

Ward's Honey Beesness, Mesquite honey with a touch of prickly pear

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ABSTRACT

This case is based on an actual small honey farm in Texas, but the names used are fictitious. The owners have shared operating information to help in their decision making on expanding the business operation. Ward's Honey Beesness is a case that allows students to explore a variety of decision-making opportunities faced by small business owners. Students will be challenged to make decisions on market expansion, strategic messaging, competitive analysis, and market segmentation opportunities. Racheal and Corey Ward own a farm with 80 acres of farmland located in north Texas and southern Oklahoma. The Wards began producing honey with a small number of colonies and selling their product to a loyal base of customers. The product they produced was usually sold before the Wards could even package the product. The Ward's objective was to create beekeeping operation that would support their family. They worked with the Farm Service Agency to dramatically increase the number of honeybee colonies and necessary equipment to process their annual honey harvest. They now needed to determine how they would market their increased volume beyond their limited customer base.

Keywords: strategic management, direct-to-consumer marketing, competitive analysis, beekeeping industry.



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“The keeping of bees is like the direction of sunbeams.”
— Henry David Thoreau

INTRODUCTION

Corey and Racheal Ward have been beekeepers for approximately 4 years. They started with one hive and expanded almost immediately. The Ward's developed a passion for beekeeping based on the art of caring for honeybee colonies as well as the opportunity to produce local honey for their friends and neighbors. The Ward's live on an 80-acre farm that affords their honeybees a wide variety of forage. Two unique plants, that attract honeybees, are Mesquite trees and Prickly Pear that grow in abundance on the Ward's property. The harvested honey, from the Ward's hives, has a unique taste and quality that makes friends and neighbors continually asking for more.

Corey and Racheal decided to begin selling their honey to individuals who were requesting it throughout the year. Before the honey was harvested, they would have a waiting list from individuals wanting to preorder. The idea of expanding the number of hives they owned to increase the production volume of Ward's Honey Beesness became of increased importance with the birth of their son. The Ward's decided that expanding their beekeeping business could afford enough revenue for one of them to work full-time in the beekeeping business.

Corey and Racheal decided to build a business plan that included expanding their production volume to a level that would generate enough revenue to offset one family salary. They decided to expand the number of hives to 50 and utilize a larger portion of their 80 acres to ensure safekeeping of their new colonies. The Wards worked with the United States Department of Agriculture (USDA) to secure loans and assistance in expanding their business.

The Wards were now faced with how they would market their increased volume. This included determining competitive position, market expansion, new distribution channels and strategic messaging.

BEEKEEPING INDUSTRY

A beekeeper is a person that keep honeybees in hives or colonies. Beekeeping is a centuries old profession that allows honey to be harvested and used as a food source or for other purposes. Honey continues to be a popular product for consumption and medicinal uses across the world.

Honey production, in the United States, is considered a commodity agricultural product. In 2019, the United States honey production was up 2 percent according to the USDA. The yield per colony was up 2 percent in the U.S. and the price, per pound, was down 11 percent in the same year to producers (NASS). Honey consumption in the United States continues to rise as shown in Figure 1(appendix). According to the USDA and the National Honey Board the average U.S. consumer uses one pound of honey per year versus a half pound in 1990 (Crouch). This demand supported higher retail prices for honey which has shown consistent growth since 2018. Retail honey is typically sold in grocery stores and big box retailers which may come from any part of the world. The product can be pasteurized and filtered for clarity. The retail price per pound was around \$8.00 in 2019 according to “Honey.com”.

Beekeepers have faced commodity price reduction due to large supplies from markets around the world. India and China have been a large exporter of honey which has kept commodity prices low. Beekeepers continue to look for opportunities to market their harvested honey at higher prices. Specialty honey was the one segment that showed price growth which “was up approximately 10% in 2019 over 2018” according to the USDA. This market was the segment the Wards were most interested in.

Specialty honey has a broad definition in the market. Specialty honey may include such products labeled as “organic” or raw local honey. Other products include infused flavor honey like cranberry, blueberry, lemon, and ginger honey. Raw honey has a strong following based on assumed health benefits. Some of the more common benefits mentioned are, source of antioxidants, antibacterial and antifungal properties, wound healing, Phytonutrient benefits, helps digestive issues and soothe a sore throat (Goldman). Local raw honey is especially of interest to local consumers based on the belief it helps mitigate seasonal allergies as shown in Figure 2(appendix).

