Strategic Positioning and Sustainable Competitive Advantage in Food Industry
Abstract

Purpose – This paper examines the concepts of sustainable competitive advantage (SCA) and strategic positioning (SP) and seeks to develop a framework on determinants of SP and SCA in the food industry following the case study approach.

Design/methodology/approach – This paper analyzes the concepts of strategic positioning and sustainable competitive advantage and their interrelation. The qualitative study of three beverage producers is conducted. Cases are analyzed based on the theoretical models discussed in the first part of the paper.

Findings - This paper provides comparison of positioning strategies and SCA of three international beverage producers. The theoretical framework on determinants of these concepts was developed and applied for case study. The concepts of SCA and SP are interchanging, but from the case study it was not possible to conclude whether one leads to another. There is no single theory found which would be universal in explaining the success of the brands. Companies are complex structures and their success depends on many different elements which should be analyzed in combination.

Research limitations/implications – The findings are based solely on the case analysis of three unique beverage companies. To generalize conclusions the research of other companies in food industry on possession of SCA and their positioning strategies is needed. Not all firsthand information was possible to get from all companies. Therefore it cannot be guaranteed that factors beyond the scope of this study did not have an influence.

Practical implications – The BIONADE and Supermalt brands represents an interesting cases for companies aiming to develop strong premium brands with a limited marketing budget for a wide or niche market segment. Oettinger brand represents a case of absolute leadership due to low cost strategy. Projecting the behavior of these companies can help managers to learn from their success.

Originality/Value – This paper provides a case study on three successful international and unique drink producers on analysis of their SCA and positioning strategies they follow.

Keywords Strategic Positioning, Sustainable Competitive Advantage, Food Industry
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I. INTRODUCTION

Many researchers and business people might ask themselves a simple question: “What is the secret of a successful company?” For years researchers from all over the world spend their efforts trying to find out why some companies are successful on a market and why others fail. By analyzing successful and failed companies they try to find out what the commonalities of the leaders are and what strategies they follow. There is a considerable amount of literature on strategic management, which gives useful advices for business people about how to be successful in a market. Different authors agree that reason of successful performance in a market for many companies is a possession of a Sustainable Competitive Advantage (SCA). In the strategic management literature the concept of SCA is related to another concept – that of Strategic Positioning (SP). Porter (2001) names SP as a source of competitive advantage. On the other hand, Keller (2008) suggests that SP can be based on points of difference or point of parity, where the concept of the points of difference is very similar to the USP\(^1\) and SCA, with SCA being an even broader concept.

There are many examples of successful companies in different industries. The food industry in particular accumulates certain characteristics that make it very interesting from a strategic management point of view. The food industry is extremely wide, diverse and dynamic. Eating habits of people are changing globally, what pushes companies to innovate and respond fast. Moreover, there is a diversity of people’s taste due to geographic location, history and traditions.

This work will therefore focus on three distinct successful companies from the food industry producing drinks. The present work will analyze what makes them successful, what competitive advantages they possess and how they position themselves strategically.

**Problem identification**

There are a lot of different and sometimes contradicting evidence in the literature about sources of SCA and successful SP. The theoretical part of the paper will present existing theories, frameworks and models related to these concepts. The aim of the literature review part will be to define specific criteria for selecting companies from the food industry as case studies regarding the concepts of SP and SCA. The overall aim of the

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\(^1\) Unique Selling Proposition
thesis thus is to develop a framework on determinants of SP and SCA in the food industry following the case study approach. The cases will illustrate different combinations of SP and SCA. They will be selected in such a way to maximize variation of dimensions of SP and SCA based on the selected criteria. Qualitative research will be implemented to collect additional primary data directly comparing the selected companies.

II. THEORY

The existing literature varies in its qualities and quantities as regards the different topics this thesis is dealing with. How does a business achieve and maintain a superior competitive position in a market? This question is at the heart of the strategy development process and largely defines the field of strategic management (Day G. S., The capabilities of Market-Driven Organizations, 1994).

In the last 20 years, there has been a spectacular increase in the number of powerful frameworks to evaluate the determinants of differential performance, from Porter's five forces framework to the resource-based view to transaction-cost economics (Cockburn, Henderson, & Stern, 2000). Put it simply, superior competitive position means higher returns and profitability. It is relevant to consumers’ willingness-to-pay, sometimes called “economic value” concept. According to Porter (2001), sustained profitability is the only measure of economic value. He defines two fundamental factors that determine profitability: industry structure, which determines the profitability of the average competitor; and sustainable competitive advantage, which allows a company to outperform the average competitor (Porter M. E., 2001). SCA is an important concept in strategic management literature and it is gaining more and more popularity among researchers. This work will analyze, systemize and summarize existing literature about SCA.

It is often observed that companies position themselves based on their strength, or the advantages they posses comparing to their competitors. Therefore, SCA is playing a major role in company’s strategic positioning against its competitors. Nowadays, positioning became a popular word among marketing practitioners and theorists. But what strategic positioning truly means author will explore in the second section of the theoretical part of this paper.
2.1. Sustainable Competitive Advantage (SCA)

2.1.1. Resource-Based-View (RBV)

The concept of SCA appeared already in 1984, when Day suggested certain types of strategies to “sustain the competitive advantage”. The term SCA was proposed by Porter in 1985, when he discussed the basic types of competitive strategies firms can follow (low cost, differentiation, and focus) to achieve SCA. There is no common meaning for "competitive advantage" in practice or in the marketing strategy literature. Sometimes the term is used interchangeably with "distinctive competence" to mean relative superiority in skills and resources (Day & Wensley, 1988).

