will help to set out your impressions of what buyers are seeking from your organisation and your products. Please indicate the relative importance of each of the following factors that you consider is applicable to your buyers by ticking <u>one</u> of the five ratings. Please also assess your current performance in respect of each of the following factors by ticking <u>one</u> of the five ratings.

	RELATIVE IMPORTANCE TO BUYERS Low ---------------> High					YOUR CURRENT PERFORMANCE Low ---------------> High				
Price Competitiveness	1	2	3	4	5	1	2	3	4	5
Product Quality	1	2	3	4	5	1	2	3	4	5
Service Quality (e.g. timely delivery, certainty of supplies)	1	2	3	4	5	1	2	3	4	5
Special Terms Offered	1	2	3	4	5	1	2	3	4	5
Established Business Relationship	1	2	3	4	5	1	2	3	4	5
Product Packaging	1	2	3	4	5	1	2	3	4	5
Proximity of Suppliers To Buyers	1	2	3	4	5	1	2	3	4	5
Promotion	1	2	3	4	5	1	2	3	4	5
Provision of Marketing Information to Buyer	1	2	3	4	5	1	2	3	4	5
Others (Specify: ____ ____________)	1	2	3	4	5	1	2	3	4	5

11. Please indicate your opinion on each of the following statements by ticking one of the boxes that you think is the most appropriate:

a. Promotion for the honey industry as a whole should be organised to expand domestic markets.

☐ Agree ☐ Disagree (Go to Statement c) ☐ No idea (Go to Statement c)

b. If you agree with statement a above, such promotion can be most effectively done:

☐ Collectively by the industry ☐ By Individual producers/packers ☐ No idea

☐ Other methods (Specify: ______________________________)

c. At present, the promotion of honey (especially Organic honey and Manuka honey) as a health product is insufficient. More effort should therefore be spent on promoting the health image of honey to increase domestic sales.

☐ Agree ☐ Disagree (Go to Statement e) ☐ No idea (Go to Statement e)

d. If you agree with statement c above, such promotion can be most effectively done:

☐ Collectively by the industry ☐ By Individual producers/packers ☐ No idea

☐ Other methods (Specify: ______________________________)

e. More effort should be spent on promoting honey to the food industry as an important ingredient of their products and/or as a substitute for sugar.

☐ Agree ☐ Disagree (Go to Statement g) ☐ No idea (Go to Statement g)

f. If you agree with statement e above, such promotion can be most effectively done:

☐ Collectively by the industry ☐ By Individual producers/packers ☐ No idea

☐ Other methods (Specify: ______________________________)

g. At present, consumers' knowledge of the distinctive qualities of each type of honey (e.g. Clover, Manuka, etc.) is vague and further promotion in this area is essential in increasing domestic sales.

☐ Agree ☐ Disagree (Go to Statement i) ☐ No idea (Go to Statement i)

h. If you agree with statement g above, such promotion can be most effectively done:

☐ Collectively by the industry ☐ By Individual producers/packers ☐ No idea

☐ Other methods (Specify: ______________________________)

i. Domestic consumption of honey can be increased by educating consumers about new uses for honey (e.g. honey drinks, honey used for cooking, antiseptic dressing, etc.).

☐ Agree ☐ Disagree (Go to Statement k) ☐ No idea (Go to Statement k)

j. If you agree with statement i above, such education programmes can be most effectively done:

☐ Collectively by the industry ☐ By Individual producers/packers ☐ No idea

☐ Other methods (Specify: ______________________________)

k. Research and development of new honey products can enhance the growth of the honey industry.

☐ Agree ☐ Disagree (Go to Statement m) ☐ No idea (Go to Statement m)

l. If you agree with statement k above, such research and development can be most effectively done:

☐ Collectively by the industry ☐ By Individual producers/packers ☐ No idea

☐ Other methods (Specify: ______________________________)

m. New and innovative packaging of honey products (e.g. squeeze bottle) can help to increase domestic sales.

☐ Agree ☐ Disagree ☐ No idea

n. At present, the marketing of honey to domestic buyers is not done efficiently or professionally. The engagement of professional and experienced marketing personnel (either by employing marketing staff or by appointing external marketing agents, or both) can help to increase domestic sales.

☐ Agree ☐ Disagree ☐ No idea

o. At present, the consumption of honey in domestic markets is almost at its maximum. Therefore any further promotion and/or marketing efforts will have little or no effect on domestic sales.

☐ Agree ☐ Disagree ☐ No idea

p. The honey industry should act collectively to expand domestic markets and a central fund should be set up to finance collective actions.

☐ Agree ☐ Disagree ☐ No idea

12. Are there any types of honey which are in consistent demand but which your own production is never or seldom able to fulfil. If yes, please give the reason(s) for the continuing shortfall. Otherwise, leave blank. (Please use the back of this page if more space is needed.)

13. Do you have any ideas and comments about existing and/or new honey products as well as the existing and/or new domestic honey markets which have not been covered in any of the above questions? If you do, please give the details below. (Please use the back of this page if more space is needed.)

APPENDIX C

NBA LETTER OF SUPPORT

ASSOCIATION'S ADDRESS:
P.O. BOX 4048.
WELLINGTON.
TELEPHONE (04) 472-8102
FAX (04) 471-2882

PH. 385 4229
FAX 385 8522

NATIONAL BEEKEEPERS' ASSOCIATION of NEW ZEALAND (INC.)

Dear Sir/Madam,

Enclosed is a questionnaire for a research project on opportunities for the New Zealand Honey Industry being carried out by the MBA Research Group. This is a group comprised of five final year Master of Business Administration students from Massey University.

The Association would appreciate your assisting the Group by completing the enclosed questionnaire and then returning it direct to them in the enclosed prepaid envelope on or before 31 May, 1993.

All information given in the questionnaire will be treated in strict confidence by the Group and will be used solely for the research project purposes. No other parties (including the Association itself) will have access to any information which could identify individual honey producers.

Your early response would be greatly appreciated.

Yours sincerely,

D.L. Ward

Dudley L Ward
PRESIDENT

APPENDIX D

MAIL QUESTIONNAIRE FOR SUPERMARKET GROCERY BUYERS' SURVEY

SURVEY OF SUPERMARKET BUYERS

INSTRUCTIONS FOR COMPLETING THE QUESTIONNAIRE

1. Please complete ALL questions by filling in the blanks or ticking numbers/boxes.

2. Kindly complete and return the questionnaire, using the pre-stamped envelope provided, by

   ------> **Monday 2 August 1993** <------

3. Terminology used

   - HONEY refers to liquid and creamed honey sold mainly in the spreads category in supermarkets.

   - SPREADS category refers to jam, marmalade, peanut butter, honey and the like.

   - HONEY SUPPLIERS refers to beekeepers, honey manufacturers, packers, their sales reps or agents.

4. Please contact any of the following members of the MBA Research Group if you have any queries regarding this questionnaire :

RAMESH SINGARAM
phone : (04) 232-8699

COLIN PERFECT
phone : (04) 498-2152
fax : (04) 498-3330

JUNE HUI
phone : (04) 472-1677
fax : (04) 472-8023

Your early response will be greatly appreciated.