Raw honey is a sweet liquid that honeybees produce from nectar of flowers within a few miles’ radius of the colony. The types of nectar collected has an influence on the taste and color of honey. Pure raw honey is collected straight from the honey extractor; it is unheated, unpasteurized, unprocessed honey (Watson). Pure means not mixed or adulterated with any other substance or material.

The retail price point for specialty honey varies dramatically but is considerably higher than commercial honey. Specialty honey is sold online at farmers markets, gift shops, pharmacies, herbal stores, and a variety of other commercial settings. Prices vary dramatically based on packaging, uniqueness of taste and local demand.

The specific taste of honey varies based on nectar variety within the bees’ range as shown in figure 5 (appendix). A range of honey types will vary in color, aroma, and taste. Varieties can be light, medium, or dark in color. Typically, lighter honey has a milder taste than dark-colored honey. Mesquite trees and Prickly Pear plants attract honeybees based on their flowers. These plants grow in a defined area of the United States and the nectar derived from these plants generate a specific taste in honey as shown in Figure 3 and 4(appendix).

The Ward family believed they could brand and differentiate their honey based on the unique availability, on their farm, of Mesquite trees and Prickly Pear plants.

WARD’S HONEY BEESNESS

Racheal and Corey Ward have generated a core base of business that allows them to sell all their current volume before the product is even packaged. The core following of customers has come through word of mouth, and Facebook Marketplace. This demand was encouraging to Racheal and Corey and their desire to expand their honey production to a significantly higher level.

The Wards began to work with the Farm Service Agency on securing farm loans that would allow them to begin acquiring NUCs (starting hives), Supers (hive boxes), and enough separators to process the honey at harvest time. Secondly, they began the process of fencing key areas of their farm to secure 10 Supers per area to spread them evenly throughout the 80-acre farm. With financing secure they proceeded to begin the production phase of their plan.

The key concern the Wards had for their business was what changes they needed to make to market the increase in honey volume. They knew their current base of loyal customers could

not purchase the new volume levels. They began to work on messaging, competitive analysis and market segmentation issues that were important to have complete within the next 18 months.

MARKET AND STRATEGIC POSITION

The Wards had been working with a small but loyal base of customers. They knew that they would have to expand their market penetration if they were to be able to sell their increase in production. Racheal and Corey surveyed their current customers to determine the strengths and opportunities of their current product. The customers universally felt the honey had a taste and color that was unique. Customers felt the taste of the product was better than other available choices. The common concern of their customers was on availability. The demand was much greater than supply which led some consumers to buy from other suppliers throughout the year.

The Wards felt the color and taste of their honey was driven by the large number of Mesquite trees and Prickly Pear plants the bees were attracted to when collecting nectar. This appeared to be a competitive advantage and one that they would build their primary messaging campaign around. This decision minimized messaging around “local” or raw honey that so many beekeepers used from a promotional perspective.

The lack of product, to fill demand, was a two-edge sword for the Wards. The scarcity made their product gain preorders from customers eager to get on the list. However, shortages limited revenue and frustrated some consumers. The Wards felt they should promote their specialty honey on a first come first serve basis even with increased volume. They felt the perception of scarcity would facilitate growth and commitment to the brand. Their promotional messages were then built on “Mesquite honey with a touch of prickly pear” along with encouraging customers to preorder for this year’s crop early.

MARKET SEGMENTS

Racheal and Corey examined market segments they should explore. Their research showed a growing trend for locally sourced foods. The trend in the United States indicates consumers are willing to buy from locally sourced agriculture products (Key). The term farm to table products was coined to identify the consumer trend of sourcing products produced locally. From a farmer’s perspective this allows them to participate in a broader segment of the agricultural supply chain than in the past.

Direct-to-consumer marketing, which is not a new concept for most industries, was a relatively rare occurrence for farmers and ranchers over the last century. They discovered new markets like online sales, farmer markets, specialty grocery, health food outlets or restaurants would offer an opportunity to sell their agricultural products directly to the end user. This has allowed the producer to see increased profits. One of the key market opportunities has been the growth of farmer markets. The number of farmer markets continue to grow in the United States (Statista). Secondly, data from agricultural censuses suggest farmers have an improved chance of staying in business if they successfully market their products directly to the end user (Key).

Market segment opportunities the Wards considered in their area.

- Farmers Markets (three in their county).
- Social media and online (Facebook Marketplace and developing webpage through Spotify).
- Independent pharmacies in their area (8-10 targets within their county).