Hoffman (2000) in his work summarizes all previous works which deal with SCA. Based on the analysis of different perspectives found in the literature he proposed the following definition of SCA: A SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitor, along with the inability to duplicate the benefits of this strategy (Hoffmann, 2000, p. 1).

Different authors name different sources of SCA. The most widespread theory explaining sources of competitive advantage is the “resource-based view” (RBV). Already since 1988 Day and Wensley presented the framework to explain the link between the sources of advantage and performance outcomes. They name superior skills and superior resources as the main sources of competitive advantage. Later in resource-based theories these two main sources of advantage were called assets and capabilities respectively. Assets are the resource endowments the business has accumulated, and capabilities are the glue that keeps these assets together and enables them to be deployed advantageously. Capabilities differ from assets in that they cannot be given a monetary value, as can tangible plant and equipment, and are so deeply embedded in the organizational routines and practices that they cannot be traded or imitated (Dierkx and Cool 1989, in (Day G. S., The capabilities of Market-Driven Organizations, 1994)).

2.1.2. Importance of Capabilities

Analyzing sources of competitive advantage the special emphasis should be given to the capabilities. Ulrich and Lake (1991) contend that three traditional means of gaining competitive advantage (financial, strategic and technological capabilities) describe only a portion of what managers need to do. They stress organizational capability as a
critical source of competitive advantage, which is based on the premise that organizations do not think, make decisions, or allocate resources, but people do. They argue that people issues should be managed simultaneously with other strategies. Managers who are able to understand and integrate all four sources are more likely to build competitive organizations. Authors also distinguish among four critical elements of the capable organization.

1) Shared mindset inside and outside the organization
2) Management practices
3) Capacity for change
4) Leadership

Mindset represents the harmony, unity of mind. It may be formed around ends (strategies, values) or means (processes, work systems, management activities). To build shared mindset, management practices are used such as policies, standard operating procedures, traditions, and work practices. They determine the kind of information employees receive, and how and when. Capacity for change is the ability of organization to reduce the cycle time on all of their activities is based on four principles: symbiosis (building the bridge between the requirements of the external environment and internal capability), reflectiveness (the ability to learn from past experience), alignment (ability to integrate tasks, structures, processes and systems at the technical, political and cultural levels) and self-renewal (ability to change over time). Leadership includes not only top managers. Every employee must feel empowered to think and behave as a leader within his/her domain (Ulrich & Lake, 1991).

Powel (1995) emphasized the role of certain tacit, behavioral, imperfectly imitable features, such as open culture, employee empowerment, and executive commitment, which can produce advantage. Firms should focus their efforts on creating a culture in organization which can drive the success of other tools like quality training, process improvement, and benchmarking associated with Total Quality Management (Powell, 1995).

Day (1994) examines the role of capabilities in creating a market-oriented organization. He emphasizes the importance of market sensing capability and customer linking capability. Market sensing is ability of the firm to learn about customers, competitors, and channel members in order to continuously sense and act on events and trends in
present and prospective markets. Customer linking is about creating and managing close customer relationship.

2.1.3. Theory development

The resource-based approach flourished during 1990’s. Main resource-based theories were developed during 1988-1997 and there are no major advances on this approach since then. The fundamental principle of the resource-based view is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm’s disposal. The resource based view of the firm is based on two underlying assertions, as developed in strategic management theory: (1) that the resources and capabilities possessed by competing firms may differ (resource heterogeneity); and (2) that these differences may be long lasting (resource immobility) (Mata et al. 1995). The impact of resource heterogeneity and immobility on competitive advantage is presented in Figure 1.

According to Figure 1, firm attributes that are not heterogeneously distributed across firms will only be a source of competitive parity. If resources and capabilities are valuable and heterogeneously distributed across competing firms they can be a source of at least a temporary competitive advantage. If the skills needed to manage technical and market risk are imperfectly mobile (i.e., whether they reflect a firm's unique history, are causally ambiguous, or socially complex) then they are sources of sustained competitive advantage (Mata et al. 1995).

Earlier, Barney (1991) presented a framework explaining the relationship between resource heterogeneity and immobility; value, rareness, imitability, and substitutability;
and SCA. His framework presented in Figure 2 proved a solid foundation for others to build on.

![Diagram](image.png)

**Figure 2** – The relationship between resource heterogeneity and immobility, value, rareness, imperfect imitability, and substitutability, and sustained competitive advantage (Barney J., 1991).

Later, Barney (1995) included the question of organization in this framework, saying that a firm must be organized to exploit its resources and capabilities. The framework got the final name VRIO framework, encompassing the elements of Value, Rarity, Imitability (Ease/Difficulty to Imitate), and Organization (Barney J. B., 1995).

