

Taste of success: a strategic framework for product innovation in the food and beverage industry

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Abstract

Purpose – This paper aims to identify the combination of innovation determinants driving the creation of innovative products amongst market leaders and market followers in food and beverage (F&B) firms.

Design/methodology/approach – This research is based on the case study methodology by using two types of data sources: (1) semi-structured interviews with industry experts and (2) in-depth interviews with managers. In addition, a questionnaire adapted from prior research was used to consider market and firm types.

Findings – Suggesting an integrated theoretical framework based on firm-based factors and market-based factors, this study identified a combination of determinants significantly impacting innovative products in the market. Specifically, these determinants are competition intensity and innovation capability (a combination of research and development (R&D) investment and marketing capabilities). The study also examined how these determinants vary depending on whether the firms are market leaders or market followers.

Practical implications – This research provides practical insights for managers working in the F&B industry by using case studies and exploring the determinants of developing innovative products. In doing so, suitable strategies can be selected according to the market and firm situations.

Originality/value – The originality of the study is shown by focussing on how different combinations of market and firm factors could be applied in creating successful innovative products in the food sector.

Keywords Competitive strategy, Market leader, Market follower, F&B industry, Competitiveness, Innovation capability

Paper type Case study

1. Introduction

1.1 Research background

Nowadays, firms operate in a rapidly changing environment where innovation represents a solution to overcome internal and external changes (Zach *et al.*, 2021). Therefore, innovative



management strategies must also change to remain effective and competitive (Griffin, 1997). Prior studies like Wojtaszek and Miciuła (2019) point out that firms that strengthen their competitive position in the market will survive. For food producers to obtain a competitive advantage and succeed in the market, product innovation and the launch of new food product advancements are crucial (Rudder, 2003). Furthermore, one of the most significant ways that lead to a firm's growth and survival is dependent on the launch of new products successfully in the markets (Earle *et al.*, 2001).

For example, Su and Tang (2016) depict that firms focussing on product innovation are much more productive than firms whose ultimate goal is cost-cutting. However, the generation of a new successful product is not easy, initiative projects frequently fail (Pisano, 2015; Ernst and Young/ACNielsen, 1999) and most firms are encountering a dilemma about product innovation. Firstly, creating innovative products requires high investment in research and development (R&D), and at the same time, there are no guarantees of success. On the contrary, if firms do not invest in innovation, it is more likely that their positions will be disrupted. Additionally, launching new products is very risky and challenging and there are high rates of failure (Markovitch *et al.*, 2015). Even in a highly competitive environment, new product failure rates will be higher and generally, we could say, the lack of innovation strategies is evident in many firms (Pisano, 2015). Therefore, the practical factors that impact the creation of innovative products have captured more and more attention. This scenario appears helpful to provide a deep insight into creating new product innovation. It is still largely unknown what variables motivate innovation at the firm level and the interrelationships between these factors (Kafetzopoulos *et al.*, 2020). Before mentioning the essential drivers of innovation, it is worth noting here that most studies focussed on innovation consider internal factors. Only a few studies are working on the effect of external factors on innovation (Kafetzopoulos *et al.*, 2020). Studies focussing on expanding significant drivers of innovativeness in firms could be divided into (1) firm-related factors and (2) market-related factors. In the first category, researchers are looking for firm-related drivers, such as firm size (Marques and Ferreira, 2009; Nicholas *et al.*, 2011), firm Age (Marques and Ferreira, 2009), R&D intensity (Striteska and Prokop, 2020; Anzola-Román *et al.*, 2018; Aghion *et al.*, 2005), firms' type (innovation leader vs innovation follower) (Arora *et al.*, 2016; Striteska and Prokop, 2020) and firm innovation capability (low vs high innovation capability) (Rothwell, 1992; Nepelski and Piroli, 2018). The other scholars are looking at market-based factors like customer expectation (Lee *et al.*, 2016; Crawford and Benedetto, 2021), market research/market-related activities (Striteska and Prokop, 2020), cooperation with other partners and networks (Marques and Ferreira, 2009) and market competition intensity (Schumpeter, 1942; Cooper *et al.*, 1997; Aghion *et al.*, 2005; Crawford and Benedetto, 2021).

1.2 Research gap

These mentioned studies have only focussed on either market or firm-based determinants but not both. However, creating a successful innovation in a firm requires both firm and market-related factors (Cagliano *et al.*, 2016). Few studies (i.e. Fortuin and Omta, 2009; Striteska and Prokop, 2020; Malekpour *et al.*, 2022a) have considered the combined impact of market-based and firm-based factors and considering how different combinations of determinants affect innovation.

The second gap that motivated the researchers was that most studies on innovation were conducted in developed countries (Sadiki and Lebailly, 2020). However, their results cannot be generalised in emerging markets (Radas and Božić, 2009).

1.3 Aim of study

Despite the huge resources invested, most of the new products that are launched every year do not succeed (Ernst and Young/ACNielsen, 1999). Nevertheless, product innovation is so

important for food companies because consumers will be attracted to a company that distinguishes its items from competitors (Malekpour *et al.*, 2022b). Hence, we believe that there is an opportunity for food producers to improve the success rate of new products by employing the right strategies. Therefore, this study examines how bundles of two major determinants, firm-related factors (firm type and innovation capability) and market-related factors (competitiveness level), affect the ability of firms to develop innovative products.

It elaborates on the set of best practices from a case study that supports successful product innovation to find a practical answer to the following research question:

RQ. How do various combinations of the firm and market determinants affect the product innovation of firms in the food industry?

This main question will be answered through four sub-questions:

- (1) What is the best product innovation strategy for a market leader with high innovation capability in a low-competitive market?
- (2) What is the best product innovation strategy for a market leader with high innovation capability in a highly competitive market?
- (3) What is the best product innovation strategy for a market follower with low innovation capability in a low-competitive market?
- (4) What is the best product innovation strategy for a market follower with low innovation capability in a highly competitive market?

1.4 Contribution

This study contributes to the literature on product innovation by providing a theoretical framework and empirical evidence for firm-level and market-level determinants of product innovation strategies for market leaders and market followers in the industry. To the best of our knowledge, this is one of the first studies to investigate how various sets of factors could impact firms' decisions on product innovation in this industry, especially in Iran. This study also advances the knowledge of product innovation by using in-depth interviews and validating six distinct innovation strategies for market leaders and market followers in different competition intensities and innovation capabilities.

The paper is structured as follows. First, a review of the literature on product innovation and effective factors are provided. Second, we describe the research methodology and discuss the selection criteria of the case study. Third, we present the case study and data collection. Finally, we discuss the research result, managerial implications, limitations and conclusion.