- Herbal and health food stores (limited number within their county).
- Specialty grocery stores (one in their county).

Corey and Racheal felt the biggest areas of opportunity were to create a robust website to support their product. They also determined they could sell additional items like honey jars, honey dippers, beeswax products and maybe even shirts and hats with their logo. They would attempt to leverage their current customer base to expand their target audience.

With limited time and promotional dollars, they determined a possible market focus beyond social media/online was to promote their products to local independent pharmacies. They had some connection to the owners of pharmacies. They observed that pharmacies typically sell local honey based on the potential medicinal benefits. Based on research they had one key competitor in this space and primarily promoted the “raw, natural” component of their product. They felt they had an opportunity to place their products on at least five pharmacy shelves. They were open to sell directly to the pharmacy or pay them a percentage of their sales as a consignment fee.

With pharmacies and social media/online as their primary market segments they decided, at least during their first harvest, to ignore farmer markets, health food stores and specialty grocery stores.

COMPETITION

The Wards researched the key local beekeepers within their surrounding area. As noted below the competition, in their area, had a variety of promotional messages that were different than Ward’s Honey Beesness. This gave Racheal and Corey hope that their message would be unique and distinct.

Local beekeepers that actively promoted their honey products were the following:

- A Honey Hive Farm (Clover sweet honey)
- STG Farms (Wildflower)
- Sunnyvale (Natural honey)
- Desert Creek Honey (Raw, unfiltered, 100% real)

CONCLUSION

Racheal and Corey have secured the loan for expanded hives and equipment. The first harvest for the increased volume is 18 months away. During that time, they must work to finalize their branding, packaging, and promotional materials. A key factor is building a robust website along with improving their social media platforms. The pharmacy customer must become a priority long before the harvest of honey. Building relationships, discussing the specifics of consignment and how to display the product is important. Lastly, they must begin using their current loyal customer base to expand outreach and create the necessary hype to order early.

APPENDIX

Figure 1

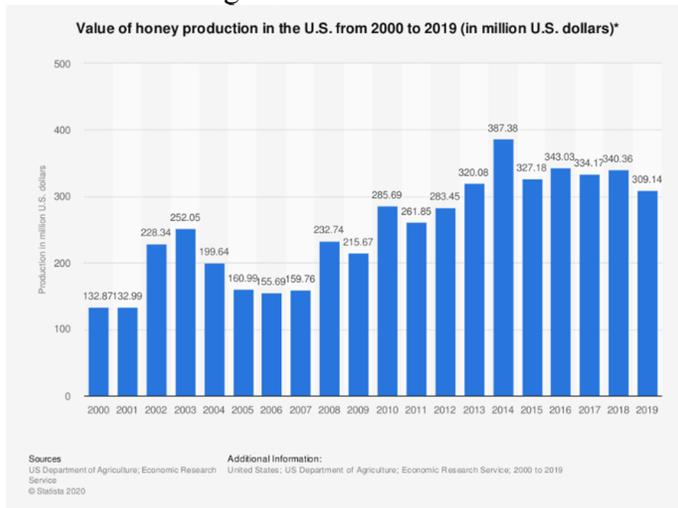


Figure 2
Local Honey Availability



<https://www.honey.com/honey-locator/>

Figure 3
Prickly Pear



<https://www.10highlandlakes.com/texas-prickly-pear-cactus>

Figure 4
Mesquite Tree Bloom



<https://gardenerdy.com/facts-about-mesquite-trees/>

Figure 5
Types of Honey



<http://keepingbee.org/different-types-of-honey/>



TEACHING NOTES

Case Synopsis

Racheal and Corey Ward own a farm with 80 acres of farmland located on in north Texas and southern Oklahoma. The Wards began producing honey with a small number of colonies and selling their product to a loyal base of customers. The product they produced was usually sold before the Wards could even package the product. The Wards main objective was a large enough beekeeping business that would generate enough income to allow one of them to work fulltime on the farm. They worked with the Farm Service Agency to dramatically increase the number of honeybee colonies and necessary equipment to process their annual honey harvest. Creating and developing Ward's Honeybee Beesness has been a goal for the Wards for many years and they were willing to invest personal savings along with securing loans to continue to grow the business.

