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Capilano Honey

Abstract

Capilano is the market leader in Australia's honey processing sector. The company exports to 52 countries, accounting for over 90 per cent of all retail-packed honey exported from Australia, making Capilano one of the most widely distributed Australian food brands internationally. Capilano differentiates itself on quality - the unique and premium taste of Australian honey. However, it has faced many challenges on the road to market leadership. As the product is in the mature stage of its product life cycle, targeting new segments, developing new uses and new forms of packaging, is essential. In recent times, health-conscious consumers and watchdog groups have called attention to sugar's negative health consequences, linking high levels of consumption to diabetes, obesity, heart disease and high blood pressure. Capilano has, to date, escaped the backlash against refined sugar and has managed to successfully differentiate its product from other sugar substitutes. Like all food companies, it has to be very careful that it doesn't contravene Federal or state advertising laws.

Learning outcomes

This case is intended for use in undergraduate courses in marketing. It explores the development of a successful marketing mix strategy in the context of honey. It prompts discussion and learning about the management of a product that is in the mature stage of its product life cycle. Targeting new segments and developing new uses for the product is essential. The primary teaching objectives for this case are:

- To describe the product life cycle concept

- To describe the marketing strategies that are appropriate in the mature stage of a product's life cycle
- To describe the challenges faced by food companies in making health claims for their products

Marketing challenges

Capilano's honey is produced by more than 500 beekeepers with hives across New South Wales, Queensland, Victoria and Tasmania. Between them, production can reach more than 15,000 tonnes of honey, although drought can have a detrimental impact on honey production. The honey market is diverging between a high-end, speciality product and a low-end, low-cost, relatively undifferentiated product. Competition from supermarkets and from their own privately branded lines is also a threat. In some case, the supermarkets' own brand is sold so cheaply that it is difficult for the producers or processors to make money. Honey is assailed by direct and indirect competition such as syrup, sugars, fruit concentrates and spreads.

Capilano has successfully segmented the market, differentiated their product and positioned their honey products as a way of enhancing health, beauty and well-being. The marketing manager has aligned marketing strategy with its stage in the product life cycle (PLC). The product life cycle concept asserts four things: (Kotler and Keller, 2012):

1. Products have a limited life.
2. Product sales pass through four distinct stages and each stage presents different challenges and opportunities to the marketer.

3. Profits rise and fall at different stages of the PLC.
4. Products require different marketing, financial, manufacturing, purchasing and human resource strategies in each life cycle stage.

The product life cycle concept can be applied to a product category (sweeteners), a product (honey), or a brand (Capilano). Like most products, honey is in the mature stage of the product life cycle as the rate of sales growth has slowed down. In this stage, most potential consumers have tried the product, distribution channels have been filled, the market is saturated and weaker competitors have withdrawn from the market. The market starts to polarise into a quality leader, a low-cost leader and perhaps a service leader. There are also niche opportunities. In a mature market, there are many ways to increase sales and offer customers new value. The options are to expand the number of users by converting non-users, entering new market segments and attracting competitors' customers. Another option is to increase usage rates among users, by getting customers to use the product on more occasions, use more of the product, and use it in new ways. Capilano has successfully stimulated sales by increasing the brand's users and by increasing usage rate per user.

Entering new market segments and increasing usage rate among users.

Capilano has developed food products in the sports nutrition category. Sportspeople have been encouraged to use honey; for instance, the easy-to-use '*Honey Shotz*' product was positioned as a sustained energy boost while training, travelling, at work or on the go. The Ironman World Champion, Guy Leech, was a brand ambassador for the company and he challenged honey fans to take part in the '*Capilano Sweet Shape Up*', featuring diet tips, exercise, motivational weekly plans and videos.