2. Theoretical background

Product innovation is modifications of a product that a company offers (Baregheh *et al.*, 2012). The current research aims to investigate how different combinations of factors affect the product innovation of firms in the food industry. To do this, an eligible theoretical framework is required. In particular, the theoretical framework appropriate for the current study should address effective factors and connect them to creating innovative products. Our framework is based on two main notions. We propose that a firm's approach to generating an innovative product is based on firm (innovation capability) and market-based factors. Innovation capability is based on two components and one is investments in R&D activities. The second component is market orientation and firm marketing activities. Regarding market-based factors, competition intensity will be considered.

2.1 Innovation capability (investments in R&D activities and market orientation)

The literature review reveals two main factors effective on innovations in the food industry: investments in R&D activities and marketing activities (Grunert *et al.*, 1997; Grimsby, 2020). There is a lot of debate amongst scholars about which factor is more important for innovation in the food industry. Some argue that R&D is more important because innovation in the food industry is based on new technologies (Huiban and Bouhsina, 1998; Anzola-Román *et al.*, 2018) and hiring skilled experts. While others (i.e. Stewart-Knox and Mitchell, 2003; De Luca and Atuahene-gima, 2007; Chatterjee *et al.*, 2020) think that market orientation is more important because it is based on customers' needs.

In line with prior studies (i.e. Santoro *et al.*, 2017), this paper adopts an integrative approach that combines R&D intensity and marketing activities as innovation capability and examines their interactive effects on new product innovation. Innovation capability is defined as the ability of firms to use their resources to generate successful innovations (Nepelski and Piroli, 2018). We should also mention that R&D intensity is not the only factor that drives innovation in the food industry. Some researchers (Ramadani *et al.*, 2019) claim that R&D is not essential for product innovation and cite the OECD (2010, p. 23), which states that "firms may introduce new products into the market without engaging in R&D". This research identifies these firms as having low innovation capability and aims to find the best strategies for them to create innovative products. Moreover, prior studies connect innovation capability to firm type. For instance, Arora *et al.* (2016) share the idea that firms will create innovative products if they are technically superior to their rivals and categorise them into market leaders, followers, or weak innovators. Likewise, Striteska and Prokop (2020) identify a market leader as a firm that launches new or significantly new products before competitors and considers firms as market leaders and followers. A market leader strives to be first in introducing new products into the competitive market by using new technologies.

This study follows Striteska and Prokop (2020), where the decision to generate innovative activities depends on innovation capability. However, being the first to market is not always the best advantage for companies; later entrants can outperform the innovator (Teece, 1986) due to weak intellectual property rights (Arora *et al.*, 2016). Therefore, we can also classify food firms based on their innovation capability, market leaders with high innovation capability and market followers with low innovation capability.

2.2 Competitive intensity

Another factor, in reviewing literature is market competitiveness (Cooper *et al.*, 1997; Rothwell, 1992). This factor is relevant because a firm's incentive to innovate depends on the degree of competition it faces in the market (Schumpeter, 1942). However, the empirical evidence on the relationship between competition and innovation is mixed. Hashmi (2011) finds a negative relationship between competition and innovation. On the contrary, Schmitz (2005) shows a positive linear relation between competition and innovation, implying that competitive pressure stimulates firms to innovate to gain an edge over their rivals. The findings of Aghion *et al.* (2005) show that when an enterprise is operating in highly competitive intensity, it is more likely to spend hugely on R&D to differentiate its products from its rivals. These studies show that there is no consensus on how competition affects innovation. A possible explanation for the mixed findings on the relationship between competition and innovation is the type of firm. For example, market leaders with high innovation capability may be more motivated to innovate when they face strong competition from their rivals, as they have the resources and skills to maintain their advantage. On the other hand, market followers with low innovation capability may be less inclined to innovate when they face intense competition. Therefore, the effect of competition on innovation may depend on the interaction between competitive intensity and innovation capability.

Therefore, this research considers firms' innovative strategies in two different competitive environments: low and high levels of competition.

This study sets drivers of product innovation in different combinations of market and firm types. For suggesting the best possible strategies for food firms (Figure 1).

3. Research methodology

After reviewing the literature and identifying the most significant determinants of creating innovative products in the food and beverage (F&B) industry, a case study method was employed to find and suggest the right strategies for creating innovative products. Exploring strategies is a sensitive issue and according to Gibbs's (2007) point of view, a qualitative method will be used when quantification cannot address a sensitive problem. Following Giacomarra *et al.* (2021), Yin (2003) and Kallmuenzer *et al.* (2022), this method is used for several reasons. First, the case study approach is helpful when a "how" or "why" question is being asked about a current set of circumstances over which the investigator has little to no influence. Second, the case study approach enables the acquisition of huge quantities and high-quality data when using a quantitative method is challenging. Finally, the case study approach seems especially suited to describing a little-studied phenomenon. Therefore, this qualitative research approach is employed to describe the events discussed in this work "from the inside" in their naturalistic context (Yin, 2013).

3.1 Context of the study – Iran

The research is specifically conducted through the analysis of a case study on a food manufacturer in Iran, to investigate a phenomenon in a real-life context by focussing on observing contemporary events (Yin, 2009). The reason behind the selection of Kalleh Dairy Company (as part of Solico Group) relies upon on it that this company is a market leader in creating innovative products (Euromonitor International, 2016) in some product categories

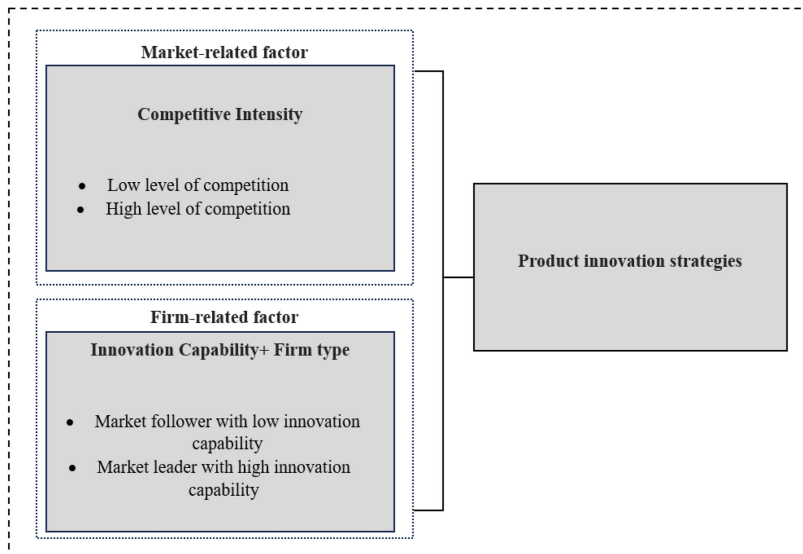


Figure 1.
Market/firm
determinants
combination of firms

Source(s): Authors elaborations

(Beldman *et al.*, 2017) which most of them have survived. However, according to Lundahl (2011), the food industry is a highly competitive environment where many manufacturers struggle to survive. This is also true for Kalleh as a market leader in some categories, but a market follower of other firms in others. In this way, this research avoided a just descriptive approach. We chose the case of one of the most prominent food companies in the Iranian market, Kalleh Company as a relevant case. Solico acts as a Middle East pioneer company in the F&B with 14 plants in Iran. Thanks to their excellent ways of working, this company absorbs 2,500 tons of milk per day which is the highest in Iran. According to Guardian (2016)'s report, this Company is amongst the top 50 global brands, just two places behind Nutella.