RESEARCH ON THE NEW ZEALAND HONEY INDUSTRY

MAIL SURVEY OF SUPERMARKET BUYERS

Name : ______________________________
Position: ______________________________
Organisation: ______________________________

Please amend the above if incorrect

COMPANY INFORMATION

1. Number of supermarkets/grocery outlets your company has in NZ __________

2. Average yearly sales of honey products (spreads category) through all your outlets
__________ *Kgs. (specify units below, if using other units)* __________ *dollar value of sales*

SEASONALITY

3. Honey sales in supermarkets appear to peak in winter and taper off in summer. Is this seasonal sales pattern true for your outlets ? ☐ *Yes* ☐ *No*

4. When should honey be promoted to consumers ? ☐ *Spring* ☐ *Summer* ☐ *Autumn* ☐ *Winter*
*Comment:*______________________________
____

SALES

5. Which brand of honey is the market leader in terms of sales in your supermarkets/grocery outlets ?
____

6. What is its market share of the total honey sold through your outlets ?? ________ *% of total honey sold*

7. Why do you think it has this lead over its competitors?
____
____
____

8. Do honey suppliers provide you with any sales information on your honey lines ? ☐ *Yes* ☐ *No*

If not, would you like honey suppliers to do so ? ☐ *Yes* ☐ *No*

Would this information be useful to your outlets ? ☐ *Yes* ☐ *No*
(eg. for preventing stockouts)

MARKETING

9. Do you or your supermarket ever get approached by honey suppliers doing market research ? ☐ *Yes* ☐ *No*

10. Tick a number on the following scale to describe your perception of the business orientation of your major honey suppliers

MARKET DRIVEN *Mainly focus on meeting customer needs profitably*	<--- 1 2 3 4 5 --->	*PRODUCT DRIVEN* *Mainly focus on selling products*

Comment:______________________________
____

GAP ANALYSIS

11. The schedule below will help identify how well honey suppliers are meeting your expectations as a buyer. Listed below are *factors* that you may consider *when making purchasing decisions* on your honey lines.

i. First tick a number in the column marked IMPORTANCE TO YOU to indicate **how important to you** each factor is when considering purchasing honey.

ii. Then tick a number in the column marked PERFORMANCE OF HONEY SUPPLIERS to indicate **how well honey suppliers**, in general, **perform** on each factor.

iii. You are welcome to *add* and *rate* other factors that are important to you in the blank lines below.

(EXAMPLE : The first line below illustrates that while TASTE is *slightly important* to you, your honey suppliers generally perform *excellently* in regard to TASTE.)

	IMPORTANCE TO YOU					PERFORMANCE OF HONEY SUPPLIERS				
	NO IMPORTANCE	SLIGHT IMPORTANCE	IMPORTANT	QUITE IMPORTANT	VERY IMPORTANT	POOR	NOT GOOD	OK	GOOD	EXCELLENT
An example : *TASTE*	*1*	*2*	*3*	*4*	*5*	*1*	*2*	*3*	*4*	*5*
PRICE OF HONEY PRODUCT	1	2	3	4	5	1	2	3	4	5
PRICE DEALS OFFERED	1	2	3	4	5	1	2	3	4	5
HELP BY SUPPLIER REPRESENTATIVES	1	2	3	4	5	1	2	3	4	5
SUPPLIER PROVIDING SALES INFORMATION TO BUYER	1	2	3	4	5	1	2	3	4	5
ESTABLISHED RELATIONSHIP WITH HONEY SUPPLIER	1	2	3	4	5	1	2	3	4	5
QUALITY OF HONEY PRODUCT	1	2	3	4	5	1	2	3	4	5
CONTINUITY OF HONEY SUPPLY	1	2	3	4	5	1	2	3	4	5
TIMELY DELIVERY	1	2	3	4	5	1	2	3	4	5
MARKET RESEARCH BY SUPPLIER	1	2	3	4	5	1	2	3	4	5
PROMOTION BY SUPPLIER										
In-Store Tastings of honey	1	2	3	4	5	1	2	3	4	5
TV Advertising	1	2	3	4	5	1	2	3	4	5
Magazine Advertising	1	2	3	4	5	1	2	3	4	5
Recipe Leaflets	1	2	3	4	5	1	2	3	4	5
PACKAGING OF HONEY PRODUCT	1	2	3	4	5	1	2	3	4	5
PROXIMITY TO HONEY SUPPLIER	1	2	3	4	5	1	2	3	4	5
Specify any others :										
____________________	1	2	3	4	5	1	2	3	4	5
____________________	1	2	3	4	5	1	2	3	4	5
____________________	1	2	3	4	5	1	2	3	4	5

COMPARISON WITH OTHER SPREADS

12. Overall sales for the entire **Spreads** category over the *past 2 years* has been
☐ Growing ☐ Staying about the same ☐ Declining

13. Overall sales for the entire **Spreads** category for the *next 2 years* is likely to
☐ Grow ☐ Stay about the same ☐ Decline

14. Sales of **honey** within the Spreads category over the *past 2 years* has been
☐ Growing ☐ Staying about the same ☐ Declining

Sales of **honey** within the Spreads category for the *next 2 years* is likely to
☐ Grow ☐ Stay about the same ☐ Decline

15. The current market share of honey of the total Spreads category is approximately ________ *percent*

STRATEGIES

16. Indicate **how likely** the following strategies would be to *increase honey sales* through your supermarkets/grocery outlets, by ticking the appropriate number.

	LIKELIHOOD				
	CERTAIN TO	VERY LIKELY	LIKELY	VERY UNLIKELY	CERTAIN NOT TO
a. Promotion directed at educating the consumer on *different uses* for honey (eg. in drinks, in cooking, etc)	1	2	3	4	5
b. Promotion directed at educating the consumer on the *distinctive honey varieties* (eg. regional and floral variations)	1	2	3	4	5
c. Promotion stressing the natural, healthy attributes of honey	1	2	3	4	5
d. More attractive labelling and presentation of honey	1	2	3	4	5
e. Innovative packaging (eg. squeeze bottle, clear containers)	1	2	3	4	5
f. Using smaller sizes/packs of honey (eg. 200 gm sizes)	1	2	3	4	5
g. Use of a nationally recognised symbol certifying quality on honey products	1	2	3	4	5
h. In-store tastings/demonstrations of honey	1	2	3	4	5
i. Improving the quality of the honey	1	2	3	4	5
j. A collective promotion campaign by the honey industry	1	2	3	4	5
k. More competitive pricing	1	2	3	4	5
Specify any others :					
l. ________________	1	2	3	4	5
m. ________________	1	2	3	4	5
n. ________________	1	2	3	4	5
o. ________________	1	2	3	4	5

17. Pick the *best three strategies* in Question 16 which you feel are the best ways of increasing honey sales through your outlets. Write your answer by ranking the three strategies in the blank spaces (below right).

An example is provided on the left.

AN EXAMPLE	YOUR THREE CHOICES
Best - strategy _c_	Best - strategy ________
2nd - strategy _e_	2nd - strategy ________
3rd - strategy _k_	3rd - strategy ________

18. What changes/improvements in honey products could help the consumer purchase more honey ?

____

____

____

____

____

____

End of Questionnaire.

THANK YOU FOR YOUR TIME

APPENDIX E

MAIN NECTAR-PRODUCING PLANTS AND TREES IN NEW ZEALAND

NECTAR PRODUCING PLANTS AND TREES IN NEW ZEALAND:

- Ake ake
- African boxthorn
- Barberry
- Blackberry
- Blue lupin
- Bush lawyer
- Buttercup
- Cabbage tree
- Cape weed
- Catsear
- Dandelion
- Eucalyptus
- Five finger
- Fruit trees
- Hawk's beard
- Hawkbit
- Hawkweed
- Heath
- Hinau
- Kamahi
- Kanuka
- Konini
- Koromiko
- Kowhai
- Lotus uliginosus
- Lucerne
- Manuka
- Miro
- North Island rata
- Pohutukawa
- Pennyroyal
- Rape
- Rata
- Red clover
- Rewa rewa
- Scotch thistle
- Tagasaste
- Tawari
- Titoki
- White clover
- Willow, straight
- Willow, pussy
- Willow, weeping
- Viper's bugloss

(Source: Winter, T.S. (1961). Beekeeping in New Zealand. p.10.)

