



Taylor Pass Honey Co.:

CALIBRATING A 'PARTNERS-IN-MARKET' STRATEGY

THE COMPANY

Taylor Pass Honey Co. Limited is the largest vertically integrated honey operation in New Zealand's South Island. By the end of 2019, it was responsible for 11,000 beehives, each housing around 100,000 bees, well exceeding earlier growth projections. The company's home base is in Marlborough where their extraction plant, packaging plant, bulk storage and dispatch work together to bring the taste of the pristine South of New Zealand to the world. They also have a second beekeeping base in Wanaka.

Taylor Pass Honey traces its origins to when founder, Darren Clifford, received his first beehive when only 14 years old. Beekeeping became a hobby for him but grew rapidly beyond being a part-time operation. After his hive numbers grew to 80, Blaycliff Apiaries was incorporated in 2001 and a piece of land on Taylor Pass Road was purchased to build a shed that became the main hub for the business. In 2003, an extraction plant was built and the company began to process their own honey. Their success in sourcing and producing high-quality honey won the respect and trust of other beekeepers and, as a result, the company took on honey processing for other external beekeepers. The company rapidly expanded and a honey processing and marketing arm was formed in 2006, called The Honey Company.

The company's management recognized that future growth opportunities lay in taking their honey to international markets. Aspirations to internationalize also involved growing their supply base and product range. By 2009, the company developed their own 'Sweet Nature' honey brand and began to explore export markets in Europe and Asia. Apitech NZ purchased Blaycliff Apiaries in 2012 and in 2016, Apitech NZ amalgamated with The Honey Company to form Taylor Pass Honey Co., a fully integrated honey company with strengths in bulk and packaged honey. The company has a growing international presence, across Asia, including Japan which recently became a market of key importance, and North America. The compa-

ny currently has a headcount of 40 permanent and part-time staff, including 24 beekeepers, up from 30 in 2014. Revenues have grown around 50% annually since 2011.

The uniqueness of Taylor Pass Honey is that each jar of honey is identifiable in terms of where it comes from, right down to the site it was harvested from in New Zealand. The other uniqueness lies in their many types of honey, with varied colour and taste profiles. The honey is produced from their own hives in Central Otago, the West Coast, and Marlborough from different floral sources, including rata, clover, kamahi, blue borage, honeydew, wildflower, thyme, manuka and kanuka. The remote wilderness areas from where the honey are sourced has been a compelling selling point for the company's overseas markets, with traceability back to the hive being a fundamentally important attribute as consumers place great importance on country of origin and product authenticity.

Every batch of Taylor Pass Honey produced carries the Oritain 'Proven Origin' Trustmark to assure consumers that their products are true to origin, as well as meeting food safety standards and consistent quality requirements. Taylor Pass is part of the Fernmark programme and operates under a Risk Management Programme audited by the New Zealand Ministry for Primary Industries (MPI), which means their honey is extensively tested by independently accredited laboratories to ensure the highest standards possible and that the honey is true to label.

Taylor Pass Honey Co. won three golds, two silvers and five bronze awards at the National Honey Show in Rotorua in 2017. Subsequently in 2019, the company won three gold awards and one bronze for their liquid honey, honeycomb and honeydew honey. They were also very proud to be awarded two trophies, one for best liquid honey and best comb-honey at the 2019 Pi-ora Apiculture NZ awards in Rotorua.

THE CHALLENGES

According to Rebecca Margetts, General Manager Sales and Marketing of Taylor Pass Honey, in years gone by, a large part of the company's focus was in bulk honey trading, meaning they would sell honey to other companies who would then repackage and sell the honey overseas through their own respective brands. More recently, the company has developed its own brand of honey called Sweet Nature and subsequently their Taylor Pass Honey, which was designed with their focus on gourmet honey. The new emphasis on selling the company's own-label honey has been integral to the pursuit of international sales, with growth markets particularly in North Asia and North America. The path to success, however, has involved overcoming a number of challenges in the key Asian markets.

Small size, limited resources

As many other NZ honey companies, the company began its honey export journey when demand for New Zealand Manuka honey was rising, particularly among Chinese consumers. 'Taylor Pass Honey Co was a very small company', commented Margetts, and as a result they experienced the challenges of small size and limited resources. With very small numbers of non-beekeeping staff, the human resource capacity to grow business relationships overseas was extremely constrained. Travel time in itself took key human resources away from other tasks, and the more foreign markets that the company explored, the more stretched they became. As well as being costly in terms of staff time, developing export sales in markets required time and incurred many other costs, such as market research, customer knowledge and strategy development. The company faced trade-offs between developing a more calibrated, strategic approach in particular markets and pursuing immediate sales orders whenever opportunities arose.

