

PROJECT 4a:
CASE STUDIES ON SUCCESS TRAITS
Island Abbey Foods



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About the CAPI Processed Food Research Program

Food processing is one of the country's largest manufacturing sectors and an essential channel for Canadian agricultural products. Yet the rising trade deficit is signaling deteriorating performance. CAPI has launched a research consortium to galvanize a new approach. CAPI is not only focused on the problems but how to move forward to address them. This case study is part of a project to isolate company traits of success and what we can learn from companies to inspire change which includes a cross-case analysis.

Project 4a: Food Processing Company "Traits of Success": Despite the challenges confronting the sector, many individual companies are doing well. By collaborating with several business schools across the country, 13 case studies on diverse food companies were undertaken to isolate how companies are succeeding and positioning themselves to do even better. The individual case studies are based on in-depth interviews with company CEOs or senior leaders. This project is accompanied by a cross-case analysis.

PHASE 1 Diagnosis

- 1a. Diagnosing the trade deficit
- 1b. Reasons for the trade deficit
- 2. Explaining the trade deficit
- 3a. Food manufacturing performance
- 3b. Plant openings, closings & investments

PHASE 2 Inspiring practices

- 4a. Case studies on company success
- 4b. Cross-case study analysis
- 5. Consumers and markets
- 6. Innovation insights

PHASE 3 Competitive advantage

- 7. Conclusions
- 8. Implications for policy & strategy
- 9. Dialogues on outcomes

All completed projects, along with supporting material and data, can be found online at www.capi-icpa.ca.



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Executive Summary – Island Abbey Foods Ltd.

This case focuses on Island Abbey Foods Ltd. (IAF) and, specifically, their flagship brand, honibe – Pure Honey Joy®.¹ Based in Prince Edward Island, IAF is the world’s only manufacturer of solid, 100% pure honey products, the process that IAF developed and patented. The honibe® product line is found in over 5000 retail outlets across Canada, as well as in 20 countries worldwide. Current production is approximately 100,000 units per day.

Output at IAF has increased a hundredfold in four years, thus the question of interest for this case is clear. “What have been the key factors underpinning this phenomenal growth both domestically and internationally?”

At IAF, four main factors are responsible for the company’s success: i) unique patentable idea; ii) strong organizational values and structure; iii) strategic relationships and collaborations; and iv) research, data and planning.

i) Unique Patentable Idea

For John Rowe, CEO of IAF, having a patentable idea is the key. However, innovation does not stop at IAF. Each time production levels increase, new technologies and packaging processes have to be invented.

ii) Organizational Values and Structure

Rowe is driven to create something that doesn’t exist today. Not just the solid honey products or the production and packaging technology, but Rowe wants to create the world’s first, premium, worldwide honey brand.

At IAF there is a willingness to continually learn and improve. IAF collaborates with scientists at the National Research Council’s Aquatic and Crop Resource Development Program (formerly the Institute for Nutrisciences and Health NRC-INH in Charlottetown) and is also associated with the PEI BIO Food Technology Centre, where the dehydration technology was co-developed with IAF, and the PEI BioAlliance, the bioscience cluster coordinator and incubator that has created a business-research network of relationships that allows early stage companies to thrive.

The value proposition is a high priority in the marketing and branding of IAF products. Educating the customer about the benefits of solid dosage form honey and the ingredients in IAF’s products is crucial for conveying the value proposition.

¹ Much of the information in this article is a result of interviews with John Rowe, CEO, IAF.

iii) *Strategic Relationships, Teams and Collaborations*

Co-branding is a major factor for the success and growth of IAF. Collaborating with partners using a co-branding strategy significantly accelerates the marketing and distribution processes, mitigates risks and lowers the cost of entering a new market.

IAF devotes a large percentage of its sales revenues to marketing programs that are developed in concert with retailers. Rowe notes that simply having IAF products on retail shelves guarantees nothing and that dialogue with retailers must be had at the outset of a product launch in order to improve the retail sales process.

For retail food and natural health product businesses, having a coherent regulatory strategy is a priority. Having knowledgeable individuals available for consultation within the PEI Cluster and beyond is critical. Rowe cautions that when a company is starting out it must pay close attention to relevant regulations, policies, and definitions for both domestic and international markets.

iv) *Data, Research and Planning*

Rowe emphasizes the importance of data collection and use. He recommends that decisions should be based on the collection, analysis and testing of data.