This firm has an extensive product range (358 products) and there is no similar food company in Iran in terms of the extensive product range. Therefore, based on Giacomarra *et al.* (2021) point of view, by selecting this case study, we may also bypass the problem with the single case study design.

3.2 Data collection and analysis

The case study was based on two types of data sources. (1) semi-structured interviews with industry experts and (2) in-depth interviews with managers.

The first step: interviews with industry experts. To identify the successful strategies that led to the generation of innovative products in the company, semi-structured interviews with industry experts were conducted. The interviews aimed to examine the company's experiences in developing innovative products. The concept of innovation used in the current study includes both small and radical changes in products. Using a judgemental sampling technique, six industry experts who were most knowledgeable about new products were selected for interviews. Questionnaires opted from prior studies (Marques and Ferreira, 2009; Striteska and Prokop, 2020) were used to consider market and firm types. This questionnaire had two parts: the first one aimed to collect information related to the firm's new products such as their launch date, success rate and the share of the total sales volume of new products in 2021 based on actual data.

The second part of the questionnaire measured the competitive intensity of the market and the position of the firm as a leader or follower. The questionnaire was emailed to inform industry experts in advance to inform them of the study. After the questionnaire was reviewed by them, the authors were invited to Kalleh Company to fill out and deliver research questionnaires. The interviews with industry experts lasted, on average, 55 min. The data collection process lasted for two months, from April 2021 to June 2021.

The interviews with industry experts were conducted using a protocol based on the relevant literature (e.g. Tirole, 1988). The protocol included questions about the main category and the number of competitors in the market for each successful product, as well as the position of the company as a market leader or follower. The numbers 0, 1, 2 and 3 depicted low-competitive intensity (Tirole, 1988s proposed index). For example, according to interviews, the experts agreed that Lactivia yoghurt belonged to the "yoghurt" category and that Kalleh was a market follower in this market, which had more than 20 competitors. The exact launch date of each product, which was obtained from the first part of the questionnaire, was used to identify the first movers and the followers in each category. (see Tables A2 and A3 in the appendix).

Successful products were identified with two criteria: Some products that survived over five years or some new products that were introduced into the market in the year 2020 and have created major sales and it is predicted that those will generate future opportunities. According to the interview, 49 new products were produced in this period and 34 of them were successful. New successful products are seen in Table A1 (See appendix). As mentioned

before, Kalleh Dairy Co. has 358 products, of which 34 new products from five years ago are still in the market. Therefore, the new product survival rate is 9.4%. In addition, the share of 2020 total sales volume attributable to new or significantly improved products launched by the firm in the period 2015–2020 was indicated by industry experts and data depicts that this share is approximately 15%. Hence, it seems this firm fared well in terms of its new product projects.

Therefore, the distribution of new product categories falls into four groups:

- (1) The yogurt category includes Lactivia Yogurt and Icelandic yogurt (6 SKUs, 17.6 per cent).
- (2) The milk category includes Promilk, Proshake, Fortified milk for new moms, Fortified milk, Kido milk and Barista milk, Solatte milk and plant-based milk (18 SKUs, 53 per cent).
- (3) Beverage, includes Lucky-Do soft drink and carbonated water (6 SKUs, 17.6 per cent)
- (4) Cheeses- Cream cheese (4 SKUs, 11.8 percent)

The second step: interviews with managers. In the second step of exploring employed strategies in our case study, we conducted manager interviews. According to [Jaworski and Kohli \(2017, p. 11\)](#): “. . . a firm that sets the rules in an industry – often leads the industry. And others end up following the firm, playing by its rules to their detriment”. Therefore, it would be very insightful to conduct an in-depth interview with the leader to identify their actions and those of their competitors.

All data obtained from interviews are seen in [Table 1](#). The interview protocol with managers aimed to explore the company’s decision regarding new products. The protocol asked the managers four questions: (1) why did Kalleh produce this new product for the first time? (2) What action(s) did the company take? (3) What new product was produced from this action? and (4) How did the competitors react after the product launch? The interviews with managers lasted, on average 40 min.

A judgemental sampling technique was applied to select managers for the interviews. Three university professors who were experts in marketing and strategic management were also consulted to review the managers’ points of view about the actions taken for innovative products. The professors helped to identify the strategies of the case study and its competitors. [Figure 2](#) shows an overview of the research methodology.

4. Results and discussion

We evaluated the data collected from two steps of interviews (industry experts and managers) by visiting the Kalleh Company website (<https://kalleh.com/en/>) and the Kalleh Instagram account (<https://www.instagram.com/kallehbrand/>). As all of the product ranges are available on the website and all new products have been introduced through the Instagram page, we were able to verify that all of the new products were mentioned by the industry experts and managers.

Our study aimed to identify employed strategies for creating innovative products in the food industry by examining market leaders. The current research takes three steps to answer research questions; In the first step, successful new products, competition intensity and firm type were identified (see [Tables A1 and A2](#) in the appendix). Then, managers were asked to respond to some questions to reveal the strategies employed by their companies (see [Table 1](#)), and in the next step, three university professors were asked to identify the strategies that the interviewees mentioned (see [Table 2](#)). The study uses a single case study, but it also gains indirect insights into the market followers’ actions from the managers’ arguments about their competitors.

Firm type	Competition in the main product	New and successful products	Interviewee (s)/work experiences-years	Interviewee's point of view
Kalleh is a market follower in the yogurt market	High	Lactivia Yogurt	Market Development Manager (12)	<p>"Given the high competition in the yogurt market, we leveraged our R&D capabilities to develop a new product similar to Danone's Activia yogurt. Our creation features an exclusive probiotic designed to enhance digestive comfort. As a result, we have become the market leader in this innovative category."</p> <p>"After introducing Lactivia yogurt to the market, we observed a specific market emerging based on customers' interest in this product. Following the launch in 2016, market followers such as Haraz and Domino introduced similar products under the brand names 'Flor Active' and 'Actimo,' respectively."</p> <p>"This product represents a new generation of dairy offerings tailored to customers who are mindful of their fat intake, especially among athletes. We developed this product in response to evolving customer preferences."</p>
Kalleh is a market follower in the milk market	High High	Icelandic yogurt Milk (Promilk, Kido, Barista milk . . .)	Dairy Marketing Manager (5) Market Development Manager (12)	<p>"One of our firm's most successful recent strategies has been the introduction of specific new products, notably in the milk market. We developed specialised variants of milk, branded as 'Promilk,' tailored for athletes with higher protein needs. Following the production of two SKUs (Vanilla and Chocolate) of Promilk, our dedicated R&D team expanded the category by introducing a new SKU called 'Proshake.' These variant features lower protein content, a new weight, and minor changes in packaging, further diversifying our product offering."</p> <p>"As the pioneering and currently sole producer, our firm has introduced a range of milk products tailored for specific customer groups, including Kido for kids, a variant for new moms and pregnant women, and Barista milk designed for coffee shops. Notably, our Solatte category, featuring ready-to-drink coffee, stands out as one of the most successful products in the milk category."</p> <p>"Following the market leader Manda Soy, Kalleh ventured into non-dairy milk production with the introduction of Almond Milk, the first UHT non-dairy almond milk in Iran. This addition allows us to provide superior value to customers, and we currently offer three SKUs."</p>