APPENDIX F

HONEY PRODUCTION, EXPORT AND CONSUMPTION STATISTICS FOR NEW ZEALAND

HONEY PRODUCTION, EXPORT AND CONSUMPTION STATISTICS FOR NEW ZEALAND

Year	Production tonnage for YE 30 June	Export tonnage for YE 30 June	Domestic Consumption tonnage for YE 30 June	Consumption per head for YE 30 June in Kilograms	Consumption per head in kilograms on a three year moving average
1992	9560	2216	7344	2.1	2
1991	7290	1690	5600	1.6	1.8
1990	8752	1000	7752	2.3	1.8
1989	5752	1039	4713	1.4	1.7
1988	7748	2045	5703	1.7	1.6
1987	10091	3337	6754	2	1.8
1986	9471	5719	3752	1.1	1.7
1985	10314	1923	8391	2.5	1.7
1984	5818	825	4993	1.5	1.5
1983	5053	953	4100	1.2	1.6
1982	6495	1095	5400	1.7	1.8
1981	6931	1231	5700	1.8	1.6
1980	7489	1276	6213	1.9	1.8
1979	6474	2174	4300	1.3	1.7
1978	8279	1379	6900	2.2	1.5
1977	6078	977	5101	1.6	1.2
1976	4915	2416	2499	0.8	1.2
1975	7380	2952	4428	1.4	1.1
1974	5740	1026	4714	1.5	1
1973	3525	1816	1709	0.5	1.4
1972	5693	1734	3959	1.3	1.4
1971	5658	1800	3858	1.3	1.4
1970	5508	665	4843	1.7	1.4
1969	4241	299	3942	1.4	1.3
1968	3400	242	3158	1.1	1.4
1967	4386	541	3845	1.4	1.5
1966	5306	340	4966	1.8	1.6
1965	4131	783	3348	1.3	1.6
1964	5574	830	4744	1.8	1.8
1963	6129	1098	5031	1.9	1.9
1962	5406	958	4448	1.8	1.9
1961	5508	732	4776	1.9	2.1
1960	5916	429	5487	2.3	2.3

(Source: Statistics New Zealand, 1993.)

APPENDIX G

EXPORT MARKETS OF NEW ZEALAND HONEY IN 1992

EXPORT MARKETS OF NEW ZEALAND HONEY IN 1992

Comb Honey

Country	Value in NZ$
Japan	$582,125
Yemen	$470,476
United Kingdom	$301,675
Germany, Federal Republic of	$124,841
United States of America	$74,580
Taiwan, Province of China	$45,868
Switzerland	$28,005
Netherlands	$16,303
Belgium	$7,294
Ireland	$6,741
Singapore	$1,482
Hong Kong	$500
Total Value	$1,659,890

Honey Extracted in Retail Packs

Country	Value in NZ$
Saudi Arabia	$142,503
Australia	$128,431
Japan	$121,888
Singapore	$104,285
Germany, Federal Republic of	$93,986
United States of America	$75,313
Hong Kong	$75,032
Taiwan, Province of China	$53,886
Korea, Republic of	$45,545
United Kingdom	$42,026
Malaysia	$36,153
Thailand	$33,465
Bahrain	$19,340
French Polynesia	$17,273
Italy	$9,000
Philippines	$8,505
Samoa	$2,998
France	$1,835
Tonga	$1,588
Netherlands	$1,453
Norfolk Island	$697
Fiji	$652
Vanuatu	$287
Cook Islands	$187
Marshall Islands	$147
Total Value	$1,016,475

Honey Extracted in Bulk

Country	Value in NZ$
Germany, Federal Republic of	$1,651,088
Netherlands	$435,658
Hong Kong	$319,547
Malaysia	$273,870
Japan	$240,966
Singapore	$199,354
Austria	$142,859
United States of America	$101,000
Saudi Arabia	$59,041
Finland	$55,000
Denmark	$48,660
United Kingdom	$48,284
Australia	$47,582
Belgium	$40,590
Taiwan, Province of China	$8,400
Fiji	$1,350
Total Value	$3,673,249

Natural Honey

Country	Value in NZ$
Germany, Federal Republic of	$393,648
Australia	$37,435
Korea, Republic of	$28,300
Hong Kong	$7,090
Netherlands	$6,822
Switzerland	$6,592
Japan	$5,478
Taiwan, Province of China	$4,800
Cook Islands	$4,228
United States of America	$3,173
Papua New Guinea	$2,696
Wallis and Futuna Islands	$575
Indonesia	$455
Tonga	$230
Malaysia	$81
Niue	$57
Total Value	$501,660

(Source: Statistics New Zealand, 1992.)

APPENDIX H

SUMMARY OF FINDINGS FROM SURVEY OF PRODUCERS

SUMMARY OF FINDINGS FROM SURVEY OF PRODUCERS

1. Findings of Personal Interviews

The five personal interviews produced valuable information on the honey industry and its trends and opportunities. A summary is as follows:

Characteristics of the Honey Industry

It was found that the honey industry is currently very individualistic in nature and that attempts to coordinate efforts amongst the producers to promote or research into the honey industry as a whole have been limited. The honey industry remained stable through in the 1980's and early 1990's; with little growth or shrinkage in average yearly production of honey. Production relies heavily on weather conditions; any variation in which can cause production level fluctuations from year to year.

Mode of Operations

The operations of producers interviewed differed in:

- Scale of operations - the largest one owns 17,000 hives while the smallest one owned only 80 hives.
- Marketing distribution channels - some sell through commission agents and some have their own marketing team.
- Market outlets - some sell to supermarkets throughout New Zealand whilst others serve their local markets.
- Marketing emphasis - some tend to be more market-driven (mainly focussing on meeting customers' needs profitably) while the others are more product-driven (mainly focussing on selling products).

Opportunities for the Honey Industry

All the interviewees agreed that growth in the domestic honey market is possible. Common problems identified by the interviewees include:

- Volatility of honey production due to unstable weather conditions which in turn affects supply to the market.
- Difficulty in producing top quality honey (e.g. organic honey and active Manuka honey) owing to the scarcity of the appropriate floral source.
- Inadequate in coordination of promotion efforts by the honey industry.

Collective Marketing Efforts

The interviewees had different ideas about collective marketing efforts. While some considered collective marketing efforts to be desirable, one of the interviewees was against the idea of establishing any centralised marketing body. He regarded the previous Honey Marketing Authority (see details in Section 3.2) as a complete disaster and said that any similar entity was bound to be a failure.

In brief, there is no consensus amongst producers on cost effectiveness or on ways to collectively fund marketing campaigns.

2. Findings of Mail Questionnaire Survey

Out of the 373 questionnaires mailed out, 174 replies were received, i.e. a response rate of 46.6%. A summary of the findings of the 174 replies received is as follows:

Information about the Producers' Operations

- The total number of hives owned by the producers' surveyed is 140,012. 164 of the respondents are commercial beekeepers whilst the remaining 10 are hobbyist beekeepers.

- Average yearly tonnes of honey the respondents:
  - Produce: 4,008 tonnes
  - Buy: 1,075 tonnes
  - Export: 951 tonnes

- Average yearly local sales of producers is approximately 4,100 tonnes which is sold to the following outlets:

Average Yearly Local Sales of Honey

Outlets	%	Tonnes
Supermarket (own brand names)	27.10%	1,110
Supermarket (others' brand names)	8.00%	330
Industrial buyer	11.50%	470
Packer	43.20%	1,770
Gate sales	4.90%	200
Others	5.30%	220
	100.00%	4,100

- Average yearly sales of different types of honey of the producers:

Average Yearly Sales of Different Types of Honey

Types of Honey	%	Tonnes
Clover	43.80%	2,970
Manuka	7.10%	480
Honeydew	2.50%	170
Blue Borage	1.50%	100
Organic	0.60%	40
Vipers Bugloss	0.90%	60
Rata	1.00%	70
Rewarewa	1.30%	90
Nodding Thistle	2.50%	170
Thyme	0.50%	30
Comb Honey	27.40%	1,860
Others	10.90%	740
	100.00%	6,780

- 35% of honey products are packed by producers. The remaining 65% are packed by third parties.

- 36% of honey products are marketed by producers. The remaining 24% and 40% are marketed by commission/marketing agents and other third parties respectively.