Rowe notes that there is constant research and development at IAF. As production moves from one scale to the next, IAF has had to reinvent how things are done. The equipment that could produce 1000 units a day cannot simply be scaled up to produce 50,000 or 100,000 units a day.



John Rowe, CEO

1. Phenomenal Growth and Research Question

John Rowe, along with wife and business partner Susan Rowe, the company's COO, formed IAF in 2004. Starting out in their Charlottetown home's basement, the pair contracted scientists and support staff from the PEI Food Technology Centre (BioFoodTech). The food and bioprocessing scientists, microbiologists, food chemists and technologists were able to provide specialized services for IAF. Rowe also contracted a project manager and a floor manager from the Centre to help train his own staff. This relationship with the Centre allowed Rowe to take his original ideas, which he had already developed and tested, from laboratory prototype to commercial production.

The honibe® brand was launched in 2008 and has grown quickly since. In 2009 honibe® products were available in a few hundred retail locations across Canada. The following year the number doubled, and doubled again in both 2011 and 2012. Today honibe® products can be found in over 5000 retail locations across Canada and in 20 countries worldwide.

The question of interest is clear. "What have been the key factors underpinning this phenomenal growth both domestically and internationally?"

2. Key Events and Catalyst for Production Growth at IAF and honibe®

Early production figures at IAF were approximately 1,000 pieces of honey product per day. Today, output is approximately 100,000 pieces per day. Due to capacity issues, this substantial growth forced IAF to move production locations three times in the last four years. Domestic and global demand for the solid honey products continues to be very strong. The company has doubled in size each of the past five years and forecasts suggest this trend will continue over the next three to five years.

John Rowe points out that key events triggered fundamental change at IAF. The first was in 2007 when IAF started small-scale commercial production within the PEI BioFoodTech Centre. The Centre was able to provide CFIA approved pilot plant space, laboratory access, and testing capacity, as well as contract scientists capable of providing specialized assistance in such areas as food processing, microbiology, and food chemistry.

The second event for IAF also took place within the PEI Bio Food Technology Centre. IAF was able lease a larger production area that allowed them to scale up production while still remaining at the Centre. Each time production levels at IAF increased significantly, new manufacturing technologies and packaging processes had to be invented and implemented. Rowe points out that the equipment and the processes that were required simply did not exist. Understandably, IAF carefully guards their patented ideas and trade secrets.

The third key event took place when IAF moved to its own production facility. While at PEI BioFoodTech Centre, IAF did not have warehouse or office space. Then IAF was in a position to bring on more staff and house marketing, customer support, and sales staff all in one location

thus allowing the company to grow and shape its team. Rowe reflects that this third key event was likely the biggest single transformation for IAF.

After Rowe mastered the fundamental technological inventions for production, the need for expansion has been the main catalyst for growth at IAF. A manufacturing process that produced 1000 honey products per day could not simply be scaled up to produce 50,000 or 100,000 units. To increase production, IAF has to continually modify and often re-invent its own production and packaging equipment. Since honey represents about ten percent of the worldwide sweetener market, Rowe expects strong demand for IAF's products to continue.

3. Company History and Description

In the mid-1990s, while hiking in Western Canada, John Rowe discovered that a glass jar of honey he had brought along on the trip had shattered in his backpack. Rowe started researching. Rowe discovered that no one had figured out how to put 100% pure honey into a solid state. The current solid honey products on the market had two problems. First, they were not pure honey. Other ingredients such as sucrose and glucose formed the base and pure honey was added as a simple flavouring. Second, these "honey" products simply did not have the taste, texture or the aroma of pure honey.

Honey is a challenging food to work with, but Rowe sensed an opportunity. Rowe developed the process for extracting the water from the honey. It took years of experimenting, custom engineering his production equipment at each step. The result was the world's first, 100% pure, solid, non-sticky honey product. Rowe envisioned a new way to sweeten tea or coffee, a new candy confectionary, a new type of throat lozenge, a new platform for nutraceuticals. Rowe was the first to discover how to dehydrate honey in a pure form and have it store on the shelf for one year without losing any of its fundamental properties in taste, aroma, or texture.