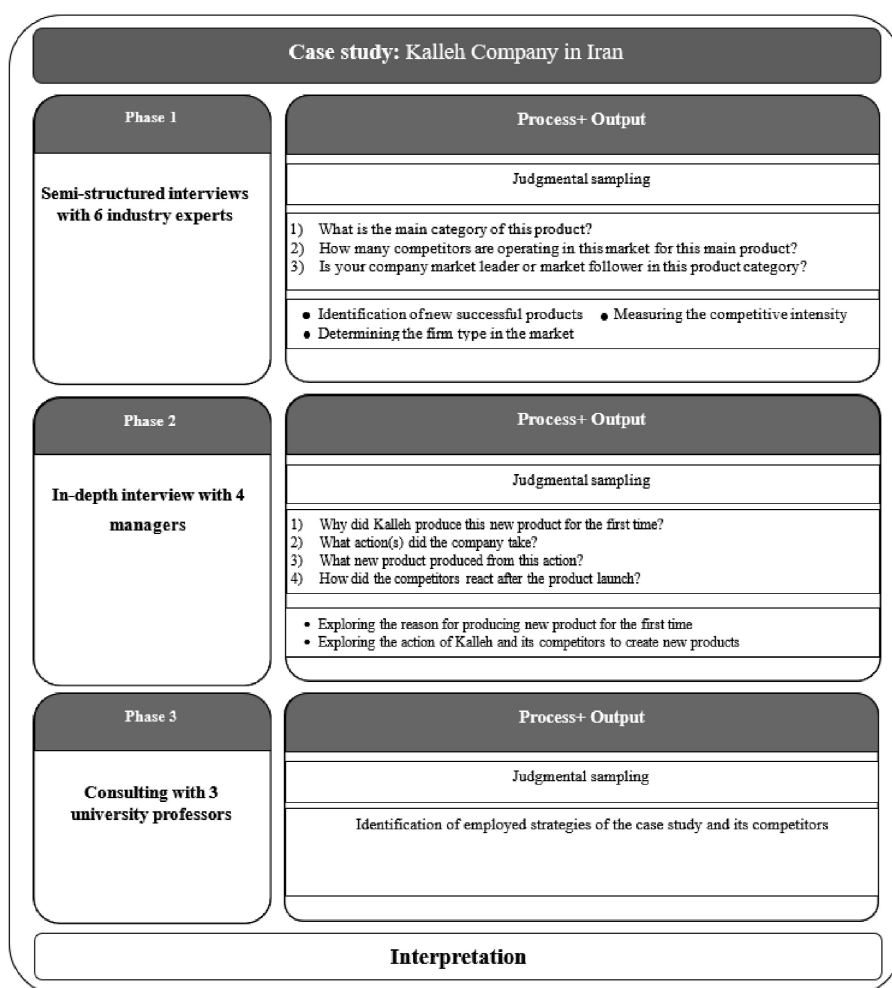
(continued)

Table 1.
Interviewee's (manager) point of views

Table 1.

Firm type	Competition in the main product	New and successful products	Interviewee (s)/work experiences-years	Interviewee's point of view
Kalleh is a market follower in carbonated water	Low	Soft drink and carbonated water	Marketing Manager (5) Market Development Manager (12)	<p>"As the sole pioneer in Iran, we are the first to produce dairy-based soft drinks under the brand Lucky-Do, offering three distinct flavours."</p> <p>"In addition to Lucky-Do, our company introduced Lucky-U, a unique carbonated water with distinct attributes, into the market. While the number of firms producing carbonated water is limited, Crystal Co. holds the largest share in the market."</p>
Kalleh is a market leader in the cheese market	High	Willie cream cheese	Cheese Marketing Manager (6)	<p>"With intense competition in the cream cheese market and numerous producers, we currently hold the largest share in the Iranian market. To sustain our leading position, we strategically introduced our second category of cream cheese, featuring a new brand and packaging with higher quality to distinguish our product from competitors."</p>
Kalleh is a market leader in the Seven yogurt market	High	Seven and Sabo yogurt	Market Development Manager (12)	<p>"In 2016, Haraz introduced a low-fat yogurt similar to Seven yogurt in the market, capturing a segment of consumers seeking low-fat stirred yogurt."</p>

Source(s): Authors' data elaboration



Source(s): Authors elaborations

Figure 2.
The overview of the research methodology of this study

4.1 University professors' analysis of interviewees' data

To answer our research questions, we explored the case study's strategies for creating successful products with the help of university professors. They provided their comments (Table 2) after reading the interview data. We used the comments to identify the best product innovation strategy for each firm and market situation (market leader with high innovation capability in a low-competitive market, the market leader with high innovation capability in a highly competitive market, a market follower with low innovation capability in a low-competitive market, a market follower with low innovation capability in a high competitive market) to suggest best strategies. The following section provides related strategies employed by the case study and its competitors in different markets and first situations.

New and successful products	University professor's comments
Lactivia and Icelandic yogurt/Lucky-Do	<i>Kalleh, positioned as a market follower in the yogurt market, strategically introduced 'Lactivia yogurt,' a new product with distinct attributes. Regarding "Icelandic yogurt" and "Lucky-Do" the scenario is corrected and Kalleh employed a "leapfrogging strategy" for producing these successful products</i>
New SKUs of Lactivia Yogurt New SKUs of Icelandic yogurt New SKUs of Solatte	<i>"Introducing a new size of a product (e.g. a new weight of Icelandic yogurt and Lactivia yogurt) or introducing a new taste within a product category, such as offering a different flavour of "Solatte", aligns with the "Line extension" strategy or product modification"</i>
Proshake	<i>Implementing minor changes in packaging or making slight ingredient adjustments, as seen in the launch of "Proshake" following "Promilk", is also considered a "Line extension" strategy."</i>
Carbonated water	<i>Kalleh competitor in carbonated water, Crystal Co., adopted a "line extension strategy" by introducing a new flavour of carbonated water into the market As a market follower in carbonated water, Kalleh employed a "frontal attack" strategy by introducing dairy-based carbonated water into the market as a superior product compared to the market leader</i>
Non-dairy milk	<i>Kalleh was a market follower in the non-dairy market and by introducing three new SKUs, Hazelnut milk Almond milk and Oat milk employed "frontal attack strategy"</i>
Promilk, Fortified milk for new moms or pregnant women, Fortified milk, Kido, Barista milk and Solatte	<i>As a market follower in the milk market, Kalleh opted to produce "New products specific to each group of customers" (New P-S-G-C), catering to segments such as kids, new moms, and more</i>
Flor Active yogurt and Actimo yogurt	<i>Two market followers, Haraz and Domino, in the yogurt market produced new yogurts similar to Kalleh's Lactivia yogurt, employing the "Me too product strategy."</i>
Sabo yogurt	<i>Kalleh holds a strong market leadership position in stirred yogurt, and Haraz Co., by introducing low-fat stirred yogurt employed "Flanking attack"</i>
Willie cream cheese	<i>The introduction of 'Willie cream cheese' as a new category with higher quality increased Kalleh's market share in the cheese market. This strategic move is indicative of Kalleh's use of a 'Flanker brand strategy.'"</i>