By focusing on the element of value, managers link the analysis of internal resources and capabilities with the analysis of environmental opportunities and threats. Changes in a firm’s environment may reduce or increase the value of a firm’s resources in their current use, while leaving the value of other resources unchanged. Evaluating the competitive implications of resources and capabilities, observations lead to the second critical issue: How many competing firms already possess these valuable resources and capabilities? While resources and capabilities must be rare among competing firms in order to be a source of competitive advantage, this does not mean that common, but valuable, resources are not important.

Imitation is also critical to understanding the ability of resources and capabilities to generate sustained competitive advantages. Imitation can occur in at least two ways: duplication and substitution. “Big decisions” are critical in understanding a firm’s competitive advantage. However, more and more frequently, a firm’s competitive advantage seems to depend on numerous “small decisions” which are more difficult to imitate, through which a firm’s resources and capabilities are developed and exploited. “Big decisions” are more obvious and, perhaps, easier to imitate. As well socially complex resources and capabilities - organizational phenomena like reputation, trust, friendship, teamwork and culture - while not patentable, are much more difficult to imitate (Barney J. B., 1995). Powell (1995) in his article together with historical
uniqueness, casual ambiguity and social complexity names such “isolating mechanisms” like time compression diseconomies and connectedness of resources. The first means that a resource may require long-term accumulation before attaining value (e.g., learning, experience, or proficiency in a skill); the later means that a firm may acquire a competitor's valuable resource only to find that its success depends on some complementary resource that the firm cannot acquire (Powell, 1995).

Finally, to fully realize this potential, a firm must also be organized to exploit its resources and capabilities. Numerous components of a firm’s organization are relevant when answering the question of organization, including its formal reporting structure, its explicit management control systems, and its compensation policies. These components are referred to as complementary resources because they have limited ability to generate advantage in isolation (Barney J. B., 1995).

Later on, Petrick et al. (1999) presented the strategic resource model of sustainable global competitive advantage (Figure 3), which depicts the processes that link the key role of managing intangible resources to eventual strategic success.

![Figure 3 - Strategic Resource Model of Sustainable Global Competitive Advantage (Petrick et al. 1999)](image)

The model presented in Figure 3 indicates that core capability differentials are based on skills (what the company can do) and assets (what the company has). Skills provide functional differential that is due to cumulative know-how and experience (e.g., executive and team leadership know-how, supplier know-how, and distributor know-how). Corporate assets, the second source of core capability differentials, are both tangible and intangible. While competitive advantage is obtained by appealing to customers in a targeted market, sustainable competitive advantage is the result of a distinctive capability differential due in large part to leveraging the intangible resources of leadership skills and reputational assets that are more difficult to substitute or imitate by competitors than tangible resources. Reputational capital is that portion of the excess
market value that can be attributed to the perception of the firm as a responsible domestic and global corporate citizen. Excellent global leaders have a leadership style that generates superior corporate performance by balancing four competing criteria of performance: (1) profitability and productivity, (2) continuity and efficiency, (3) commitment and morale, and (4) adaptability and innovation. This leadership style competence has been termed *behavioral complexity* and is directly linked with SCA (Petrick et al. 1999).

Oliver (1997) claimed that the RBV lacks the consideration of the social context within which resource selection decisions are made and how this context might affect firm heterogeneity and sustainable advantage. Therefore, he provided a model that combined resource-based and institutional theories at the individual, firm, and interfirm levels of analysis. The model is presented in Figure 4 below.

**Figure 4** – Sustainable advantage: Determinants of the process (Oliver, 1997).

The RBV proposes that resource selection and accumulation are a function of both within-firm decision-making, guided by an *economic rationality* and by motives of efficiency, and external *strategic factors* including buyer and supplier power, intensity of competition, and industry and product market structure. Whether resource selection and deployment result in variation across firms will depend on *market imperfections*, which are defined as barriers to acquisition, imitation, and substitution of key resources or inputs. The Institutional Theory examines the role of social influence and pressures for social conformity in shaping organizations’ actions. The institutional context refers
to rules, norms, and beliefs surrounding economic activity that define or enforce socially acceptable economic behavior. Oliver argues that resource selection and SCA are profoundly influenced, at the individual, firm, and interfirm level, by the institutional context of resource decisions. At the individual level, the institutional context includes decision-makers' norms and values (normative rationality); at the firm level, organizational culture and politics (institutional factors); and at the interfirm level, public and regulatory pressures and industry-wide norms (isomorphism pressure). The Institutional Theory also suggests that firms’ tendencies towards conformity with predominant norms, traditions, and social influence in their internal and external environments reduce variation in firms’ structures and strategies leading to firm homogeneity. However resource-based view suggests that rare, specialized, inimitable resources and factor market imperfections increase variation in firms’ resources and resource strategies leading to firm heterogeneity (Oliver, 1997).

2.1.4. Summary

The RBV is the most widespread theory explaining the concept of SCA. It is an introverting approach looking for the sources of competitive advantage inside the company in its assets and capabilities. Comparing to assets (which are tangible resource endowments), the capabilities are more complex entities. The special attention was given by researchers to financial, strategic, technological, organizational capabilities (Ulrich & Lake, 1991), market sensing and customer linking capabilities (Day G. S., The capabilities of Market-Driven Organizations, 1994), open culture, employee empowerment and executive commitment (Powell, 1995), and leadership skills and reputational assets (Petrick et al., 1999). The RBV holds that, in order to generate SCA, a resource must provide economic value and must be presently scarce, difficult to imitate, non-substitutable, and not readily obtainable in factor markets.