In 2004 Rowe moved back from the West Coast to PEI. He discovered that there existed some local science resources that he could contract. PEI BioFoodTech Centre is a confidential, contract research, processing and analytical services organization established by the provincial government in Charlottetown, PEI. They provide many specialized services to companies and entrepreneurs in both the food and bioprocessing sectors. Their professional team is made up of food and bioprocessing scientists, microbiologists, technologists and support staff. IAF was now in a position to develop the laboratory prototype equipment into small-scale pilot production and eventually full-scale commercial production. The honibe® brand was successfully launched in 2008 and production has continued to double in size each year since.

4. Category, Industry and Competitive Context

honibe® products are sold in food and specialty retail outlets. Some of the product line is also sold in pharmacies as well as in natural health food retailers. The product line continues to expand. Below is a sample of what is currently being offered.

- honibe® Honey Delights® - Nature's Tastiest Candy™ are the world's first candy made from pure dried honey. Honey Delights® are only 10 calories per piece (2.6 g) and have no artificial flavour added.
- honibe® Honey Delights® with Lemon are the world's first candy made from pure dried honey and have a hint of natural lemon flavour
- The Honey Drop® - Honey To Go™, is a solid honey serving for tea and coffee and is made with 100% all natural, pure dried honibe® honey. The Honey Drop® contains no additives and no artificial flavor.
- The Honey Drop® with Lemon - Honey To Go™, is a solid honey serving for tea and coffee and is made with 100% all natural, pure dried honibe® honey again with a hint of lemon.
- honibe® Honey Delights Suckers - Nature's Tastiest Sucker™ are the world's first suckers made from pure dried honey.
- honibe® Honey Lozenges™ with Menthol and Eucalyptus - pure dried honey lozenge with soothing menthol and eucalyptus.
- Vitamin Honey Lozenges™ - pure dried honey lozenge with Vitamin C or Vitamin D.
- honibe® Honey Sprinkles™ are the world's first dried granules of honey that are served in shaker bottles and individual sachets.
- honibe® - Pure Honey Joy® - All natural liquid honey from Prince Edward Island, Canada.

Along with the product differentiation, various SKU sizes are also available. For example, 10 packs, 20 packs, bulk packages, etc., were all manufactured. IAF is launching Honey Vitamins and Supplements as well as other natural health products in 2014-2015 as the platform technology can be used to deliver any type of therapeutic or medicinal ingredient. IAF is also launching other non-honey based products using the same technology. Maple syrup, molasses and agave are all being developed for similar processing and production.

The honibe® Honey Drop® has received major national and international recognition having been awarded the most prestigious food award in the world at SIAL Paris 2010, the Global SIAL d'Or (Gold Medal), which recognized the honibe® Honey Drop® as "The Best New Food Product in the World."

5. Success Factors for IAF and honibe®

5.1 Unique Patentable Idea

IAF produces the world's first solid, pure, honey products

For John Rowe and IAF, the key to success started with the patentable idea. Having a patent is essential in attracting investment.

Constant Innovation

Each time production levels increase new technologies and packaging processes are required. From 2004 to 2007 Rowe worked on his ideas within the supportive structures offered at the PEI Bio Food Technology Centre. In 2007 IAF had its critical breakthrough moment. The technology improved to the point where small-scale commercial output was possible and the products became profitable for IAF. When IAF moved into the larger pilot production area of the Centre, innovations and new technologies were required yet again. As Rowe point out, "Innovation is a constant at IAF."

5.2 Organizational Values and Culture

Clear Vision

Rowe is driven to create something that doesn't exist today. Not just the honey products or the technology that produces and packages them, but to have honibe® become the world's first, premium, worldwide honey brand. John Rowe's vision of success is ambitious, but after only five years in production, with sales doubling each year, such a goal may be achievable. Rowe explains that honey is a relatively localized business. There are very few honey brands that sell into multiple country markets. Rowe thinks IAF products will be sold in over half of the world's markets in the next 3 to 5 years.

Failures

Rowe points out that mistakes or failures provide excellent learning opportunities. Early in IAF's history Rowe knew the importance of the relationship IAF needed with its customers. Rowe points out this can often be a challenge in retail. The typical retail model usually has an intermediary between the manufacturer and the customer/consumer. When first entering the market, smaller producers will likely need to work via a distributor. This is because most retailers will not want to deal directly with small producers, especially those they are not familiar with. Typically, it is simply more efficient for the retailer to work with a distributor.