Table 2.
University Professor's
analysis of
manager's data

Source(s): Authors' data elaboration

4.2 Market leader in low-competitive intensity

Kalleh is a market leader in several product categories, such as Lactivia yoghurt, Icelandic yoghurts and ready-to-drink (RTD) coffee. To maintain its dominant position in the market, it decided to add new products to these categories. For example, it launched Icelandic and Lactivia yoghurts in new weights. This company introduced "Proshake" as a new product in the "high protein milk category". According to managers' interviews, this new product was introduced in the market after Promilk (Vanilla and chocolate), and it has a lower level of protein new weights and new packaging. Similarly, it added some new flavours of RTD coffee, such as cappuccino, macchiato and mocha. During an interview with managers, they

mentioned the market leader in carbonated water, Crystal Co. This company introduced a new flavour of carbonated water (lemon) as a new product.

Regarding the important role of innovative actions, prior studies illustrate that the market leader could probably be successful for a long time, therefore, they tend to prefer incremental innovation over radical changes as they want to preserve their status and refuse major change. According to [Winger and Wall \(2006\)](#), many food firms prefer to re-develop existing products (incremental innovation) rather than create new-to-world products (radical innovation). However, they also need to invest in continuous improvement ([Lee et al., 2016](#)) as it is obvious that no position in a competitive environment is secure from eventual challenge or takeover by rivals ([Schulze et al., 2022](#)). Amongst many others, [Pisano \(2015\)](#) mentions that the market leader needs to preserve its bargaining power in the market and blunt imitators-market followers by continuous investment in innovation. This is especially true in the food industry, where product innovation mainly concerns taste, flavour and sensorial attributes ([Muscio et al., 2010](#); [Juriaanse, 2006](#)) or focussing on packaging innovation ([Ahmed et al., 2005](#)) such as producing new products in new weight. According to [Kotler and Keller \(2012\)](#), introducing a new version of a product into the market by adding additional elements, such as new flavours, sizes, colours, or ingredients is a line extension. A line extension is when a company introduces new products in the same product category using the same brand name that customers already know ([Hernandez-Olalla et al., 2023](#)) with different attributes, quality or price ([Kim et al., 2001](#)). Then,

Proposition 1. If a market leader (with high innovation capability) is facing low-competitive intensity, “Line extension (product modification)” will be the best strategy for generating new products.

4.3 Market leader in highly competitive intensity

Cheese is the second-best-selling dairy product in Iran ([EMRC, 2020](#)). Based on the industry experts’ interviews (see [appendix](#)), Kalleh is a market leader in this market with a variety of cheeses. One of the successful product categories in recent years is cream cheese with the brand name Willie. According to the literature review, when a company introduces a new brand for a product category, it aims to protect the main product category from competitors and generate more shelf space ([Certo and Peter, 1990](#); [Kim and Lowrey, 2011](#)). This strategy is called the flanker brand strategy. For example, by employing this strategy, a company can attract two different groups of customers: one who values quality and one who is sensitive to price ([Werner, 2013](#)). Kalleh company introduced a new brand of cream cheese in the market higher quality secured sales from customers who prefer premium cheese. Then:

Proposition 2. If a market leader is experiencing a high level of competitive intensity, “flanker brand” would be the best strategy for generating new products.

University professors argued that the analysis of strategies employed by our case study showed that we could categorise market followers into two categories: market followers with high innovation capability and market followers with low innovation capability. Their strategies were different.

4.4 Market follower with high innovation capability in highly competitive intensity

According to the industry experts and managers’ interviews, Kalleh was a market follower in the yoghurt market and competition intensity in this market is high. Referring to the manager interview (see [Table 1](#)), the reason behind producing “Lactivia yoghurt” and “Icelandic yoghurt” for the first time was to create an advantage in the highly competitive market of yoghurt by introducing a new generation of yoghurt. Another significant

innovative product of the Kalleh Company is the “Lucky-Do” soft drink. According to the [European Commission \(2017\)](#), carbonated drinks’ demand in Iran is growing at a slower pace than other drinks categories and it seems that the most important reason behind it is enhancing health concerns amongst Iranians. Hence, some customers are switching to healthier options. The information opted from the interview depicts Kalleh’s marketing and R&D team exploring this opportunity by identifying customers’ needs and meeting them with a new product named “Lucky-Do”, a dairy-based soft drink. This Company has produced this product with a similar taste to Coca-Cola, dairy-based and 40% less sugar.

Prior studies have emphasised the importance of a healthy eating style for customers. [Muscio et al. \(2010\)](#) study highlights that customers are paying more attention to healthy eating styles and they want light and fortified products as well as food with healthy features. However, researchers and practitioners have mostly agreed that the food market has changed in recent years and customers want to buy different kinds of food and get more services from food firms. Therefore, food firms cannot just rely on incremental innovations like me-too products to reach the market. It means it is not sufficient and they need to be more innovative and meet the needs and tastes of their customers ([Matricano et al., 2022](#)). In addition, some studies like [Yannopoulos \(2011\)](#) argue that if a firm is operating in the market as a market follower, it could focus on developing new products by employing new technology and finally producing the next generation of products. Then, this company would be a market follower with high innovation capability. This strategy is named leapfrogging strategy. Likewise, [Trout and Rivkin \(2001\)](#) in their study found that attacking a market leader by applying a new generation of technology is one of the best strategies for being successful in the market. Regarding milk, there is a highly competitive market and the [European Commission \(2017\)](#) mentions that Mihan Co. and Damdaran have strong positions in shelf-stable milk and fresh milk in the Iranian market respectively. Therefore, Kalleh Co. decided to develop some new products in the milk category. “Promilk”, “Fortified milk for new moms”, “Fortified milk”, “Kido milk”, “Barista milk” and “Solatte- Espresso” were introduced into the market. Analysis of research results shows that University professors argued that Kalleh employed a “*new product specific to each group of customers*” strategy in the milk category which the finding of the interview illustrates that this strategy was successful.