Buyer Expectation Factors

Based on the replies received, the average ratings of relative importance of the following buyer expectation factors and the self-evaluation against each of these factors by producers are as follows:

Key Factors	Relative Important	Self Evaluation
Product quality	4.56	4.11
Service quality (e.g. timely delivery, supplies)	4.19	3.95
Price Competitive	3.75	3.36
Business relationship	3.73	3.62
Product packaging	3.63	3.47
Promotion	2.93	2.3
Special terms offered	2.91	2.36
Provision of marketing information to buyers	2.85	2.58
Proximity of suppliers to buyers	2.72	2.98
Other factors	4.36	4.59

NB. Ratings range from 1 (low) to 5 (high).

Other factors as suggested by producers include export standard, organic content of honey, reputation, bush flavour, honesty and integrity, clients' information, clean and green image, distinctiveness, personal contacts.

Expansion of Domestic Honey Market

The producers gave the following suggestions for expanding the domestic honey market:

- ***Promotion for the honey industry as a whole should be organised to expand domestic markets.***

Agreed by:	150 respondents
Disagreed by:	10 respondents
No idea given by:	7 respondents

  This can most effectively be done:

Collectively by the industry:	113 respondents
By individual producers/packers:	17 respondents
Jointly by the industry and individual producers/packers:	13 respondents
No idea:	1 respondents
By other methods:	12 respondents

- ***At present, the promotion of honey (especially Organic honey and Manuka honey) as a health product is insufficient. More effort should therefore be spent on promoting the health image of honey to increase domestic sales.***

Agreed by:	144 respondents
Disagreed by:	17 respondents
No idea given by:	7 respondents

  This can most effectively be done:

Collectively by the industry:	108 respondents
By individual producers/packers:	13 respondents
Jointly by the industry and individual producers/packers:	16 respondents
No idea:	1 respondents
By other methods:	12 respondents

- ***More effort should be spent on promoting honey to the food industry as an important ingredient of their products and/or as a substitute for sugar.***

Agreed by:	153 respondents
Disagreed by:	7 respondents
No idea given by:	5 respondents

This can most effectively be done:

Collectively by the industry:	121 respondents
By individual producers/packers:	14 respondents
Jointly by the industry and individual producers/packers:	17 respondents
No idea:	1 respondents
By other methods:	5 respondents

- ***At present, consumers' knowledge of the distinctive qualities of each type of honey (e.g. Clover, Manuka, etc.) is vague and further promotion in this area is essential in increasing domestic sales.***

Agreed by:	138 respondents
Disagreed by:	23 respondents
No idea given by:	5 respondents

This can most effectively be done:

Collectively by the industry:	94 respondents
By individual producers/packers:	18 respondents
Jointly by the industry and individual producers/packers:	25 respondents
No idea:	0 respondents
By other methods:	4 respondents

- ***Domestic consumption of honey can be increased by educating the consumers about new uses of honey (e.g. honey drinks, honey used for cooking, antiseptic dressing, etc.).***

Agreed by:	157 respondents
Disagreed by:	4 respondents
No idea given by:	7 respondents

This can most effectively be done:

Collectively by the industry:	119 respondents
By individual producers/packers:	16 respondents
Jointly by the industry and individual producers/packers:	19 respondents
No idea:	0 respondents
By other methods:	6 respondents

- ***Research and development of new honey products can enhance the growth of the honey industry.***

Agreed by:	150 respondents
Disagreed by:	4 respondents
No idea given by:	10 respondents

This can most effectively be done:

Collectively by the industry:	97 respondents
By individual producers/packers:	26 respondents
Jointly by the industry and individual producers/packers:	23 respondents
No idea:	2 respondents
By other methods:	7 respondents

- ***New and innovative packaging of honey products (e.g. squeeze bottle) can help to increase domestic sales.***

Agreed by:	118 respondents
Disagreed by:	25 respondents
No idea given by:	17 respondents

- ***At present, the marketing of honey to domestic buyers is not done efficiently or professionally. The engagement of professional and experienced marketing personnel (either by employing new marketing staff or by appointing external marketing agents, or both) can help to increase domestic sales.***

Agreed by:	100 respondents
Disagreed by:	44 respondents
No idea given by:	18 respondents

- ***At present, the consumption of honey in the domestic markets is almost at its maximum. Therefore any further promotion and/or marketing efforts will have little or no effect on domestic sales.***

Agreed by:	13 respondents
Disagreed by:	140 respondents
No idea given by:	14 respondents

- ***The honey industry should act collectively to expand the domestic markets and central funds should be set up to finance collective actions.***

Agreed by:	118 respondents
Disagreed by:	34 respondents
No idea given by:	8 respondents

Opportunities in the Honey Industry

53 producers gave comments about demand for honey which could not satisfied. The unsatisfied demand was due to:

- Increasing demands as a result of increasing awareness of Manuka honey by consumers, especially after publication of results on Manuka honey's pharmaceutical benefits.
- Unstable weather conditions.
- Lack of floral sources as a result of deafforestation.

72 producers gave their ideas about opportunities for existing and for new products as well as for existing and for new markets in the honey industry. Their ideas are summarised as follows:

- **Product Quality**

  The domestic honey market can be improved through better quality control. For example, actions should be taken to ensure high quality honey products are available in the market. Lower quality honey products should be withheld from the market as far as possible or they should at least be clearly distinguished from better quality honey products. Customers should be well informed of the quality differences and product labels should not include any misleading information or images relating to the quality of the product.

- **Food Industry**

  An opportunity exists for honey to be better promoted to the food industry as an ingredient. However, the difficulty of handling honey has reduced its acceptability to food manufacturers. A possible answer to this problem is the development of honey crystals (dry and granular honey) which are dry. The NBA should take an active role in encouraging research and development of these honey crystals. Additionally, honey crystals could also be produced from dark or strong flavoured honey which at present commands lower prices.

- **New Honey Products**

  There is potential for marketing of honey for honey based products, such as propolis and honey, royal jelly and honey, pollen and honey, cider vinegar and honey, etc. The development of these new products should be accompanied by campaigns educating customers on the properties of the products. A collective campaign would be best with a coordinated backup of information available at point of sale.

- **Promotion**

  Opportunities for growth can be achieved if individual producers do more "in-house" promotion, e.g. by arranging visits to a honey house by school and other groups and educating them on the benefits of consuming honey. An other effective means of promoting honey is by posters, distribution of information pamphlets, inclusion of recipes utilising honey in cookery books. Some respondents recommended using other promotional media such as TV advertising and sponsorships but these would require substantial funding.

- **Overseas Markets**

  More emphasis should be given to exporting honey overseas. Overseas markets become more attractive as price cutting on the domestic market becomes greater.

- **Squeeze Bottle**

  Squeeze bottle honey could be further promoted as a more attractive way of handling and applying honey.

- **Local Identity**

  A local identity could be developed for honey produced and packed in a specific area. This could be a selling point for honey comparable to that of local wine varieties in the wine industry.

- **Characteristics/Uses of Honey**

The following characteristics/uses of honey should be promoted to increase sales:

Characteristics

- Honey is additive and preservative free.
- Creamed honey is a controlled natural process of crystallisation with no additives (producers believe consumers regard creamed honey as a "manufactured" product which is not the case).
- New Zealand honey is 100% locally produced.
- Honey has other flavours (e.g. Manuka honey, Thyme honey) apart from Clover honey.
- Honey is a high energy food which is ideal for athletes, trampers, cyclists, etc.
- Honey can contain pollen.

Uses

- As a sweetener.
- As a industrial and home cooking ingredient.
- As a healing/antiseptic agent.
- As a ice-cream topping.
- As a honey butter mix as an instant spread.
- As a mix with yoghurt.
- As a dip for crackers.
- As a marinade for meat.

- **Tourist Market**

The tourist market deserves more attention. It requires a selection of honey products packaged attractively and in small containers (e.g. 100 - 200 grams). The tourist market yields comparatively high returns to producers as tourists (especially Asians) are willing to pay a high prices.

Problems Indicated by Certain Respondents

In addition to the opportunities indicated by respondents there were also comments regarding problems currently found in the industry. The following comments identify the problems and are issues that need to be addressed by the NBA.

Production

Organic honey, though being a product full of potential, is costly to produce due to the product specification and vigorous testing required..