An interesting model for the understanding of sustainable advantage was presented by Oliver (1997). He combined the RBV together with the Institutional Theory on three levels of analysis – individual, firm and interfirm. While RBV suggests that different resources and market imperfections increase variations among firms, institutional theory explains how the conformity towards the norms, traditions, and social influence leads to homogeneity among the firms (Oliver, 1997).
2.1.5. RBV and connection between SP and SCA

Particularly important for this paper is how the RBV explains the relationship between the SCA and strategic positioning. In order to understand the link between the sources of advantage, positional advantage and performance outcomes Day and Wensley (1988) presented a framework of elements of competitive advantage (Figure 5).

![Figure 5 – The Elements of Competitive Advantage](Day & Wensley, 1988).

According to the framework, positional and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. The superiority of the skills and resources is the consequence of former investments made to improve the competitive position. And in order to make the positional advantage sustainable, the company must continue to invest into the sources of advantage (Day & Wensley, 1988). This approach intends to see the successful strategic position of the company as the result of SCA. Simply speaking according to resource-based approach it can be said that SCA leads to SP.

2.2. Positioning

2.2.1. Network approach

Nowadays network concept is not new. Already in 1988 Jarillo wrote about superior mode of organization, the strategic network. Firms are not monolithic entities of a given good or service. Jarillo stressed the importance of complex arrays of relationships between firms established through interaction with each other. These interactions imply investments to build the relationships, which gives consistency to the network. Jarillo sees competition more as a matter of positioning one’s firm in the network than attacking the environment. The care of the relationships becomes a priority for
management. If a firm is able to obtain an arrangement whereby it “farms out” activities to the most efficient supplier, keeps for itself that activity in which it has a comparative advantage, and lowers transaction costs (Jarillo, 1988). Similar to Jarillo, authors Håkansson and Snehota (1995) state that strategy development is about positioning the company in the overall business network through the development of its relationships. It is about maneuvering for a favorable position for the company in the network. Business relationships are seen as the mechanism by which a company acquires a certain position. Hakansson and Snehota were the first to develop and apply the network approach to the analysis of business relationships in a global context.

A network has no clear boundaries, nor any centre or apex. It exists as an ‘organization' in terms of a certain logic affecting the ordering of activities, resources and actors. It can be seen as an ‘organization' as it affects how companies are reciprocally related and positioned. Change in the substance of any of the relationships affects the overall structure and position of those involved. The position affects the economic outcome of a company's relationships over time and the possibilities of developing and maintaining relationships to various other parties. The position of a company with respect to others (its relationships) reflects its capacity to provide values to others (productiveness, innovativeness, competence). The critical issue for management is monitoring the changes in the network structure that affect the position and thus the capability and capacity of the company. Changes must be assessed in terms of their likely impact on the position of the company with respect to the wider activity pattern, resource constellation and web of actors (Håkansson & Snehota, 1995).

According to network approach there are two dimensions which can be used to categorize business relationships: one regards who is affected by the relationships (function), the other what is affected (substance). Three different layers of substance can be identified in a business relationship: activity layer, resource layer and actor layer. The more effects there are in the three layers in a relationship, the ‘thicker' and the more complex it will be. Major relationships between companies tend to have complex substance.

Three different functions of relationship can be distinguished. First, a relationship has effects for the dyad in itself, where activity links, resource ties and actor bonds are established. Second, a relationship has a function for each of the two companies. What is produced in a relationship can be used for different purposes and with different
effects by either of the two companies. Third, as relationships are connected, what is produced in a relationship can have effects on other relationships and thus on other companies than those directly involved (Håkansson & Snehota, 1995).

There are three areas where effects of relationship are important and need to be coped with: marketing and purchasing; capability development; and strategy development. These can be illustrated schematically, as in Figure 6.

![Figure 6](image)

**Figure 6** – Figure Critical issue in coping with business relationships (Håkansson & Snehota, 1995).

Marketing and purchasing is about relationship development as dyad. Capability development is about coping with the effect of relationships on the development potential of a company. And strategy development is about positioning the company in the overall network through the development of its relationships (Håkansson & Snehota, 1995).

*Activity pattern.* Activities (technical, administrative, commercial, etc.) in different relationships in a row are linked to each other which makes each activity become a part of an activity chain. There are both direct and indirect links.

*Web of actors.* Bonds become established in interaction and reflect the interaction process. A company's position in the overall web of bonds, whom it is committed with, its existing bonds, affects its identity as well as its character.

*Resource constellations.* Resource ties connect various resource elements of two companies. They result from how the relationship has developed and represents in itself a resource for a company. The revenues of a company over time depend on its being
perceived as a provider of resources valued by others. To what extent that will be the case depends on its position in the resource constellation in the network.

Position development requires monitoring and interpreting the changes in the activity pattern relevant for the company. It becomes necessary to broaden the analysis from the relationships the company is directly involved in to the whole activity pattern. Linking activities, in strategic sense, means to take advantage of the links developed by others as well as to develop links which will enhance the position in the future. Actors are constantly looking for opportunities to improve their positions in relation to important counterparts and are therefore looking for opportunities to create changes in the relationships. Strong bonds to others are necessary in deliberate attempts to change the position of the company within the network. They are a condition for forming both defensive and offensive coalitions and alliances required in order to manoeuvre for position (Håkansson & Snehota, 1995).