IAF was aware of this and sought out a reputable distributor. IAF was able to quickly secure a distributor with an impeccable track record. Rowe discovered that it was challenging to form relationships with the retail buyer when there was no direct communication. This made it

difficult to establish a strong and robust business relationship. It also impeded the proper sharing of information that was critical for the growth of IAF's sales. Indeed, Rowe recalls that the volume of sales that they had been expecting was not materializing. This was a significant signal for Rowe.

Manufacturer and retailer profitability rely heavily on both parties' ability to communicate, team together, and adapt to the market environment but this was not occurring and Rowe knew changes had to be implemented. IAF could not accomplish what it wanted to without further developing its connection with the retail buyers. Today IAF still uses distributors, but for the last three to four years it has made a concerted effort to obtain the business directly without the use of a distributor. When distributors are used, IAF usually has an order already in hand.

Rowe indicates that most of the retailers IAF deals with have warmed up to the idea of dealing directly with IAF, especially as the company has grown in reputation, production capacity, sales and familiarity. Rowe notes it does take time, but once a supplier achieves a certain volume they are more open to the notion of working with the manufacturer.

Rowe recognizes that small manufacturers need to achieve a certain critical mass before it is possible to sell directly to the retailer. Given that retailers may not want to deal with small start-up companies, working through distributors may be the only option. Rowe cautions new entrepreneurs: "nobody can sell as well as you and you cannot rely on someone else to sell your product for you, especially when you are starting out."

Team

Rowe stresses that it is essential to hire staff with the required skill sets. IAF hires only those they trust and enjoy working with, who will have a positive impact on the company, and who have experience and knowledge specific to IAF's needs. Currently, IAF team consists of between 40 and 45 employees, depending on the season and production needs. Approximately half are centered in production and half in sales, marketing, research, operations management, customer service and general management.

A general manager oversees operations and the research laboratory and a CFO is in charge of the finances. There are two vice-presidents of sales; one international and one domestic. The vice-president in charge of domestic sales and the general managers each have more than ten years of management experience in the retail food industry.

For supply chain logistics, IAF currently has experienced staff. In the early years, it relied on hiring 'big name' shipping companies. Rowe is complimentary about these companies, noting that they have a lot of experience and can be very helpful. At the same time, Rowe suggests: "Do the research yourself. Double checking is a good idea and second opinions are useful." IAF also relies heavily on the staff at the Canadian Trade Commissioners Service for guidance, advice, and support.

Sales and Marketing

Along with two vice-presidents of sales - one domestic and one international - IAF also has sales representatives in Atlantic Canada, Quebec, Ontario, Manitoba and Saskatchewan, and Alberta and British Columbia.

On the international front IAF has two international development people that report to the vice-president of international sales and they work with IAF's co-branding collaborative partners.² Along with Rowe, and the vice-president of international sales, the international development personnel are responsible for establishing and managing partnerships. IAF sales and marketing efforts are very calculated especially on the international front. Rowe and the sales team analyse data and specifically target who they will contact. For example, companies like Sato Pharmaceutical and Orion Pharmaceutical were purposefully chosen as strong potential co-branding partners.

Geo-economics and Incubation

IAF is located in an ideal region for a start-up food and natural health product company. Rowe points out that the National Research Council (NRC) has several centres of excellence across the country. In July 2003, the National Research Council (NRC), in collaboration with the Atlantic Canada Opportunities Agency (ACOA), the Province of Prince Edward Island, and the University of Prince Edward Island (UPEI), announced the establishment of the NRC Institute for Nutrisciences and Health (now part of the Aquatic and Crop Resource Development Program). Scientists at the National Research Council in Charlottetown work with companies to identify how bioactive compounds found in nature can be used to improve human and animal health.

IAF has collaborations with the NRC as well as the relationships formed with the PEI BioFoodTech Centre and the PEI BioAlliance. Rowe acknowledges that the location of IAF on Prince Edward Island plays a strong role in the success of the company, particularly in terms of early stage seed capital, mentoring, and technical support. The Island has a reputation for "wholesome goodness, natural farm fresh ingredients, and family values" which IAF uses in their branding and marketing.