Racheal and Corey had full-time jobs and managed Ward's Honey Beesness after hours. Their goal was to build an operation that allowed one of them to work full-time for Ward's Honey Beesness, to be able to stay home with their newborn son. For this to become reality they needed to increase production and market a significant increase of product. The current customer base was not large enough to handle the increase in volume, so the Wards had to create a new marketing and branding plan to expand their market. They began to review ways to sell locally with a marketing plan that might allow them to meet the challenge of selling their increased production volume.

A growing market that shows strong growth, in the United States, is farm to table or direct-to-consumer marketing (Key). These new markets include online sales, farmer markets, specialty grocery, health food outlets or restaurants that sell agricultural products directly to the end user instead of having to use distributors or wholesalers. This allows the producer to see increased profits. Consumer trends suggest growing support for locally sourced produce. This includes honey and a wide variety of agricultural products. Farmers have typically sold their products to wholesales or distributors. With the advent of local markets, they could sell their products directly to the end user and maximize profits for their operation.

The Ward's decided to expand their beekeeping operation by focusing on direct-to-consumer promotion. The transition was to be implemented over an eighteen-month period. The transition required significant investment and additional loans to establish the infrastructure to market Ward's Honey Beesness products. They would market their product directly to end users utilizing social media sites and a robust website. Honey has been known for centuries for its medicinal properties so the Wards selected a secondary market opportunity they would pursue. They identified independent local pharmacies in their area that they would sell or consign their honey to for increase market reach. Based on the positive feedback from their current customers and after reviewing messaging from local competitors they decided their primary message was "Mesquite honey with a touch of prickly pear". Racheal and Corey began to discuss the next steps and action plans they needed to explore and implement.

Objectives

1. Evaluate the product messaging plan to determine if it is strong enough to meet the market and financial objectives of Ward's Honey Beesness.

2. Determine if the Wards competitive analysis encompassed all the threats and opportunities for Ward's Honey Beesness.
3. Evaluate Ward's focus on social media/online and local pharmacies instead of other market segments.
4. Determine what additional markets the Ward's Honey Beesness should explore.
5. Determine and evaluate the overall strengths and areas of opportunities of Ward's Honey Beesness.

Questions for Discussion:

1. What do you think of the overall business direction of Ward's Honey Beesness after the expansion?
2. Was the Ward's focus on social media/online and local pharmacies the best decision for their business or should they have diversified their market outreach more broadly?
3. Have the Ward's identified their key competitors' strength and weaknesses?
4. What concerns exist on the limited message "Mesquite honey with a touch of prickly pear" the Wards have for their product.

Discussion Questions and Answers:

- 1. What do you think of the overall business direction of Ward's Honey Beesness after the expansion?**

Corey and Racheal Ward created an aggressive expansion plan for their business. The strengths are their beekeeping experience and current customer base. A weakness, of concern, is the critical need to identify new customers to purchase the large expansion in production. However, the opportunities look very promising. The current popularity of their honey and their solid base of current users offers a solid foundation to expand. Their current use of social media gives them experience to broaden their appeal along with their relationships with pharmacy owners in their area. A key threat exists from competitors that may adjust their message to counter the Wards focus on Mesquite and Prickly Pear flavored honey. Lastly, a key question still exists on the actual volume a pharmacy can sell in each season.

- 2. Was the Ward's focus on social media/online and local pharmacies the best decision for their business or should they have diversified their market outreach more broadly?**

The Wards have a proven track record for selling their product on social media sites. This will be an advantage as they build an online store and begin working with local pharmacies to stock their product. The Wards willingness to sell their honey on consignment to pharmacies should decrease objections to stocking the product. A question exists about why not attempt to work a few farmers markets and promote their product to other specialty stores, but these segments can be future opportunities for the Wards.

- 3. Have the Ward's identified their key competitors' strength and weaknesses?**

Ward's Honey Beesness appears to have a firm grasp on the competitors that operate in their area. They have also captured the key promotional messaging of each competitor. New entries into the market could change the competitive landscape as well as decreased interest in Prickly Pear and Mesquite based honey.

4. What concerns exist on the limited message “Mesquite honey with a touch of prickly pear” the Wards have for their product?

The Wards have a strong customer base that loves their honey's texture, flavor, and color. By starting small early in their business, they have been able to determine the viability of their products reception to local customers. It would appear for social media customers this messaging may be strong. A concern exists in the pharmacy sector. The health benefits of honey are strongly supported by consumers. In a pharmacy setting a message of pure, raw, locally grown honey may carry more weight than “Mesquite honey with a touch of prickly pear”. The Wards will have to be able to look at secondary messaging if this becomes an issue in this market sector.

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