Price Cutting

Competition through the price cutting currently found in the honey industry is unhealthy and should be discouraged. Too many producers/packers are indulging in supermarket price wars rather than in promoting their brand's unique qualities.

Collective Promotion

Collective promotion will benefit large scale producers/packers rather than small scale producers. Increases in demand will realise more in sales and profits for large scale producers/packers but there will be no effect on the bulk honey price offered by large scale producers/packers to small scale producers.

Some respondents thought packers were not giving a fair contribution to the honey industry while they get most of the benefits of collective promotion. Promotion costs should be passed on to customers (i.e. through an increase in selling price) as respondents indicated that they would be unable to meet the promotion budget.

Improvement in the world honey price could help to provide sufficient funds for promotion in the domestic honey market.

Understanding of Customers' Needs

The honey industry does not understand the factors affecting customers' purchasing decisions at present.

Price Cutter Packs

Price cutters selling specialised packs have done great damage to the public perception of quality honey. These brands also create price pressure on smaller scale producers.

Supermarkets

The current supermarket structure makes it almost impossible for small scale producers to break into the market. This forces small scale producers either sell to large scale producers/packers in bulk or turn to local markets.

Price Pressure

Small scale producers should be more financial independent of packers and be able to ask for a more reasonable price for bulk honey. A higher bulk price would encourage small scale producers to specialise in production and not divert their attention to packing.

Promotion of Other Types of Honey

Promotion of other types of honey will undermine the current Clover honey market. The solution is to export more Clover honey overseas or promote wider uses of Clover honey in cooking and drinks domestically.

Limited Funds

A small scale producer has attempted to research new packaging (e.g. further improvement in squeeze bottles) but subsequently had to drop the research as it was too expensive and therefore too risky to continue.

Misconception of Honey

Customers have been over exposed to Clover honey which is, in fact, sticky, too sweet and almost flavourless. To most customers "honey" means Clover honey and they do not find it attractive enough.

Unfilled Demands

Promoting honey (e.g. Manuka honey) could be difficult if the resulting demand could not be filled.

Marketing by Professional Marketers

Producers indicated that they have had unsatisfactory experience with professional marketers in the past. They constantly doubt the effectiveness of any marketing efforts by industry.

Relationship with Kiwifruit Pollination

Kiwifruit pollination accounts for a large portion of income for producers in the Kiwifruit regions. If the Kiwifruit business declines and will pollination declines. There needs to be a market for the additional honey produced.

APPENDIX I

SUMMARY OF FINDINGS FROM SURVEY OF SUPERMARKET GROCERY BUYERS

SUMMARY OF FINDINGS FROM SURVEY OF SUPERMARKET GROCERY BUYERS

1. Findings of Personal Interviews

Supermarket grocery buyers - responsible for purchasing honey - located in the Wellington region were interviewed between March and May 1993. Five buyers representing the following supermarkets or supermarket chains were chosen on a judgemental basis. :

Countdown
Foodtown
Pak 'N' Save
New World Supermarkets
Foodstuffs Co-operative Society

The personal interviews were the first phase of the survey of supermarket grocery buyers. This was done to obtain a better understanding of the main issues relating to honey in supermarkets, as well as to help in the design of the mail questionnaire for phase two - the mail survey.

The interviews were loosely structured around a prototype questionnaire, which was based on issues uncovered during the course of the research. Interviews lasted from between 30 to 45 minutes.

The findings of the interviews have been organised in terms of background information, problems with honey and strategies recommended by buyers.

Background

Buyers reported the following on honey in supermarkets :

- **Supply**

Honey purchasing is done on demand; buyers reported that no formal contracts for supply exist. They had little problem being supplied with honey. One buyer reported the occasional unforseen outage - as when demand for Manuka honey suddenly grew. Supplies are obtained mainly from honey producers or their representatives. Some honey comes via wholesalers.

Where a cooperative structure exists, individual supermarket members get most of their honey supplies from their parent organisation.. Organisations like Foodstuffs do most of the honey purchasing (about 75%) for their members. The remainder is sourced directly from suppliers by individual members.

- **Market Leader**

New Zealand Honey Producers Co-operative's *HOLLANDS* brand of honey is reported as the market leader (branded honey) by many buyers. One buyer reported that it had about a 60% market share. Hollands is seen by buyers as a good quality product with a good price. Hollands' position as the market leader was attributed by one buyer to it being an established, well recognised brand. This was because it was promoted often. (eg. It is in 2 of the 3 coupon books that New World puts out annually. So it is promoted 10 weeks out of 50).

- **Other Sales Information**

Some buyers reported that 500gm packs of honey are the main sellers. Large sized packs do not sell well. Neither do the expensive, specialist honeys. House brands (eg. PAMS, SAVINGS, etc) were reported to do just as well, if not better, than branded honey products. Creamed honey (clover) is reported as the "staple of the masses". Manuka has recently begun selling well.

- **Seasonality of Sales**

Many buyers reported that honey sales peak in winter and slump in summer. One buyer indicated that his supermarket sold about 20 cartons per week in winter, and sold about 10 cartons per week in summer. No clear reasons were provided for this seasonal pattern in sales. One buyer suggested that suppliers could promote in the low season - summer.

- **Sales Information**

Most buyers reported that honey suppliers do not provide them with information on honey sales. Some felt that this was a shortcoming in the performance of honey suppliers. Whilst some supermarkets had systems that tracked this information, others did not. Consequently the sales trend for each brand's line may not be known in these supermarkets.

One buyer suggested that honey suppliers should track their sales to their client supermarkets and provide them with information on a 6 monthly basis. (The buyer reported that Watties does this monthly). This will enable supermarkets to track sales trends and help in their buying decisions. This would benefit both the honey suppliers and the supermarkets.

- **Pricing**

Buyers indicated that their pricing of honey products is driven primarily by what their competitors were pricing their offerings at. With this constraint in mind, buyers generally aimed for a margin varying from 15% to 25 % over cost. Co-operatives like Foodstuffs do the pricing on the honey they supply to their members. Members price the honey that they buy directly from honey suppliers. One buyer indicated that his supermarket reviewed its prices weekly.

- **Potential**

Specialty honeys (eg. Airborne's range) have potential for growth. Consumer demand for these better packaged products (eg. Airborne's Comb Honey, which is attractively packaged) is growing.

Problems

The following problems were noted :

- **Fragmentation of Industry**

One buyer commented on the apparent fragmentation of the honey industry. Honey producers, he indicated, tend to service their own regions. Consequently they have minimal interest in national issues.

- **No Nationally Recognised Brand**

Another buyer suggested that the biggest problem was that there is no nationally recognised *brand* of honey; none with a national identity. (However, he indicated that New Zealand Honey Producers Co-operative is a strong contender with its *HOLLANDS* brand). This, he believed, suggested a need for generic advertising of honey. (ie. Advertising the product, rather than a particular brand of honey).

- **Varieties Lack Distinctive Image**

One buyer indicated that there is no distinctive image for each *variety* of honey. Each variety varies markedly in flavour from region to region. (eg. Clover of one region tastes differently from clover of another region). Morever, the buyer felt that this variation could be promoted.

- **Lack of Promotion**

Promotion was considered very important by the buyers interviewed. All buyers indicated that honey is hardly promoted - *if at all.* By contrast, the rest of the spreads category is promoted - via recipes, advertisements in magazines, and the like. This lack of promotion, according to one buyer, means that honey is price-driven rather than value-driven. The suggestion of lost opportunities was illustrated, according to another buyer, when Manuka sales took off. Honey producers responded by raising prices, without doing anything else. This buyer felt that they should have capitalised on this growth in sales with *marketing*.

- **No In-Store Tastings**

Whilst most buyers considered this as very important, all indicated that this had not been done in their supermarkets. In-store tastings work well when introducing new products or varieties to consumers. Honey producers missed the opportunity to promote honey varieties when the new honey flavours came out.