Management's Role and Leadership

IAF's management style is "open door." Independent accountability is encouraged and considered essential. The expectation from Rowe is that product and process innovations emerge from all members of the organization. There is an expectation in the management team that constant improvement will be the norm. While there are titles and departments, in reality it is a flat hierarchy. Considering the rapid growth rate in sales at IAF, it is not unusual to

² Collaborative partners are discussed in greater detail below.

occasionally see the company's CFO and COO helping with a variety of tasks that simply need to get finished.

Flexibility

Rowe feels the ability to remain flexible is a competitive advantage. As such, IAF continuously reviews the new data, looking for trends and amends its business plan quarterly. For new businesses, Rowe believes success is not possible with long-term fixed plans, e.g., longer than twelve months.

Value Proposition

Value proposition for IAF takes high priority in the marketing and branding of their products; it is important to highlight the difference between honey-based and sugar-based products. As an example, honey has positive health benefits and its taste is unique, things for which consumers will pay a premium. Educating the customer about the benefits of honey and the ingredients in IAF's products is essential for conveying the value proposition.

5.3 Strategic Relationships, Teams and Collaborations

Cobranding Strategy

Co-branding is a major factor for the success and growth for IAF. Collaborative partnerships are carefully considered and Rowe expects to be exporting co-branded products in over 20 countries by the end of 2013. IAF, with its honey lozenges, is partnering with two of the largest pharmaceutical companies in the world, Orion Pharmaceuticals and Sato Pharmaceuticals. These companies have sales measured in hundreds of millions and billions of Canadian dollars. These companies have multiple brands, with hundreds of products in a variety of market segments in the European and Asian markets respectively. In the Japanese market for example, IAF's co-branding partner Sato Pharmaceuticals maintains the country's number one and number three best-selling lines of cough and cold products. Both companies have global sales. The collaborative partners want to leverage the unique products and technology that IAF has developed for use in their current countries and markets. Rowe states that these companies were approached purposefully. Rowe completed a thorough analysis of these and other companies, carefully examining the characteristics of the firms. Rowe's analysis of the data played a critical role in determining which companies IAF would approach.

IAF also works with a New Zealand based partner, Comvita. Comvita is a honey company that ships into seven separate country markets. IAF has other co-branding and collaborative partnerships that it is working to develop further.

Rowe stresses that collaborating with partners using the co-branding strategy significantly accelerates the exporting process, mitigates risks, and lowers the cost of entering a new

market. This is the strategy that IAF is using with its honey products and will also adopt for its solid maple, molasses, and agave product lines.

This strategy also helps extend and advertise the brand. The honibe® brand/logo is seen prominently on the packaging along with the co-branding partners' logo. Rowe explains that pharmaceutical companies like Sato and Orion want to see innovation. Competition in the industry is intense and the pharmaceutical companies are very interested in IAF's innovative products and the technology.

Customer and Consumer

Both the retailer and end-user are very important to IAF. IAF sells mostly through retailers although some sales occur with the consumer directly. IAF sells directly to consumers online and offers a small retail boutique for customers who stop by the main plant in Charlottetown, PEI. With both grocery and pharmacy retailers, the first challenge is to get the product on the shelf. However, Rowe is quick to note that shelf space guarantees nothing. Manufacturers must invest in marketing in order to motivate inventory turnover. IAF devotes a large percentage of its sales revenue to marketing programs that the retailers suggest and operate. Such programs might include couponing, shelf stickers, flyers or end-cap displays, etc.

Rowe states that in a new product launch, consumer demand and inventory turnover is important. Retailers will quickly review the SKU data and analyse whether the product line should keep its listing or be discontinued. Rowe points out, "Honest and open discussions with retailers must be had at the outset of a product launch."

Regulatory Issues

For retail food and natural health product businesses, regulatory strategy is a priority. Having knowledgeable individuals available for consultation is critical. The PEI BioAlliance connected IAF to experts that were able to help them through these challenges. Rowe points out that finding the right individuals and bringing them on as employees has been instrumental in growing the exports of the company.