Accordingly, it can be stated as:

Proposition 3. If a market follower (with high innovation capability) is experiencing a high level of competitive pressure, the two best product innovation strategies would be the “leapfrogging strategy” and “New product specific to each group of customers”.

4.5 Market follower with low innovation capability/high competition

According to information derived from interviews with industry experts, it is evident that one of the most significant products of this firm is the “Seven yoghurt category” which is stirred yoghurt, and this category is a successful market leader in the stirred yoghurt category in Iran. This category has more than 10 SKUs. Currently, there are more than 10 firms that are producing a product similar to Seven yoghurts and all of them are market followers. However, according to interviews with managers, it seems one of the SKUs of market followers (Haraz Co.) had a good performance in this market (Sabo low-fat yoghurt). According to [Trout and Rivkin \(2001\)](#), “*Business today is not about reengineering or continuous improvement. Business is about war*” (p. 43). Therefore, in the highly competitive environment, firms need a more intense strategy. Flanking attack strategy is a good strategy that does not need to have high innovation capability. Amongst many others, [Yannopoulos \(2011\)](#) mentions that this strategy is employed by followers because some segments of the market are not served well by the market leader as these major firms do not see these markets as important enough. Similarly, [Trout and Rivkin](#)

(2001) point out that pursuing a flanking strategy by the market follower is the best strategy when some markets are not supported by a market leader. Therefore:

Proposition 4. If a market follower has low innovation capability and is operating under high competition pressure, the best innovation strategy would be the “flanking attack strategy”.

4.6 Market follower with high innovation capability in low-competitive intensity

According to a [European Commission \(2017\)](#) report and interview with industry experts, “Manda soy” is the leading brand in non-dairy milk. Therefore, Kalleh Co. is a market follower that decided to produce plant-based milk. It introduced Hazelnut milk, Almond milk and Oat milk to the market. Dairy-based carbonated water is another new successful product of our case study. According to interviews, Crystal Co. is a market leader in the carbonated water category and there are few competitors in this product category (low-competitive intensity). [Ferrell and Hartline \(2011\)](#) state that companies that have a small share of the market usually introduce a new variety of products to increase their market share. An small and medium-sized enterprise (SME) (market follower with low-innovation capability in the current study) can generate innovative products by employing non-R&D ([OECD, 2000](#)). [Wilson and Giligan \(2005\)](#) mention the strategies of successful low-share followers, such as efficient use of limited R&D budgets and focussing on specialisation rather than diversification. Some of these firms have close relationships with their customers that provide sufficient knowledge of the market to overcome the liability of newness ([Ferrerás-Méndez et al., 2015](#)) and help them transform new ideas into new products ([Bao et al., 2012](#)) and provide superior product performance than rivals ([Jin et al., 2017](#)). Therefore, it seems attacking a competitor head-on by producing similar products, prices, promotion and distribution with competitors’ products that offer superior value or quality at competitive prices (frontal attack) ([Yannopoulos, 2011](#)) is the best strategy. [Urban \(2004\)](#) argues that a market follower can employ a full-frontal attack by introducing products similar to the market leaders’ products with the same level of quality and competitive prices. Hence:

Proposition 5. If a market follower (with high innovation capability) is experiencing a low level of competitive intensity, one of the best product innovation strategies would be a “frontal attack”.

4.7 Market follower with low innovation capability/low-competitive

Kalleh created a new category of yoghurt by producing Lactivia yoghurt, and it is the market leader in this category. Now, Haraz Co. and Domino Co. are market followers in the Lactivia yoghurt market, and they produce new yoghurts like Kalleh Lactivia yoghurt (“Flor Active yoghurt” and “Actimo yoghurt”). Reviewing literature has shown that once the market leader successfully introduces an innovative product in the market, rivals will start to follow and adopt it ([Zach et al., 2021](#)). Market followers tend to follow successful firms (market leaders) ([Scott and Davis, 2015](#)). Undoubtedly, the largest group of new food products are produced by this strategy and product Me-too products. For example, in Europe, 77% of all new products are Me-too products ([Benner et al., 2003](#)). Market followers with low innovation capability operating in a low-competitive market, tend to imitate new technologies and copy competitors’ products and develop me-too products ([Child, 1997](#); [Lukas and Ferrell, 2000](#); [Schulze et al., 2022](#)).

Therefore, this brings us to:

Proposition 6. If a market follower (with low innovation capability) is experiencing a low level of competitive intensity, the “me too product strategy” is one of the best strategies for generating innovative products.

Therefore, according to the analysed research results, it seems this research proposes this research framework (see [Figure 3](#) and [Table 3](#)):

5. Managerial implications

From the managerial perspective, this paper aims to explore the factors that influence the development of successful new products in the Iranian food industry and to provide a model that suggests the best strategies for different types of firms and market situations. Data analysis has shown that these strategies led to successful products that survived after five years in the market. Our model illustrates that developing innovative products depends on firm and market-related factors, such as competitive intensity, firm type and innovation capability. In particular, the results help identify strategic decision-making based on competitive intensity, such as in low-competition scenarios, market leaders should focus on “Line extension” for sustained dominance, and of course, in highly competitive markets, a “Flanker” strategy with new brands is recommended for product category protection (“Flanker brand”). Hence, high innovation-capable market followers in intense markets should consider “Leapfrogging” and “New product specific to each group of customers” and low innovation-capable market followers in competitive environments can benefit from a “Flanking attack strategy” without high innovation. By also considering the innovation in product categories, it is possible to observe that in highly competitive, low innovation markets, market followers should adopt a “Me too product strategy” to imitate successful products and high innovation-capable market followers in less competitive markets should employ a “Frontal attack” with similar products and competitive pricing. It is also essential to understanding consumer trends and market leaders prefer incremental innovation in low-competition settings but must continuously invest in innovation for long-term success.