According to McNamara et al. (2003) firms within an industry tend to cluster together, following similar strategies. Past research from both economic and cognitive perspective proposed that firms vary in the degree to which they identify with their strategic group, such that some firms follow the group strategy closely (“core firms”) and other follow it less closely (“secondary firms”). Moreover, several studies of strategic groups identified single-firm groups, which are called “solitary firms”. Thus, within the overall industry structure, some firms are strategically unique (solitary firms), some are loosely aligned with a multiform group (secondary firms), and others are tightly aligned with a multiform group (core firms).

Companies’ positioning in strategic groups, in turn, is argued to influence firm actions and firm performance. Strategic groups represent a range of viable strategic positions firms may stake out and use as reference point. (McNamara, Deephouse, & Luce, 2003). By signaling what issues are important, top managers establish the strategic reference points for their firms – the benchmarks against which people gauge appropriate action and behavior. Aligned with that, the Prospect theory suggests that behavior will be risk-seeking when the individual or organization finds itself below its reference point, and risk-avoiding when above. To a great extent, therefore, the firm’s strategic behavior and performance are influenced by the reference points which are consciously or unconsciously adopted. (Fiegenbaum, Hart, & Schendel, 1996).
Researchers McNamara et al. (2003) set out to examine the degree of performance variation that is due to positioning in a strategic group versus positioning among firms within a particular strategic group. They found little evidence of performance homogeneity within strategic group. Performance differences within groups are significantly larger than across groups, suggesting that some firms (following rather similar strategies) within groups develop better resource or competitive positions. Further, they found that positioning within the group structure has important performance implications. Secondary firms had better financial performance than the core firms in their own group. Moreover, secondary firms had better performance than core firms in other groups and solitary firms. It can be explained as follows. Solitary firms face little competition but sacrifice the legitimacy of being the member of a multiform strategic group. In contrast, core firms may sacrifice distinctiveness to gain legitimacy. Secondary firms may be seen as balancing these two competing demands. They gain preferential access to valuable resources due to the perceived legitimacy that is derived from group membership. At the same time, they limit the degree of direct competition they face by staking out competitive positions that are somewhat distinct from the core firms in their group (McNamara, Deephouse, & Luce, 2003).

2.2.2. Positioning strategies

Boyd et al. (1998) proposed seven market-positioning strategies which are relevant to a large number of situations:

1. **Mono-segment positioning** (positioning to a single market segment).

2. **Multi-segment positioning** (to attract consumers from different segments).

3. **Standby positioning** (is used to minimize respond time switching from multi-segment to mono-segment positioning).

4. **Imitative positioning** (position similar to existing successful brand).

5. **Anticipatory positioning** (position of a new brand in anticipation of the evolution of the segment’s needs).

6. **Adaptive positioning** (periodical repositioning a brand to follow the evolution of the segment’s needs).

7. **Defensive positioning** (introducing additional brand in a similar position for the same segment to defend itself against competitors) (Boyd, Walker, & Larreche, 1998).
Similar to imitative and adaptive positioning strategies, Cockburn et al. (2000) talked about creation and imitation processes in achieving competitive advantage. Creation means developing and exploiting new techniques or strategies; and imitation appears whereby laggard firms respond to their unfavorable positions and move to imitate market leaders. Those who are positioned most unfavorably respond more aggressively to environmental changes to reposition themselves and re-level the playing field (Cockburn, Henderson, & Stern, 2000).

2.2.3. Generic strategies, its critique and development

The publication of Porter’s Competitive Strategy in 1980 initiated the era of generic strategies. These generic strategies were supposed to inclusively represent the three ways in which an organization could provide its customers with what they wanted at a better price, or more effectively than others. Essentially, Porter maintained that companies compete either on price (cost), on perceived value (differentiation), or by focusing on a very specific customer (market segmentation). Porter’s generic strategies are summarized in Figure 7.

![Figure 7 – Generic Strategies](Porter M. E., 1980)

Johansson and Thorelly’s (1985) point of view was consistent with Porter’s generic strategies. They talked about top choices and “low-position” products and stressed the importance of price as an incentive to buy “low-position” products instead of top brands. From a positioning viewpoint, a low price is the factor which allows less than top brands to be successful in a market. The most advantageous position for the producer is one that yields the highest rating among the target segments. Whether this is a feasible position or not depends mainly on the company’s specific production and marketing capabilities (Johansson & Thorelly, 1985).

Together with a long domination in strategic literature, generic strategies receive a lot of critique from different researches. For example, Bowman (2008) in his article...
concluded that generic strategies provide at best some food for thought, at their worst they are simplistic, and can act as a substitute for thinking. In this case they are likely to do more harm than good. Although Porter’s thinking still dominates much of the strategy field, its apparent simplicity masks a number of problems. The most significant are that the theory: 1) confuses “where to compete” with “how to compete”; 2) confuses competitive strategy with corporate strategy; and 3) excludes other feasible strategy options (Bowman C., 2008).