- **Lack of Marketing Orientation**

All buyers indicated that they had never been approached by any honey supplier conducting market research. (Large scale food manufacturers were reported to do this). All buyers reported that honey suppliers or their representatives approached them only to "push" their products. One buyer felt that marketing by honey producers is "lousy and unprofessional", possibly due to their small scale size and inability to afford a national promotion. He added that the honey producers may need an umbrella organisation - like the Dairy Board. This suggests an inadequate marketing orientation by honey suppliers.

Recommended Strategies

Buyers offered various suggestions for increasing sales of honey in their supermarkets :

- **Promote Honey**

This was the major theme in the recommendations of all the buyers interviewed. Promotion was considered the *best* way of increasing honey sales in supermarkets. The suggestions on promotion took the following forms :

Promote Regional Differences in Honey

Honey originating from different regions was reported to have different flavours. A suggestion was made to market or promote the regional flavour differences (as has been successfully done with wines).

Promote Honey Varieties

Another suggestion was to introduce and promote the use of different varieties of honey. Give consumers a range of flavours to choose from. Encourage consumers to have different honey varieties on their shelves, instead of just Clover. The implication is that consumers are not as "honey literate" as they could be.

Promote a National Brand of Honey

One buyer suggested promoting a brand that is recognised nationally. Producers should get a brand in front of the consumer. New Zealand Honey Producers Co-operative are reported to be doing this with their Hollands brand.

Use In-Store Tastings

Almost all buyers recommended using in-store tastings to promote honey to consumers. This would get consumers trying honey products. With discounts, buyers reported that sales volumes usually increased by between 2 to 5 times. Bread companies were reported to do this frequently. Honey suppliers could combine with them to do in-store tastings.

Use End-of-Aisle Bins

A few buyers suggested using end-of-aisle bins to entice consumers into trying the product. (However, these involve increased costs, so small scale producers may not be able to afford them).

Educate Consumers

A few buyers felt that consumer awareness of honey is minimal. They suggested educating the consumer by promoting *new uses* for honey. The idea is to tell consumers how they could use products like liquid honey by providing them with recipes.

- **Price Honey Competitively**

Pricing was regarded as a way of increasing sales by a few buyers. The suggestion was for prices to be more competitive. A few suggested that suppliers offer price deals that could be passed onto consumers.

- **Customise Product Offerings**

One buyer recommended introducing a range of pack sizes to suit different consumers. He recommended using 250gm packs for pensioners, aging population, and one-person families. The idea here is that *one size does not fit all consumers*.

- **Develop New Products**

One buyer suggested new product development as a means of increasing sales.

- **Act Collectively**

Finally, one buyer recommended that honey suppliers act collectively to drive the whole market.

2. Findings of Mail Questionnaire Survey

The following summarises the findings of the mail survey of supermarket grocery buyers responsible for purchasing honey for their supermarket chains :

Number of Grocery Outlets

Buyers were asked to indicate the number of supermarkets or grocery outlets that they had in New Zealand. Responses obtained indicate the following :

• Countdown	19
• Woolworths	65
• Rattrays	330
• Foodstuffs Co-operative Society	200
• Foodtown	No information
• 3 Guys	No information

Excluding the last two, there are at least 614 retail grocery outlets in New Zealand.

Average Yearly Sales of Honey Products (Spreads Category) Through All Their Outlets

Buyers were asked for the average yearly sales of honey products through all their outlets. No responses were given by respondents.

Seasonality of Honey Sales

The amount of honey sold in supermarkets varies with the seasons. Honey sales peak in winter months and plunge in the summer months. It is not clear why this occurs and more research is needed to verify the reasons.

Almost all buyers - 83 percent - indicated that honey sales peak in the winter months and plunge in the summer months. One respondent had no view on this.

The seasonal nature of honey sales was also mentioned by most grocery buyers during personal interviews.

Buyers were also asked when honey should be promoted. All buyers agreed that promotion needed to be done during Autumn and Winter months - when the market for honey is peaking. Two suggested that promotion should be done for all four seasons, in order to grow the market through out the year.

Market Leader

Buyers indicated the following as the market leaders, in terms of sales, in their supermarket chains :

- New Zealand Honey Producers Co-operative's *HOLLANDS* brand
- Various supermarket house-brands (eg. *PAMS*, *COUNTDOWN*, *SUPERPAC*, *SAVINGS*)

No firm data was obtained on market share. Some buyers indicated that Hollands had as much as 60 percent of the total honey sold in their supermarket. Another buyer indicated that a housebrand (*SUPERPAC*) had 65 percent in another chain.

Buyers attributed *HOLLANDS* market leadership to its *promotion*, *brand recognition* by consumers, and its *quality*. The following are some buyer comments on the reasons for *HOLLANDS* success :

- Long time presence in the market place. Consumers familiar with name. Most promoted.
- Consistent sales promotion. Consistent quality.
- Its name.
- Well recognised brand. Promoted often via coupon books.

Buyers attributed the market leadership of house brands to their *cheap pricing*.

Sales Information

Buyers were asked whether their honey suppliers provided them with any sales information on honey lines. 50 percent indicated that this was being done. The remaining 50 percent indicated that this was not being done.

Many buyers (50 percent) indicated that they would like suppliers to provide this sales information. This included all the buyers who indicated that their suppliers were not providing them with any sales information. Almost all felt that this information would be useful to their outlets. Some buyers indicated that this information is available from ScanData or Nielsens, but not from honey suppliers.

Marketing Orientation

Buyers were asked if they were ever approached by honey suppliers doing market research. 80% of the respondents - almost all - said that this was not done. Only one said that this had been done. This finding was similar to those of the personal interviews; all interviewees indicated that no market research had been done.

It appears that little market research (if any) involving grocery buyers is done by honey suppliers.

Buyers were also asked to indicate their perceptions of the business orientation of their major honey suppliers. They were asked to indicate whether these suppliers were Market Driven (mainly focussing on meeting customer needs profitably) or Product Driven (mainly focussing on selling products).

80% of the respondents indicated that their suppliers were more Product Driven. Only one indicated that honey suppliers were more market driven. *Results indicate that grocery buyers see honey suppliers as being Product Driven.* These findings support impressions that honey suppliers tend to operate more as *sellers* of honey than as *marketers* of honey.

Gap Analysis

Buyers were asked to evaluate how well honey suppliers were meeting their expectations as a buyer. This was done via a gap analysis. Buyers were first asked to rate the importance of various factors to them when making purchasing decisions on honey. The rating scale used was as follows :

5 for Very Important
4 for Quite Important
3 for Important
2 for Slight Importance
1 for No Importance

They were then asked to rate the performance of their honey suppliers on these same factors. The rating scale used was as follows:

5 for Excellent
4 for Good
3 for OK
2 for Not Good
1 for Poor

Listed in the following table are summary results of this gap analysis. Both the numeric results and their interpretations have been included. The factors have been listed in order of importance to buyers.

	FACTORS	IMPORTANCE TO BUYER		PERFORMANCE OF HONEY SUPPLIERS		GAP IN PERFORMANCE
		Result	Interpretation	Result	Interpretation	
1	Timely Delivery	4.83	Very Important	3.67	Good	***1.17***
2	Continuity of Honey Supply	4.83	Very Important	3.83	Good	***1.00***
3	Price Deals Offered	4.83	Very Important	3.17	OK	***1.67***
4	Price of Honey Product	4.33	Quite Important	3.5	Good	0.83
5	Packaging of Honey product	4.17	Quite Important	3.6	Good	0.57
6	Help by Supplier Representatives	4.17	Quite Important	3	OK	***1.17***
7	Established Relationship with Honey Supplier	4	Quite Important	3.5	Good	0.50
8	Quality of Honey Product	4	Quite Important	3.83	Good	0.17
9	Market Research by Supplier	3.5	Quite Important	2.33	Not Good	***1.17***
10	Promotion by Supplier - *In-Store Tastings of Honey*	3.5	Quite Important	2.33	Not Good	***1.17***
11	Supplier providing Sales information to Buyer	3.33	Important	2.17	Not Good	***1.17***
12	Promotion by Supplier - *Recipe Leaflets*	3	Important	2.17	Not Good	0.83
13	Promotion by Supplier - *TV advertising*	2.83	Important	2	Not Good	0.83
14	Promotion by Supplier - *Magazine advertising*	2.83	Important	2.33	Not Good	0.50
15	Proximity to Honey Supplier	2.17	Slight Importance	3	OK	-0.83