Distribution downsides

One solution to having limited human resources and no permanent in-market presence in

overseas markets was relying on a distribution model in the early years of exporting. Several years ago, the company counted itself fortunate to secure an agreement with a distributor in Japan, who also happened to be a retailer that placed their products in their own supermarkets. Working through an in-market distributor with developed local sales contacts and market knowledge is an approach adopted by many New Zealand small businesses when venturing into a foreign market. While serving an immediate purpose and often successfully realizing sales growth in the short term, this reliance on a distributor-based export strategy can have downsides that can threaten longer-term growth and value-added strategy.

Companies may find that they lose control over their brand and pricing strategy, and even which markets their products enter. With key decisions and control systems left to a distributor, there is a risk that the product may travel beyond the initial market or not get the attention it requires to grow. This can result in customers encountering markedly different prices and marketing strategies in different locations, causing brand damage and inability to exert marketing control. Margetts shared an example of previously finding Taylor Pass Honey products on shelves in stores 'all over the place' in China, at multiple price points, with no clear picture of how this had happened. Margetts and the business realized that they needed a much more strategic approach to maintaining control over their brand, product differentiation and marketing strategy. As she put it, they learned that 'you have to unravel to rebuild' for the longer-term.

Language and cultural differences

Language and cultural differences can pose several challenges when a business enters a foreign market where both are different from the home country. Taylor Pass Honey discovered several such challenges as they began to develop their sales and business relationships in Japan. Being unable to read Japanese char-

STRATEGY

acters was an obvious challenge: it meant that simple things such as visits to retailers to see how similar products were placed required a translator and the general costs of thorough market research were higher.

Beyond obvious language differences, misunderstandings can arise as a result of the lack of understanding of Japanese culture. The company learned, for example, that the Japanese businesses they were dealing with wish to avoid any 'loss of face' for themselves, but would equally wish to avoid any overt awkwardness or potential embarrassment on the part of Taylor Pass Honey representatives. This could at times mean that the company was uncertain how to read responses from Japanese interlocutors, who may be unwilling to convey potentially negative responses or directly refuse requests. Margetts explained that Japan is very much 'a face-to-face market' in which email communication can be difficult when it comes to conveying nuances or picking up on indirect forms of communication. Even phone calls could be difficult as, even when Japanese interlocutors spoke or understood English, they would often not be comfortable in the language.

Japan is a market where 'a different level of professionalism' applies according to the precise context in which an interaction unfolds, according to Margetts. Business meetings are conducted with more formality than is the norm in New Zealand, from one's attire to the use of the honorific *-san* with someone's surname as a form of address. However, after the meeting was over, the tenor of communication would shift at dinner, for example, and again if going out for drinks. While this is part of the relationship-building process, Margetts said it was important to remember there was a return to more formal language when back in the boardroom or office context the following day.

Re-set and focus

Recognizing the limits of reliance on distributors meant developing a more active strategy for long-term growth. The company decided to step up its investment in human resources, bringing on board experienced people to drive a more hands-on, proactive growth. Changing course from being a 'reactive sales company' in the past, Taylor Pass Honey embarked on a deliberate process of revisiting its approach in key markets. 'There are many reasons why companies can fail', says Margetts, 'but often it comes down to not doing the first steps properly'. The company had a quality product, but needed to understand how to build credibility and resonance for its product in export markets. It could then develop a marketing strategy on that basis. This meant conducting market research and validation studies, and finding the right people in market and at home. They also needed to understand and be clear on which markets held the best opportunity for them. Knowledge and connections, the company found, are the foundation for building a higher value-added export strategy.

To make best use of limited firm resources, Taylor Pass decided to be selective, focusing its efforts on a few key markets. You cannot, says Margetts, be everywhere and do everything. Thus they have been focusing on Japan and have begun to explore the relatively untouched United States market, rather than jostling for space directly in the crowded China market.

From passive reliance on distributors to partners-in-market

With a more strategic focus in mind, Taylor Pass began to develop relationships in Japan. Although the country has a smaller population than China, the company decided to focus on Japan as a sophisticated consumer market receptive to its particular product. They were also helped by the coming into force of the Comprehensive and Progressive Trans-Pa-

cific Partnership (CPTPP) in 2019, which has meant that they do not face tariff barriers or non-transparent regulatory obstacles to access the Japanese market. Margetts shared that although the company faces trade barrier and border issues in certain other markets, Japan has been easier in this respect.