Much earlier, Hill (1988) analyzed the compatibility of two generic strategies – differentiation and low cost. He concluded that by popularizing the idea that differentiation and low cost are normally incompatible, Porter's work may have served to misdirect both managers and researchers. Hill stated that differentiation can be a means for firms to achieve an overall low-cost position and contrary to Porter’s statement, cost leadership and differentiation are not necessarily inconsistent. Moreover, there are many situations in which establishing a sustained competitive advantage requires the firm to simultaneously pursue both low-cost and differentiation strategies because in many industries there is no unique low-cost position. Hill summarizes his findings of two strategies compatibility in Table 1.

**Table 1** –Important contingencies affecting the compatibility of differentiation and low cost

(Hill, 1988).

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<tr>
<th>Major Contingency</th>
<th>Secondary Contingency</th>
<th>Comments</th>
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<tr>
<td>Ability to differentiate</td>
<td>User characteristics</td>
<td>Diversity of users necessary for differentiation.</td>
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<td></td>
<td>Product characteristics</td>
<td></td>
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<tr>
<td>Commitment of users to products of rival firms</td>
<td>Switching costs</td>
<td>Brand loyalty greatest in mature oligopolies</td>
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<td>Brand loyalty</td>
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<td>Market structure</td>
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\(^2\) Product Life Cycle
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<th>Age of process</th>
<th>Complexity of process</th>
<th>Age of process very important; New processes imply significant learning</th>
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<td>Plant level</td>
<td>Firm level</td>
<td>Plant level often exhausted at low market share; firm level may be more significant</td>
</tr>
<tr>
<td>Economies of scope</td>
<td></td>
<td></td>
<td>Dependent upon breadth of product line. May be important</td>
</tr>
</tbody>
</table>

The ability of differentiation to help the firm achieve a low-cost position depends on two factors: the extent to which expenditure on differentiation significantly increases demand, shifting the demand curve to the right; and the extent to which significant reductions in unit costs arise from increasing volume. Both of these factors are situation dependent, and they form the basis for the contingency framework. Hill (1988) explained that the immediate effect of differentiation will be to increase unit costs. However, if costs fall with increasing volume, the long-run effect may be to reduce unit costs. Three sources of declining costs can be identified: learning effects, economies of scale, and economies of scope. The impact that differentiation has on demand depends on three major contingencies: the ability of the firm to differentiate its product, the competitive nature of the product market environment, and the commitment of consumers to the products of rival firms. The number of attributes inherent in a product creates scope for differentiation. However, there is not a direct linear relationship between number of attributes and opportunities for differentiation. It is possible to differentiate a relatively homogeneous product if the psychological characteristics of consumers are diverse (Hill, 1988).

While Porter’s generic strategies can be traced back to economic theory, Treace and Wiersema (1993) used an empirical approach. The basis of their theory is the identification of market segments. They explained that in any sector there are three value disciplines – operational excellence, customer intimacy, or product leadership. Operational excellence means providing customers with reliable products or services at competitive process and delivered with minimal difficulty or inconvenience. Customer intimacy means segmenting and targeting markets precisely and then tailoring offerings
to match exactly the demands of those niches. And *product leadership* means offering customers leading-edge products and services that consistently enhance the customer’s use or application of the product, thereby making rivals’ goods obsolete (Treacy & Wiersema, 1993).

According to Bowman (2008) there are similarities between Porter’s and Treacy and Wiersema’s theories. “Operational excellence” is very similar to Porter’s low cost strategy, but at least Treacy and Wiersema are clear that the strategy is targeted at a particular type of segment. “Product leadership” is a strategy of differentiation through innovation, and “customer intimacy” is a strategy of differentiation through bespoke service (Bowman C., 2008).

The Bowman’s “Strategy Clock” is another suitable way to analyze a company’s competitive position in comparison to the offerings of competitors. These strategies are based on the principle of achieving competitive advantage by providing customers with what they want, or need, better or more effectively than competitors (Figure 8).

![Figure 8 – Bowman’s Strategy Clock](image)

(Bowman & Faulkner, 1996)

Positions on the “strategy clock” represent different positions in the market where customers (or potential customers) have different requirements in terms of (perceived) value – (monetary) cost considerations. The strategy clock also represents a set of generic strategies for achieving competitive advantage (Johanson et al., 2005):
1. Low price, low added value with focus on a price-sensitive market segment.
2. Low price. Risk of price war and low margins/need to be a “cost leader”.
3. Hybrid. Low cost base and reinvestment in low price and differentiation.
4. Differentiation
   - Without a price premium: Perceived added value by user, yielding market share benefits.
   - With a price premium: Perceived added value significant to bear price premium.
5. Focused differentiation. Perceived added value to a ‘particular segment’ warranting a premium.
6. Increased price/standard value. Higher margins if competitors do not value follow/risk of losing market
7. Increased price/low values. Only feasible in a monopoly situation

Discussing connection of strategic positioning and SCA it is safe to conclude that Bowman has taken the network approach to positioning rather than RBV. Choosing the best positioning strategy on Bowman’s strategy clock would possibly lead company to SCA.