IAF is certified as a natural health products producer and as a food product producer in Canada. However, IAF is also registered with the FDA for the export of food and natural health products in the USA as well as with the UK, EU, Russian, Japanese, Korean, Jordanian, South African, and other authorities. Obtaining these registrations takes time. Fundamental in obtaining these approvals is to have experienced people in the organization who have gone through the process already.

For IAF, government policies and regulations are constantly being monitored, considered, and managed. Rowe describes one such event that highlights the importance of this for IAF. Shortly after introducing the Honey Drop®, which was IAF's first product to market, Rowe received a letter from the Canadian Food Inspection Agency (CFIA). CFIA indicated that they wanted to

review the Honey Drop® product because they felt it may not be possible to refer to the product as 'honey'.

Since honey is a registered food product there are rules and regulations that set out what is meant by the term 'honey'. In essence, there is a definition for how the product 'honey' should manifest. This is done to prevent other sellers from attempting to pass off a food product as honey when in fact it is not: for instance, taking real honey and diluting it with other sweet liquids such as corn syrup. Rowe notes that this counterfeiting unfortunately happens all the time.

For IAF, the problem was that 'honey' had been defined as either liquid or semi-solid. Each of these forms has a certain percentage of moisture. The Honey Drop® was solid, with no moisture and did not fall under the definition of 'honey'. In 2007 CFIA's initial analysis indicated that since the product did not meet the definition, the Honey Drop® could not be called honey. Rowe sent samples to the CFIA so the product could be investigated and tested. As Rowe highlights, this all took place after the packaging had already been printed and produced.

Rowe reports that no one at IAF, not even their seasoned regulatory advisors and consultants, had even considered this complication. After all, the product had one ingredient and its aroma, texture, and taste were that of honey. Fortunately after many months and discussions IAF was allowed to continue to call the product honey. Rowe cautions that when a company is starting out, it must understand all relevant regulations, policies, and definitions. This holds true for both domestic and international markets.

Attracting Investment

In 2012, after nearly ten years of funding IAF themselves, John and Susan Rowe felt equity partners were needed. At this time of fast growth, external capital investment was, for the first time, necessary to enable expansion of production, sales and marketing. IAF was able to attract private equity investment that could finance IAF's growth for several years.

Rowe summarizes what investors are looking for into three main questions: 1) Is there a compelling value proposition for the consumer? 2) Is the product or service unique and protectable? 3) What is the potential size of the market?

IAF knew the answer was "yes" to the first and second question. In contemplating the third, Rowe suggests thinking global, not just local, if one is looking to attract private sector investment. Such investors are always looking for extended growth opportunities.

Competition

When competing in the global market, John Rowe feels Canadian food manufacturers need to identify their unique value proposition and compete on that basis. He feels that product differentiation is the way to grow internationally and that great success will never come to

those who simply duplicate other products. Duplication leads to price competition and, ultimately, a flattening of the consumer category.

Rowe views competition as a “good thing”. Rowe explains that existing market suppliers essentially lay the groundwork for the new market entrants like IAF and thus competition has exposed consumers to similar direct and/or indirect products and services.

5.4 Research, Data and Planning

Data

Rowe emphasizes, “It’s all about the data.” For example, tools that Forrester and Gartner, who are two of the world’s leading research and advisory companies, use are easily accessible. Investors have access to information that was unavailable only a few years ago. Rowe recommends testing, collecting data, analysing the data and asking, “Should I invest in this? Why?”

IAF uses Key Performance Indicators (KPIs) in many areas of its business. Rowe reports there are specific ones he keeps an eye on. Daily KPIs include metrics around production, packaging, and shipping and receiving. Weekly KPIs include metrics on sales and marketing. Rowe is a strong advocate of obtaining, interpreting and acting on data. The flow of new data necessitates the constant need for new interpretations and, when required, new directives and actions.

IAF is aware that their food product uses an ingredient that is in finite supply. IAF is constantly adjusting its forecast accordingly. Rowe points out that, so far, suppliers for IAF have been growing along with the demand. IAF works closely with its suppliers and provides forecasts for the expected demand of honey.

Start Local

For Rowe, “test locally before you go globally,” for “if you cannot sell to your local market—to your neighbour—you will not be able to sell outside of your city, your province, or your country.” This approach instils fiscal prudence, as it is expensive to market-test country-wide.