Firm/Market		Market Competitiveness	
		Low competitiveness level	High Competitiveness level
Innovation Capability	Market leader with high Innovation Capability	<p>Leader</p> <p>Line extension strategy</p> <p>(e.g., Icelandic yogurt-900 gr)</p>	<p>leader</p> <p>Flanker brand strategy</p> <p>(e.g., Willie cream cheese- 200 gr/350 gr/ 100 gr/1000 gr)</p>
	Market follower with high innovation capability	<p>Follower</p> <p>Frontal attack strategy</p> <p>(e.g., Hazelnut milk/Almond milk/ Oat milk)</p>	<p>Follower</p> <p>leapfrogging strategy</p> <p>(e.g., Lucky-Do- dairy-based soft drink)</p> <p>New products specific to each group of customers</p> <p>(e.g., Fortified milk for new moms)</p>
	Market follower with low innovation capability	<p>Follower</p> <p>Me too product strategy</p> <p>(e.g., Flor Active yogurt)</p>	<p>Follower</p> <p>Flanking attack strategy</p> <p>(e.g., Sabo low-fat yogurt)</p>

Figure 3. Suggested research framework

Source(s): Authors elaborations

Firm/Market type	Competition level	Company	New success product	Employed strategy
Market leader with high innovation capability	Low	<ul style="list-style-type: none"> • Kalleh • Crystal 	<ul style="list-style-type: none"> • Icelandic yogurt-900 gr • Carbonated water-Lemon • Lactivia yogurt full fat-1500 gr/Lactivia yogurt low fat-1500 gr • Proshake • Solatte-cappuccino-macchiato- mocha- vanilla-235 cc/Caramel milkshake –235 cc/ 	Line extension strategy
Market leader with high innovation capability	High	<ul style="list-style-type: none"> • Kalleh 	<ul style="list-style-type: none"> • Willie cream cheese- 200 gr/350 gr/100 gr/1,000 gr 	<ul style="list-style-type: none"> • Flanker brand strategy
Market follower with high innovation capability	Low	<ul style="list-style-type: none"> • Kalleh 	<ul style="list-style-type: none"> • Dairy-based carbonated water • Hazelnut milk/Almond milk/Oat milk 	<ul style="list-style-type: none"> • Frontal attack strategy
Market follower with low innovation capability	Low	<ul style="list-style-type: none"> • Haraz • Domino 	<ul style="list-style-type: none"> • Flor Active yogurt • Actimo yogurt 	<ul style="list-style-type: none"> • Me too product strategy
Market follower with high innovation capability	High	<ul style="list-style-type: none"> • Kalleh 	<ul style="list-style-type: none"> • Lactivia yogurt full fat-900 gr/Low-fat 900 • Icelandic yogurt-400 gr • Lucky-Do- dairy-based soft drink • Promilk (330 cc)-vanilla/ chocolate • Fortified milk for new moms • Fortified milk-full-fat-200 cc/Low-fat 200 • Kido- flavoured milk for kids-two flavour • Barista milk • Solatte- Espresso-235 cc • Sabo low-fat yogurt 	<ul style="list-style-type: none"> • Leapfrogging strategy • New P-S-G-C
Market follower with low innovation capability	High	<ul style="list-style-type: none"> • Haraz 	<ul style="list-style-type: none"> • Sabo low-fat yogurt 	<ul style="list-style-type: none"> • Flanking attack strategy

Note(s): New P-S-G-C (New product specific to each group of customers)

Table 3. Suggested strategies

Overall, understanding innovation capabilities in varying competitive landscapes is critical for tailoring strategies to market leaders and followers and strategic response to changing consumer preferences is critical, as Kalleh’s response to the demand for healthier options exemplifies this.

Finally, Managers are advised to continually monitor market conditions, competition and consumer preferences for dynamic adaptation and maintaining a competitive edge. Our model is consistent with some prior studies (e.g. [Striteska and Prokop, 2020](#)), that emphasise the idea that innovative strategies should be specified for market leaders and market followers, and we believe a strategy that is effective for a market leader will not act as a

successful strategy when it is applied by a market follower. This finding is consistent with Roberts's (2005) point of view that mentions: "No matter how successful you become, never act like a leader" (Roberts, 2005, p. 46). Through this study, we have shown that if food firms apply the right strategies according to their market and firm situations, it is more likely that their new products will be successful in the market. The suggested model fits some prior studies that emphasise the idea that innovation in the food industries is dependent on R&D investment (Anzola-Román *et al.*, 2018; Striteska and Prokop, 2020) or marketing activities (De Luca and Atuahene-gima, 2007). However, we believe competitive intensity is an effective factor in making decisions for creating innovative products. This research integrates two factors (R&D investment and marketing activities) and considers them as innovation capabilities. Another factor is the competition level.

This paper, therefore, summarises that market leaders' and market followers' decisions for developing new products are based on competition situations. We also observed that market followers employed different strategies in terms of their innovation capability (low or high innovation capability level). We found that market followers with low innovation capability can introduce innovative products into the market without engaging in R&D. Our paper provides practical guidance for food firms in Iran and other emerging markets on how to choose the best strategies for generating innovative products according to their specific contexts.

6. Limitation

The current study is characterised by some limitations. Particularly, the food firms' innovative strategies were considered as a single case study. As the fundamental issue with the single case study method is generalisability (Giacomarra *et al.*, 2021), therefore, in the future study, multiple case studies could be investigated. In this research, the authors considered competitors' strategies toward new products indirectly (according to a single case study' managers' point of view). However, considering several food firms and comparing their innovation strategies will also be useful in investigating purchasing behaviour in the local context (Basile, 2019).

Our research findings are based on Iranian data in the food industry. Although the food industry shares many similar characteristics with other developed countries, however, the generalisability of our findings may be limited. Future research could investigate the role of firm and market-based factors in the food industry established in developed countries. Another limitation of the current study is the lack of quantitative data. The relationships considered in the current framework used qualitative data and future research could test the effect of these factors through quantitative research.

7. Conclusions

This paper presents the results of an exploratory research of a case study in the food industry. We interviewed a food company in Iran that is the market leader in many product categories. Through the interviews, we also obtained some insights on four other food-processing firms that have major operations in Iran. The main objective was to increase the success rate of new products by suggesting innovative strategies regarding firm and market situations. These competitive strategies will be considered for the product/market positioning that they have displayed. The current study provided a framework for generating innovative successful products in various firm and market situations. According to the literature, these factors act as the two most significant determinants of creating innovative products amongst firms. The proposed model was operationalised based on descriptions for two-category market types (low versus highly competitive intensity) as well as firm types (leader or follower). These two

factors are important for considering the best possible innovative strategy related to new products. Our analyses indicate that there is a strong relationship between competitive intensity together with firms' type with successful strategies and according to the aforementioned suggestions, it is necessary for every firm that consider their competitive situation and offer the best possible product innovation strategy according to their internal and external situations. However, current research results depict that some successful strategies were employed by the market leader and followers that were successful. However, it seems that market follower needs more consideration. We cannot deny that there are some market followers in the market with high innovation capability as a result of their R&D investment. Therefore, they are more successful in generating innovative products, on the contrary, if a market follower has low innovation capability, therefore, it is more likely that it will employ me too strategy. However, the authors assume that the difference between some successfully employed strategies by Iranian market followers is differences in their innovation capability.