Blankson and Kalafatis (2004) made the first attempt in developing and validating consumer/customer-derived, empirically based, generic positioning typologies. They claimed that although efforts have been made towards the conceptualization and development of positioning typologies, the results have been descriptive or are based on very limited empirical evidence or reflect managerial view. They proposed the following typology of positioning strategies drawing 8 generic factors:

1. Top of the range: Upper class, Top of the range, Prestigious, Posh
2. Service: Impressive service, Personal attention, Consider people as important, Friendly
3. Value for money: Reasonable price, Value for money, Affordability
4. Reliability: Durability, Warranty, Safety, Reliability
5. Attractiveness: Good aesthetics, Attractiveness, Cool Elegant
7. The Brand Name: The name of the offering, Leaders in the market, Extra features, Choice, Wide range
8. Selectivity: Discriminatory, Nonselective, High principles
Each dimension was grounded in practice and related to consumers'/customers’ perceptions of products and services. This enhanced the typology’s generic nature, which means that it was suited for studying positioning in both service and product industries (Blankson & Kalafatis, 2004). These elements in a positioning strategy are not mutually exclusive, but obviously a firm cannot emphasize all of the factors because such a claim would lack credibility.

**Blue Ocean Strategy**

A popular post-Porter model was presented by Kim and Mauborgne (2005). They talked about a market universe composed of two sorts of oceans: red oceans and blue oceans. Red oceans represent all the industries in existence today. This is the known market space. Blue oceans denote all the industries not in existence today. According to Kim and Mauborgne, blue oceans are unknown market spaces and largely unchartered. The dominant focus of strategy work over the past twenty-five years has been on competition-based red ocean strategies. The result of it is a fairly good understanding of how to compete skillfully in red waters, but no understanding of how to create blue oceans. Authors propose that the only way to beat the competition is to stop trying to beat the competition (Kim & Mauborgne, 2005). However, Bowman (2008) criticizes that authors define competition in the industry too narrow. The alternatives customers consider to meet their needs might include a range of similar products, or some very different products.

2.2.4. Positioning in the mind of the prospect

The word “positioning” was popularized by two advertising executives, Al Ries and Jack Trout (2001) in their book ‘Positioning: The Battle for Your Mind’:

*Positioning starts with the product, but positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect* (Ries & Trout, 2001, p. 2).

Positioning can be defined as an organized system for finding a window in the mind. It is based on the concept that communication can only take place at the right time and under the right circumstances. Positioning “…is the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market. The goal is to locate the brand in the minds of consumers to maximize the potential benefit of the firm” (Kotler & Keller, 2006, p. 310)
In strategy terms competitive positioning is described as “…creating brand superiority in the minds of customers. Fundamentally, positioning convinces consumers of the advantages or point of difference a brand has over competitors, while at the same time alleviating concerns about any possible disadvantages (establishing points of parity)” (Keller, 2008, p. 38).

The notion of PODs has much in common with other well-known marketing concepts as unique selling proposition (USP) and sustainable competitive advantage (SCA). Keller also points out that SCA is somewhat broader positioning concept than the PODs. In any case, PODs are conceptually close to USP and SCA and implies that a brand must have some strong, favorable, and unique associations to differentiate itself from other brands. The major difference here is that PODs and positioning in general deal with customer perceptions and associations of the brand. However, according to resource-based theories SCA is more complicated concept and it is based on right set of resources and capabilities of the firm. From this point of view the successful brand positioning can be the outcome of the existence of strong SCA.

Points of parity associations (POPs), on the other hand, are not necessarily unique to the brand but may in fact be shared with other brands. There are two types of POPs: category (necessary conditions for a brand choice) and competitive (associations designed to negate competitors’ points of difference) (Keller, 2008). Even though positioning is often about achieving necessary or competitive POPs, practically it is more difficult to achieve PODs, because any successful brand must demonstrate clear superiority.

2.2.5. Physical vs. Perceptual Positioning

Some similarities to concepts of PODs and POP can be found in earlier works. Researchers distinguish physical and perceptual positioning (Boyd, Walker, & Larreche, 1998). The differences between two are summarized in Table 2.

**Table 2 – Comparison of Physical and Perceptual Positioning Analyses**

(Boyd et al., 1998).

<table>
<thead>
<tr>
<th>Physical positioning</th>
<th>Perceptual Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical orientation</td>
<td>Consumer orientation</td>
</tr>
<tr>
<td>Physical characteristics</td>
<td>Perceptual attributes</td>
</tr>
</tbody>
</table>
Objective measures | Perceptual measures
---|---
Data readily available | Need for marketing research
Physical brand properties | Perceptual brand positions and positioning intensities
Large number of dimensions | Limited number of dimensions
Represents impact of product specs and price | Represents impact of product specs and communication
Direct R&D implications | R&D implications need to be interpreted

Even though a product’s physical characteristics can be designed to achieve a particular position in the market, customers may attach less importance to some of these characteristics than what the firm expects. Many consumers do not want to be bothered about a product’s physical characteristics because they are not buying these physical properties but rather the benefits they provide. A consumer can typically evaluate a product better on the basis of what it does than what it is. Therefore perceptual positioning analyses are critically important. Boyd et al. (1998) also separate dimensions of attributes how consumers perceive competitive offerings: simple physically based attributes (e.g. price, quality, power or size), complex physically based attributes (e.g. efficiency of computer system, roominess of the car, user friendliness of service) and essentially abstract attributes (e.g. sexiness of perfume, prestige of a car).