Business Innovation

By 2008, when production was beginning, IAF had invested heavily in research and development for four years. Funds were unavailable for marketing. As a result, IAF relied on tactics like ‘guerilla marketing’, word-of-mouth, and marketing communications with social media. IAF was conscientious about forming relationships with consumers who could spread the word and share their story. Direct marketing through the Internet and other inexpensive means was important. Rowe notes that start-ups need marketing innovation.

Research and Development

Research and development at IAF is driven by scale. Scaling up by modifying or inventing new machines and equipment can be exciting, but also time consuming and capital intensive.

Pricing and Exporting

IAF products are produced at a premium. The cost of goods for IAF is substantially higher than many other firms in comparable categories. This is because the honey is approximately nine to eleven times more expensive than sugar or other sweeteners. With this premium in mind, IAF took a long time to figure out what the price premium should be. In the end IAF settled on a price that both the producer and consumer seem to find comfortable.

When planning to export it is important to consider the “landing costs”. This is not just freight but also duty, customs, tariffs, and taxes that exist in most countries. IAF leverages its knowledge of international markets, shipping and logistics and consults with the Canadian Trade Commissioner Service in order to manage costs associated with exporting. This is done in every country to which IAF ships, so that a clear understanding is formed about how to best enter into an international jurisdiction for the lowest possible price.

Key to Profitability

As a manufacturing company, efficiency is vital, efficiency in the form of new inputs, new sources, and cost of goods. IAF is always looking to improve and become more efficient. Packaging, production, logistics – Rowe considers each element of production on a continual basis.

6. Glossary of Factors of Success for IAF and honibe®

Constant Innovation – For John Rowe and IAF, a patentable idea is very valuable. Having a patent is a key to attracting investment. Rowe places great emphasis on this notion.

Clear Vision – John Rowe’s vision of success is ambitious - to create the world’s first, premium, world-wide honey brand.

Failures – Rowe points out that not all lessons are learned easily. Sometimes mistakes or failures provide excellent learning opportunities.

Team – Hire people you trust and enjoy working with. Hire people that you know will have a positive impact.

Sales and Marketing – IAF sales and marketing efforts are very formalized and well established.

Geo-economics and Incubation – IAF is located in what would have to be considered an ideal location for a start-up food and natural health product company. IAF has worked with NRC Institute for Nutrisciences and Health as well as the PEI BioFoodTech Centre and the PEI BioAlliance.

Management’s Role – The mood at IAF of the management team is one of exuberant enthusiasm. Everyone in the company is expected to be the CEO of something.

Leadership – Getting the job done is the order of the day. There are titles and departments, but really it is a flat hierarchy. Everybody pitches in when and where it is needed.

Flexibility – Rowe feels the ability to remain flexible is a competitive advantage. He knows it will be challenging, but is keenly aware that it is a key to continued future growth and success.

Cobranding Strategy – Co-branding is a major key to the successful growth of IAF.

Customer and Consumer – Rowe is quick to note that shelf space guarantees you nothing. Firms must invest in marketing and you have to work together with your retail partners. IAF devotes a large percentage of the sales revenue to marketing programs that the retailers provide.

Value Proposition – For John Rowe and IAF the communication of the value proposition is a high priority in the marketing and branding of their products.

Regulatory Issues – For the retail food businesses, regulatory issues are paramount. Having knowledgeable individuals available for consultation is very important.

Attracting Investment – What is the compelling value proposition for the consumer? Is the product or service unique and protectable? What is the potential size of the market?

Competition – Rowe feels Canadian food manufacturing needs to recognize what their unique value proposition is and compete based on that.

Start Local – John Rowe has a saying, “you should test locally before you go globally”. If you cannot sell to your local market, to your neighbour you will not be able to sell outside of your city, your province or your country.

Business Innovation – Innovation has to occur in the products, processing and packaging.

Research and Development – Rowe notes that there is constant research and development happening at IAF. This is exciting on one hand, but it is also time consuming and capital intensive. The reality is that how the product is produced today is very different from how the product was produced five years ago.

Key to Profitability – As a manufacturing company Rowe knows the key issue is efficiency. Finding new and more efficient ways to do things is vital.

Data – Rowe emphasizes the importance of data. He notes, “It’s all about the data.”

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