The results indicate that grocery buyers regard the following three factors as VERY IMPORTANT when making purchasing decisions on their honey lines :

Timely delivery
Continuity of Honey Supply
Price Deals offered

Buyers regard the following eight factors as QUITE IMPORTANT when making purchasing decisions on their honey lines :

Price of Honey Product
Packaging of Honey Products
Help by Supplier Representatives
Established Relationship with Honey Supplier
Supplier providing Sales information to Buyer
Quality of Honey Product
Market Research by Supplier
In-Store Tastings of Honey

Buyers rate the following three factors as IMPORTANT when making purchasing decisions on their honey lines :

TV Advertising
Magazine Advertising
Recipe Leaflets

Buyers consider 'Proximity to Honey Suppliers' of SLIGHT IMPORTANCE only. However, when the *Performance of Honey Suppliers* is compared to factors rated as important to these buyers, many gaps appear. "Gap in Performance" is arrived at by subtracting "Performance of Honey Suppliers" (ie. the reported performance of honey suppliers) from "Importance to Buyers" (ie. the relative importance of the factor).

A gap of 1.00 or more is considered important. Gaps of less than 1.00 are considered unimportant.

The following table lists, in order of importance, seven factors that rated either as VERY IMPORTANT or QUITE IMPORTANT, and, that had important performance gaps:

	FACTORS	IMPORTANCE TO BUYER	PERFORMANCE OF HONEY SUPPLIERS	GAP IN PERFORMANCE
1	Timely delivery	Very Important	Good	1.17
2	Continuity of Honey Supply	Very Important	Good	1.00
3	Price Deals Offered	Very Important	OK	1.67
4	Help by Supplier Representatives	Quite Important	OK	1.17
5	Market Research by Supplier	Quite Important	Not Good	1.17
6	Promotion by Supplier - *In-Store Tastings of Honey*	Quite Important	Not Good	1.17
7	Supplier providing Sales information to Buyer	Important	Not Good	1.17

These are the seven important areas that honey suppliers are not performing up to buyers' expectations. Given the importance accorded to these factors by the buyers, any effort by honey suppliers at improving sales of honey in supermarkets should *first* be targeted at these seven areas.

Comparison with Other Spreads

Buyers were asked to assess firstly, the sales performance of the overall spreads category, and secondly the sales performance of Honey within the spreads category. Questions included both past sales and estimates of future sales. Buyers provided the following responses:

- Overall sales for the entire SPREADS category for the *past* two years. 60 percent of buyers felt that it had been growing; 40 percent felt that it had stayed the same. None felt that it had declined.

- Overall sales for the entire SPREADS category for the *next* two years. 60 percent of buyers feel that it will grow; 40 percent feel that it will stay the same. None feel that it will decline.

- Overall sales for HONEY within the spreads category for the *past* two years. 40 percent of buyers felt that it had been growing; 60 percent felt that it had stayed the same. None felt that it had declined.

- Overall sales for HONEY within the spreads category for the *next* two years. 20 percent of buyers feel that it will grow; 80 percent feel that it will stay the same. None feel that it will decline.

In summary, most buyers felt that sales for the entire spreads category had been growing over the last two years, and was likely to continue growing. However, most buyers felt that sales of honey had been constant over the last two years, and was likely to stay the same. Whilst no firm conclusions can be made without sales data, the buyers' assessments would imply that honey is *losing its market share of the spreads category.* This suggested decline in market share needs to be confirmed.

Buyers were also asked to provide the current market share of honey to the total spreads category. Three respondents provided three varying answers : 27% - 42% - 70%. Nothing conclusive can be drawn from these figures, given the variation in results.

Strategies

Buyers were asked to rate the likelihood of various strategies in increasing honey sales through their supermarkets. The rating scale used was as follows :

1 for Certain To
2 for Very Likely
3 for Likely
4 for Very Unlikely
5 for Certain Not To

The following table lists the summary results of this assessment. Both the numeric results and their interpretations have been included. The strategies have been listed in order of likelihood of increasing sales.

	STRATEGIES	LIKELIHOOD	
		Result	**Interpretation**
1	A collective promotion campaign by the Honey Industry	1.5	Certain To
2	In-store tastings/demonstrations of honey	2.17	Very Likely
3	Promotion directed at educating the consumer on *Different Uses* for Honey	2..33	Very Likely
4	Promotion stressing the natural, healthy attributes of honey	2.33	Very Likely
5	More attractive labelling and presentation of honey	2.33	Very Likely
6	Promotion directed at educating the consumer on the *Distinctive honey Varieties*	2.5	Very Likely
7	More competitive pricing	2.5	Very likely
8	Improving the quality of honey	2.67	Likely
9	Innovative packaging	2.67	Likely
10	Using smaller sizes/packs of honey	3.17	Likely
11	Use of nationally recognised symbol certifying quality on honey products	3.33	Likely

Buyers were almost unanimous in their support for a collective promotion campaign as the strategy most likely to increase honey sales. The five most likely strategies selected are *all promotion strategies.*

Best Strategies

Buyers were asked to select three strategies from the preceding list that they regarded as the best ways of increasing sales through their supermarket outlets. Points were allocated to their choices as follows :

Best Strategy	1 point
Second strategy	2 points
Third strategy	3 points

The table below is a summary of their choices. The strategies have been listed in ascending order, and results have been averaged.

	STRATEGIES	RESULT
1	A collective promotion campaign by the Honey Industry	1
2	Promotion directed at educating the consumer on *Different Uses* for Honey	1.5
3	-In-store tastings/demonstrations of honey -More competitive pricing	2
4	Promotion directed at educating the consumer on the *Distinctive honey Varieties*	2.5
5	- Promotion stressing the natural, healthy attributes of honey - Using smaller sizes/packs of honey	3

The strategies listed in 3 and in 5 each rated equally. Buyers felt that the best strategy honey producers/suppliers should adopt to increase sales of their product through supermarkets is a collective promotion campaign.

Ways of Increasing Consumer Purchase

Few buyers offered any suggestions in the mail survey on changes or improvement in honey products that could help consumers purchase more honey. The following two responses were obtained :

- "Opportunity for comb honey, providing pricing was improved. Too expensive."
- "TV advertising of product <u>and</u> brand."

APPENDIX J

SUMMARY OF GAP ANALYSIS FINDINGS

SUMMARY OF GAP ANALYSIS FINDINGS

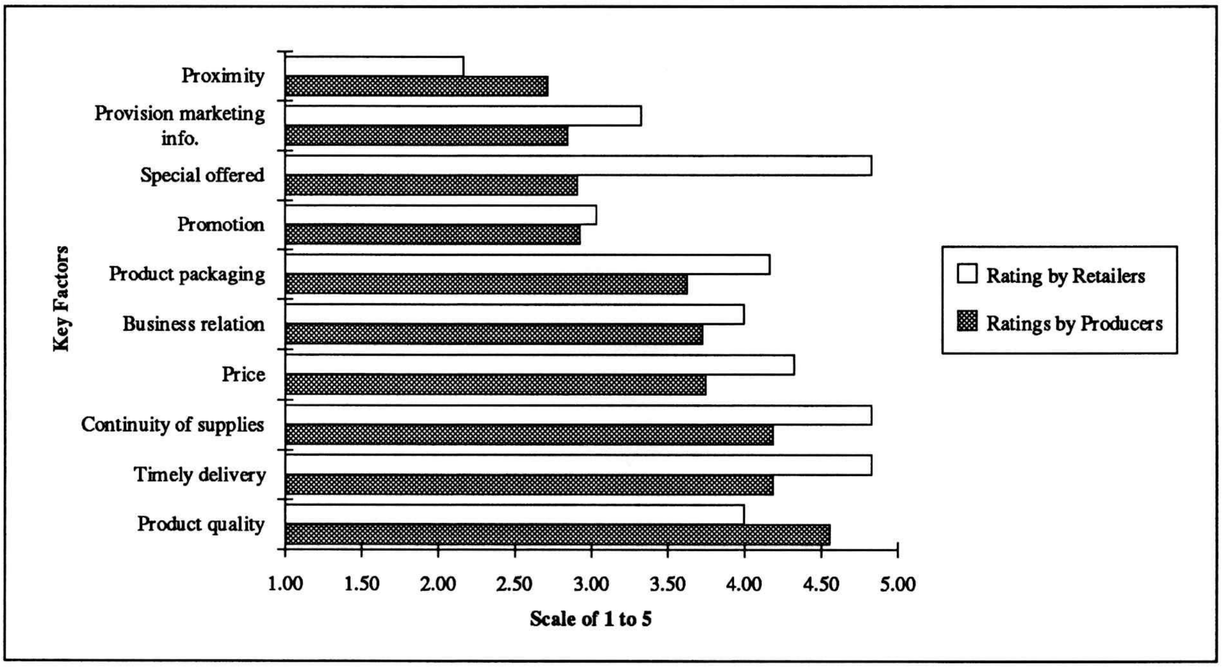
1. Differences in Relative Importance Ratings