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(The Appendix follows overleaf)

116

	New successful products	Exact time		New successful products	Exact time
1	Lactivia Yogurt full fat-900 gr	2016-11	18	Solatte-mocha-235 cc	2018-12
2	Lactivia Yogurt full fat-1500 gr	2017-2	19	Caramel Milkshake –235 cc	2019-8
3	Lactivia Yogurt low fat-900 gr	2016-11	20	Solatte- macchiato-235 cc	2016-11
4	Lactivia Yogurt low fat-1500 gr	2017-2	21	Solatte- vanilla-235 cc	2020-01
5	Icelandic yogurt-400 gr	2016-12	22	Hazelnut milk	2020-3
6	Icelandic yogurt-900 gr	2018-1	23	Almond milk	2020-3
7	Promilk (330 cc)-vanilla	2018-11	24	Oat milk	2020-3
8	Promilk (330 cc)- chocolate	2018-11	25	Lucky do- lemon and mint-1.5 Lit	2016-12
9	Proshake 200 cc	2019-8	26	Lucky do- cola flavour-1.5 Lit	2016-12
10	Fortified milk for new moms or pregnant women	2018-11	27	Lucky do-orange flavour-1.5 lit	2016-12
11	Fortified milk full fat-200 cc	2019-1	28	Carbonated water –1.5 lit	2019-02
12	Fortified milk low fat-200 cc	2019-1	29	Carbonated water –1.5 lit-lemon	2019-02
13	Kido- flavoured milk for kids-chocolate	2019-3	30	Carbonated water –1.5 lit strawberry	2019-02
14	Kido- flavoured milk for kids-banana	2019-3	31	Willie cream cheese-350 gr	2018-7
15	Barista milk	2019-4	32	Willie cream cheese-1000 gr	2018-8
16	Solatte- Espresso-235 cc	2015-1	33	Willie cream cheese-200 gr	2017-07
17	Solatte- cappuccino-235 cc	2015-2	34	Willie cream cheese-100 gr	2017-08

Table A1.
New successful products and the year and month of production

Source(s): Authors' data elaboration

	New success products	What is the main category	Is Kalleh market leader or market follower	The number of competitors in the main category	The competitive intensity in the main category
1	Lactivia Yogurt full fat-900 gr	Yogurt	Follower	More than 20	High
2	Lactivia Yogurt full fat-1500 gr	Yogurt	Follower	More than 20	High
3	Lactivia Yogurt low fat-900 gr	Yogurt	Follower	More than 20	High
4	Lactivia Yogurt low fat-1500 gr	Yogurt	Follower	More than 20	High
5	Icelandic yogurt-400 gr	Yogurt	Follower	More than 20	High
6	Icelandic yogurt-900 gr	Yogurt	Follower	More than 20	High
7	Promilk (330 cc)-vanilla	Milk	Follower	More than 10	High
8	Promilk (330 cc)-Chocolate	Milk	Follower	More than 10	High
9	Proshake 200 cc	Milk	Follower	More than 10	High

Table A2.
Expert opinion consensus

(continued)

	New success products	What is the main category	Is Kalleh market leader or market follower	The number of competitors in the main category	The competitive intensity in the main category
10	Fortified milk for new mom or pregnant women	Milk	Follower	More than 10	High
11	Fortified milk full-fat-200 cc	Milk	Follower	More than 10	High
12	Fortified milk low fat-200 cc	Milk	Follower	More than 10	High
13	Kido- flavoured milk for kids-chocolate	Milk	Follower	More than 10	High
14	Kido- flavoured milk for kids-Banana	Milk	Follower	More than 10	High
15	Barista milk	Milk	Follower	More than 10	High
16	Solatte- Espresso-235 cc	RTD coffee	Leader	3	low
17	Solatte-cappuccino-235 cc	RTD coffee	Leader	3	low
18	Solatte-mocha-235 cc	RTD coffee	Leader	3	low
19	Caramel Milkshake –235 cc	RTD coffee	Leader	3	low
20	Solatte- macchiato-235 cc	RTD coffee	Leader	3	low
21	Solatte- vanilla-235 cc	RTD coffee	Leader	3	low
22	Hazelnut milk	Non-dairy milk	Follower	2	low
23	Almond milk	Non-dairy milk	Follower	2	low
24	Oat milk	Non-dairy milk	Follower	2	low
25	Lucky do- lemon and mint-1.5 Lit	Soft Drink	Follower	More than 7	High
26	Lucky do- cola flavour-1.5 Lit	Soft Drink	Follower	More than 7	High
27	Lucky do-orange flavour-1.5 lit	Soft Drink	Follower	More than 7	High
28	Carbonated water –1.5 lit	Ca. water	Follower	3	Low
29	Carbonated water –1.5 lit-lemon	Ca. water	Follower	3	Low
30	Carbonated water –1.5 lit strawberry	Ca. water	Follower	3	Low
31	Willie cream cheese-350 gr	cheese	Leader	More than 15	High
32	Willie cream cheese-1000 gr	cheese	Leader	More than 15	High
33	Willie cream cheese-200 gr	cheese	Leader	More than 15	High
34	Willie cream cheese-100 gr	cheese	Leader	More than 15	High

Source(s): Authors' data elaboration

Table A2.

<p style="text-align: center;">Market Leader/ Low competitiveness level</p> <p>Kalleh- Lactivia category → Lactivia yogurt full fat-1500 gr/ Low-fat</p> <p>Kalleh- Icelandic category → Icelandic yogurt-900 gr</p> <p>Crystal- Carbonated water category → Carbonated water-Lemon</p> <p>Kalleh- High protein milk → Proshake</p> <p>Kalleh-RTD coffee category → Solatte (cappuccino- macchiato...)</p>	<p style="text-align: center;">Market Leader/ High competitiveness level</p> <p>Kalleh-Cheese category → Willie cream cheese- 100 / 200/ 350 / 1000 gr</p>
<p style="text-align: center;">Market follower/ Low competitiveness level</p> <p>Kalleh-Carbonated water → Dairy carbonated water-3 flavour</p> <p>Haraz- Lactivia category → Flor Active yogurt</p> <p>Domino- Lactivia category → Actimo yogurt</p> <p>Kalleh-Plant-based milk category → Hazelnut/ Almond/ Oat milk</p>	<p style="text-align: center;">Market follower/ High competitiveness level</p> <p>Kalleh-Yogurt category → Lactivia yogurt full fat-900 / Low-fat 900</p> <p>Kalleh-Yogurt category → Icelandic yogurt-400 gr</p> <p>Kalleh-Soft drink market → Lucky-Do (dairy-based soft drink)</p> <p>Kalleh- Milk category → Solatte- Espresso-235 cc.</p> <p>Kalleh-Milk category → Promilk (330 cc)-vanilla/ chocolate</p> <p>Kalleh-Milk category → Fortified milk for new moms</p> <p>Kalleh-Milk category → Fortified milk-full-fat-200 cc / Low-fat 200</p> <p>Kalleh-Milk category → Kido- flavored milk for kids- 2 flavour</p> <p>Kalleh-Milk category → Barista milk</p> <p>Haraz-Seven Yogurt category → Sabo low-fat yogurt</p>

Table A3.
Positioning new products according to firm and market types and mentioning their main product category

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