In order to reap the potential benefits and growth opportunities that can come from government-to-government trade agreements, the Taylor Pass Honey has found that having good partners is essential. 'If you have a good partner, they will help you work through obstacles', says Margetts. Moving from an dependence of an sometimes relatively passive distributor to an active partners-in-market model has meant a greater investment of company time and effort, to build the relationship and develop first-hand knowledge of customers and market conditions. This means that although the in-market partner still performs vital functions, Taylor Pass Honey has active oversight and better branding control, as a closer, more active relationship enables them to 'be able to really put across our own messaging regarding branding'. An active, in-market partnership is also beneficial when it comes to protection of product purity, authenticity and oversight of the distribution chain. A closer partnership is an approach they are now applying to all the markets they are present in.

A more active role in export markets has the added benefits of addressing language and cultural challenges. Greater commitment to relationship-building in Japan, for example, meant that key staff were more often having the face-to-face interactions that are essential to catching the nuances in conversations. The greater investment in building the relationships through in-person contact also matches Japanese cultural preferences and expectations with regard to developing business relationships. In turn, Taylor Pass Honey was able to hone its own cultural intelligence and understanding of communication styles.

Joint Venture with Sugi Bee Japan

In August 2019, Taylor Pass Honey signed a joint venture with Sugi Bee Gardens of Japan. Sugi Bee is a leading family-controlled honey company in Japan with over 70 outlets in Japan, as well as distribution points across Southeast Asia. Sugi Bee also has a strong call centre and online sales presence. Although the joint venture is still in its very early stages, it represents a significant step up in the more active and strategic approach to export markets adopted by Taylor Pass Honey. Both companies are exploring potential avenues for expansion into other countries together, as the joint venture was not limited to just selling into Japan. Viewed as a 'partnership of knowledge and very much educational', Taylor Pass Honey and Sugi Bee co-own 120 hives that runs as its own business unit. The educational component of the joint venture allows the sharing of knowledge between beekeepers in Japan and New Zealand, so that 'they will learn from us and we will learn from them', says Margetts.

Translation and product labelling

Fortunately for Taylor Pass, they did not have to relabel their products in New Zealand for the Japanese market. Margetts explained that their Japanese retail distributor applied their own labels when the products arrived in Japan. Their customer wanted 'an English package and wanted to receive what we sell in the rest of the world. They don't want us to make it to be Japanese looking honey from New Zealand'. The company's existing 'Sweet Nature' brand, which is currently sold in Japan, is kept the same as it is in other markets it is sold in, such as Hong Kong and Singapore.

In terms of language translation between Japanese and English, Margetts shared that they are lucky to have a very good English speaking person in Japan that she works closely with. However, whenever using an independent or

another company's translator, but it is essential to build a rapport first so that an honest and open conversation can take place. This is because the reliance on an external party to relay information can sometimes impair communication. Things can easily get lost in translation. 'Depending on the culture, they may not say certain things that might be perceived as disrespectful' and therefore, it can sometimes be useful to have your own translator who shares your cultural background while also having excellent language skills.

Brand building and a focus on taste

While the bulk honey trade is a channel that Taylor Pass Honey will continue to be involved in, the company's focus is to expand further as a branded business selling packaged product under its Taylor Pass Honey label. The move towards expansion of their own packaged products was inspired by the value-added success experienced by others in the industry. Unlike others who focus on Manuka, Taylor Pass Honey has decided to focus on taste and expansion of other honey varieties as a path to product differentiation and premium sales. By focusing on taste, the company has been able to differentiate their products from the competition lining supermarket shelves around the world. Consumers may lack a technical understanding of quality metrics, but know a great-tasting product when they encounter it. 'The consumer doesn't have a way of understanding quality in the abstract, so we have been putting work into the taste profiles of different varieties', says Margetts. As well as retail outlets, the company has also introduced its products to non-retail paths, such as marketing to chefs in the foodservice sector.

NZTE and other collaborations

Among the relationships developed by Taylor Pass Honey, Margetts notes that New Zealand Trade and Enterprise, NZTE, has been of central importance. NZTE has a developed

network in major export markets, with a dedicated presence of personnel who have good contacts within each country's government and private sector. Taylor Pass Honey credits NZTE with excellent market knowledge and contacts, in some ways acting as the company's 'eyes and ears' between in-market visits. In fact, it was an NZTE connection that provided the key opportunity to be introduced to Sugi Bee Gardens, their new joint venture partner in Japan.

Collaboration is a potentially valuable strategy. Margetts comments that 'being a very small country, the only way we are going to succeed on the world stage is by working together'. Taylor Pass Honey works collaboratively with other New Zealand companies when a shared opportunity arises. For example, Margetts recalled an initiative to distribute a "Kiwi gift bag" of products from different New Zealand companies to leading American buyers. Not only is there potential to realize economies of scale through collaboration offshore, bringing different businesses, with different people and different skill-sets, together can result in productive innovations and knowledge sharing.

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