A summary of relative importance ratings given by producers and supermarket grocery buyers is given below:

Differences in Relative Importance Ratings (Producers Vs Supermarket Grocery Buyers)

Key Factors	Ratings by Producers	Rating by Buyers	Rating Differences
Product quality	4.56	4.00	0.56
Timely delivery	4.19	4.83	-0.64
Continuity of supplies	4.19	4.83	-0.64
Price competitiveness	3.75	4.33	-0.58
Established business relationship	3.73	4.00	-0.27
Product packaging	3.63	4.17	-0.54
Promotion	2.93	3.04	-0.11
Special terms offered	2.91	4.83	-1.92
Provision of marketing info.	2.85	3.33	-0.48
Proximity	2.72	2.17	0.55

Differences in Relative Important Ratings (Producers Vs Supermarket Grocery Buyers)



Implications

A negative rating difference is obtained when supermarket grocery buyers give a higher rating than the producers; whereas, a positive rating is given when the opposite occurs.

Any rating difference of -0.50 and below was considered important and indicated potential problem areas. The summary below sets out five buyer expectation factors which had large negative rating differences:

• Special terms offered	1.92
• Timely delivery	0.64
• Continuity of supplies	0.64
• Price competitiveness	0.58
• Product packaging	0.54

The top three most important buyer expectation factors according to producers were "product quality", "timely delivery" and "continuity of supplies". Supermarket grocery buyers, on the other hand, consider the top three buyer expectation factors to be "timely delivery", "continuity of supplies" and "special terms offered". The differences in relative importance clearly show the importance of "timely delivery" and "continuity of supplies" to both producers and buyers. However, both factors have a negative importance rating difference below 0.50. These represent potential problems with these important buyer expectation factors.

"Special terms offered" is one of the top three buyer expectation factors as reckoned by the supermarket grocery buyers. However, the producers have not given sufficient emphasis to this factor resulting in the largest negative importance rating difference of 1.92.

"Product quality" is considered by producers as the most important buyer expectation factor. It is worth noting that this factor has a positive importance rating difference of 0.56. This implies that the producers may be giving excessive attention to "product quality" while supermarket grocery buyers are placing more emphasis on factors other than "product quality".

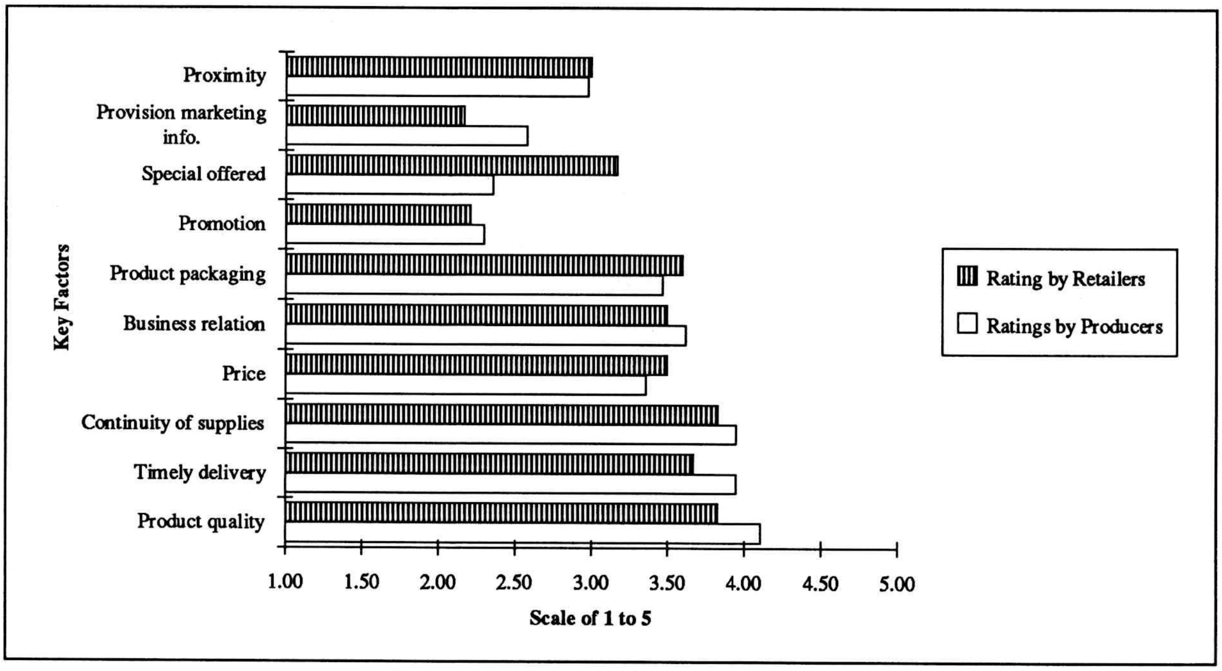
2. Differences in Performance Ratings

A summary of the performance ratings given by producers and supermarket grocery buyers is as follows:

Differences in Performance Ratings (Producers Vs Supermarket Grocery Buyers)

Key Factors	Ratings by Producers	Rating by Buyers	Rating Differences
Product quality	4.11	3.83	0.28
Timely delivery	3.95	3.67	0.28
Continuity of supplies	3.95	3.83	0.12
Price competitiveness	3.36	3.50	-0.14
Established business relationship	3.62	3.50	0.12
Product packaging	3.47	3.60	-0.13
Promotion	2.30	2.21	0.09
Special terms offered	2.36	3.17	-0.81
Provision of marketing information	2.58	2.17	0.41
Proximity	2.98	3.00	-0.02

Differences in Performance Ratings (Producers Vs Supermarket Grocery Buyers)



Implications

A positive performance rating difference is arrived at when the performance rating given to producers by supermarket grocery buyers is lower than the self-evaluation rating given by producers themselves. When the opposite happens, a negative performance rating difference arises.

In a similar way to negative importance rating differences, any positive performance rating difference of 0.50 and above was important and indicated a potential problem area that needed to be addressed . However, all positive performance rating differences were, in fact, below 0.50; the largest being 0.41 for "provision of marketing information to buyer".

It should be noted that positive performance rating differences were found with five out of the ten buyer expectation factors. It is considered that producers should pay more attention to the five buyer expectation factors in order that further improvement of performance in those areas can be made.

It was interesting to find that the factor "special terms offered" had the largest negative performance rating difference of 0.81 (i.e. the rating given by supermarket grocery buyers to the producers' performance was higher than the rating given by producers themselves). As discussed in earlier, "special terms offered" had the largest negative importance rating difference and it is also one of the top three most importance factors recognised by supermarket grocery buyers; it warrants further study by the honey industry to see how this factor can be manipulated to increase growth in the domestic honey market.