There is a growing trend to use honey for therapeutic purposes. Some honey products have antibacterial and anti-microbial properties which stimulates the healing process, such as Manuka honey and jelly bush honey. These products attract a premium price and are often sold in health food stores. In 1999, Capilano registered and produced *Medihoney* (it was subsequently sold to Comvita). It also produced Active 5+ Manuka. With the aging of the population, and increased amount spent on health care, the promotion of honey as a therapeutic good provides a large opportunity for the company.

Capilano continues to make changes to its product line. In 2012, Capilano Honey launched their first *Australian Certified Organic Honey*, connecting with one of the fastest growing food trends, following a strong demand for Australian produce straight from Organic Hive sites.

The use of honey as part of a beauty regime has been highlighted by the marketing department and Active Manuka honey was said to function as a natural moisturizer, being rich in vitamins, minerals and natural proteins. Capilano even created two beauty recipes for skincare - an exfoliating body scrub made from *Manuka Honey and Coffee* and a *Manuka Honey and Avocado Face Mask*.

New uses, new applications

The Australian market for honey is a mature market and Australians are already high consumers of honey per head relative to other countries. Therefore, increasing usage is an important marketing goal. Honey can be used in cosmetics, as a cough medicine for sick children, as an energy boost for sportspeople, as an ingredient in food products such as yoghurt. Capilano honey is promoted as a substitute for sugar in

cooking, as a separate flavour base for sauces, marinades and stir-frys. Its Facebook page invites viewers to submit recipes and enter competitions to win prizes.

Promoting the diversity of the product has also been achieved through joint promotional campaigns with supermarkets; for instance Coles' *Meal Ideas* help promote the Capilano honey brand by suggesting how it can be used in their free recipes.

Packaging innovation

Much of Capilano's success stems from innovative packaging. It has won several Australian Packaging Awards. For instance, Capilano developed a new 'twist and squeeze' and the 'upside down pack' which makes it easier to get honey out of the jar. The product *Honey Shotz* was developed with a 'snap & squeeze sachet', designed to deliver a natural energy boost for sports & endurance. In 2012, Capilano won the Women's Weekly Product of the Year (Hall of Fame Category) award.

New challenges

The promotion of the positive health attributes of Australian honey has helped Capilano hold onto its number one position. On its website, it states "Honey is a healthy choice – it has no fat, is 100% natural, and provides a lasting energy boost for sports". Honey is a natural substance produced by honeybees. It is composed of a complex mixture of carbohydrates, water and a small amount of proteins, vitamins, minerals and phenolic compounds. Fructose, glucose and maltose are the types of sugars present in honey (Cortés et al., 2011). Bees swarm around their environment to collect nectar, which are sugar-rich liquids from plants. Producing honey from the Nectar takes place in the bee hive. It is a group activity and the final composition of

honey and its nutritional properties depend on the sources of the Nectar, i.e. which flowers are in the vicinity of the beehive.

It could be argued that while the fat-free claim is truthful, it is irrelevant. The marketing message is selective in nature and it ignores other product attributes such as the sugar content of honey. . CBS News ran a report entitled “Is sugar toxic?” on ‘60 Minutes’, a popular TV program in the US (Gupta, 2012). It featured the work of Dr. Robert Lustig, an endocrinologist, who gained national attention for his lecture titled “Sugar: The Bitter Truth” in 2009. He claimed that the average American consumes 130 pounds of sugar a year and that excessive sugar consumptionⁱ was linked to a range of medical conditions. Scientific studies have linked it to cardiovascular illness and diabetes in teenagers (Pollack et al. 2011) and obesity (Bray et al, 2014). Sugar is alleged to be as addictive as morphine or nicotine and the removal of sugar creates similar withdrawal symptoms (Colantuoni et al., 2002). When people think of sugar, they often associate it with refined white sugar, fizzy drinks and confectionary. Yet, sugar is an added ingredient in many products such as yoghurt, sauces, bread, peanut butter and other processed foods. As a result, many consumers find it difficult to estimate how much sugar they consume in their daily diet. People who don’t even have a ‘sweet tooth’ may end up consuming a lot of sugar simply because they don’t scrutinise packaging labels.

In the light of the sugar debacle, there has been growing interest from health conscious consumers in ‘natural’ or ‘unrefined’ sweeteners such as honey, stevia, agave nectar and coconut sugar. These products, along with naturally-occurring sugars found in dates, figs, raisins and fruit, are put forward as better alternatives to refined sugar. However these claims are controversial.

There is some evidence in the literature that honey has health-giving properties. In fact it claimed that it may be a nutritional dietary supplement for healthy individuals and for those suffering from alterations in glycemic regulation, i.e. diabetes (Cortés et al., 2011). Manuka honey, a unique strain of honey produced in New Zealand and Australia from the nectar of the manuka tree, is regarded as having wound-healing attributes, due to its anti-bacterial and anti-microbial properties (Ahmed et al., 2013).

Writers in the area of sustainable marketing (Schouten and Martin, 2014; Fuller, 1999) argue that environmental claims should be as specific as possible, not general, vague, incomplete or overly broad. They should be substantive and supported by competent and reliable scientific evidence. The same guidelines are applicable to health claims. Companies also have to abide by various laws governing advertising and fair trading. In Australia, companies operate within the confines of the *Trade Practices Act 1974*, which is a federal law, administered by the Australian Consumer and Competition Commission (ACCC). Under the Act, it is unlawful to make false claims about a product or service and operate in a misleading or deceptive way that might mislead or deceive customers. One example given on the website is where “a business predicts the health benefits of a therapeutic device or health product but has no evidence that such benefits can be attained.” When credence claims are misused the damage is done in three ways:

- First, consumers are misled into paying more for a premium feature that doesn't exist
- Second, competitors who can legitimately make a credence claim unfairly lose their competitive advantage, and

- Third, innovation suffers when consumers and businesses lose trust in the integrity of claims.

There is no global standard in place for natural foods and functional foods, which makes it difficult for consumers to make informed purchasing decisions. Capilano has to be careful that it doesn't make false or exaggerated claims to project a healthy image for its honey than is warranted by actual practice. In the food industry, health claims are commonplace, but they are often broad, poorly defined and unsubstantiated by easily accessible, supporting information or by reliable third-party certification. The issue for Capilano is how does it differentiate honey from refined sugar? What are consumers' perceptions of honey? How can it market the health properties of honey without contravening the Trade Practices Act?

Summary

Capilano has successfully stimulated sales by increasing the brand's users and by increasing usage rate per user. This case study shows how targeting new market segments, developing new product and new forms of packaging, can deliver results. However, new challenges remain on the horizon. The backlash against sugar may have ramifications for Capilano. Honey promises health benefits, yet is it simply marketing hype and sophistication? Is Capilano building a 'natural' brand or just selling a substitute for sugar? How does it make credible promotional claims without contravening the Trade Practices Act?

Discussion questions

1. Identify the characteristics of the mature stage of the product life cycle.
2. What marketing strategies are appropriate for the mature stage of the product life cycle?
3. Analyse Capilano's website and promotional literature. What health claims are made and are these claims supported by scientific evidence? Is the company guilty of 'green-washing'?
4. Develop marketing recommendations for Capilano.

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ⁱ There are many terms for sugar. Simple carbohydrate (sugar) refers to mono- and disaccharides; complex carbohydrate refers to polysaccharides such as starch. Common disaccharides are sucrose (glucose and fructose) which is found in sugar cane, sugar beets, honey and corn syrup; lactose (glucose and galactose) is found in milk products; and maltose (glucose and glucose) is derived from malt. The most common naturally occurring monosaccharide is fructose (found in fruits and vegetables). The term dextrose is used to refer to glucose. Intrinsic or naturally occurring sugar refers to the sugar that is an integral constituent of whole fruit, vegetable, and milk products; extrinsic or added sugar refers to sucrose or other refined sugars in soft drinks and incorporated into food, fruit drinks, and other beverages (Howard & Rosett, 2002).