Some authors explore factors that have effects on the positioning strategy of the company. In positioning models the typical assumption is that consumer preferences are uniformly distributed in space. However, Ansari et al. (1994) showed that the position of brands in competitive markets is significantly affected by the distribution of consumer preferences. The authors found that the impact of price competition on brand positions is extremely strong in markets with uniform preferences, because of high consumer heterogeneity. Even small changes in the distribution of consumer preferences (homogenization of consumer preferences) have significant effects on the positions and prices of brands. Ansari et al. (1994) also stated that besides consumer preferences, the positioning strategy will depend on the level of fixed costs. With high fixed costs the threat of new entries is lower and companies can differentiate to reduce
price rivalry. However, with low fixed costs companies positions their brands near the modal consumer preferences and close to each other to deter the entry of new competitors. This strategy increases competition and adversely affects profits (Ansari, Economides, & Ghosh, 1994).

2.2.6. First Mover Advantage/Disadvantage

According to Ries and Trout (2001), the easy way to get into a person’s mind is to be the first. There is strong theoretical and empirical evidence supporting the idea that “first-to-market” leads to an enduring market share advantage (Boulding & Christen, 2003). The firm seeks a position in an attractive market that it can defend against competitors (Day G. S., The capabilities of Market-Driven Organizations, 1994). The commonly accepted view is that the first entrant makes use of its “first-mover” status to choose the most attractive location in the market. The first mover reasons that, wherever it positions, the desire of the second mover to soften price competition will force it to position away from the first mover. In other words, the first mover believes that the second mover will avoid a copycat strategy, and will produce a product well differentiated from the first mover’s. Then, given the inherent attractiveness of the best location in the market, the logical step for the forward-looking first mover is to position at this location (Tyagi, 2000).

Golder and Tellis (1993) analyzed approximately 500 brands in 50 product categories. They identified the following categories: (1) the inventor (first to develop patent or technologies in a new product category), (2) the product pioneer (first to develop working model or sample), and (3) the market pioneer (first to sell new product), where the latter corresponds to the standard definition of the first-mover (Golder & Tellis, 1993). According to Lieberman & Montgomery (1987) first-mover advantages arise from three primary sources: (1) technological leadership, (2) preemption of assets, and (3) buyer switching costs. They also noticed the importance of some initial asymmetry among competitors that can be exploited by the first-mover firm. This initial asymmetry is critical; without it first-mover advantages do not arise. Some asymmetry is generated, enabling one particular firm to gain a head start over rivals. This may occur because the firm possesses some unique resources or foresight, or simply because of luck (Lieberman & Montgomery, 1987).
However, Boulding and Christen (2003) found that, at the business unit level, being first-to-market leads, on average, to a long-term profit disadvantage. This result holds for a sample of consumer goods as well as a sample of industrial goods. Researchers show that pioneering leads to an initial profit advantage that erodes over time. The advantage lasts for about 12 to 14 years. The likelihood of customer learning, market share position of a business, and patent protection moderate the long-term profit effect of entry order. Boulding and Christensen drew the following managerial implications: a) the presence of a long-term profit disadvantage does not mean that a pioneering strategy is strictly unprofitable. It means that in the long run, entering a market later is, on average, more profitable than pioneering; b) the initial profit advantage suggests that firms may be better off pursuing a strategy that continuously creates new markets; and c) pioneering firms may be able to benefit by paying closer attention to later entrants and in particular to their organization and processes, which yield lower average costs (Boulding & Christen, 2003).

The first-mover disadvantages were described by Lieberman and Montgomery (1998) as advantages enjoyed by late mover firms. They listed benefits later movers can enjoy, such as: a) the ability to “free ride” on first-mover investments; b) the resolution of technological and market uncertainty; c) the technological discontinuities that provide “gateways” for new entry; and d) the various types of “incumbent inertia” that make it difficult for the incumbent to adapt to environmental change. These phenomena can reduce, or even completely negate, the net advantage of the incumbent derived from the mechanisms considered previously (Lieberman & Montgomery, 1998).

Ansari et al. (1994) analyzed the effects of entry in a sequence. Results showed that in a duopoly and when there are three firms, first entrants have no advantage when consumer preferences are heterogeneous, but the advantage grows as the distribution of consumer preferences becomes homogeneous. With increased homogeneity of consumer preferences, companies are positioned close to each other and in such situation the early entry is desirable, since the first entrant can capture the most preferred position (Ansari, Economides, & Ghosh, 1994).

The importance of cost structure is also discussed by Tyagi (2000). He claimed that the first mover in a market positions at the best location in the market only if it is certain that the future entrant will not have a lower cost of production. Specifically, he showed that: a) if the first mover knows that the second mover will have a marginal cost lower
than its own, it positions away from the most attractive location in the market; and b) the greater the magnitude of cost advantage the first mover expects the second mover to have, the farther away it positions from the most attractive location. However, if the first mover knows that the second mover will have a marginal cost higher than its own, then it positions at the most attractive location in the market - irrespective of the magnitude of its cost advantage. Tyagi (2000) also showed that if a first mover is uncertain of the later-entrant's cost structure, it again leaves the most desirable location in the market vacant and positions away from it (Tyagi, 2000).

2.2.7. Summary

With appearance of network approach and relationship marketing the concept of positioning emerged. Jarillo (1988), Hakansson and Snehota (1995) saw the competition and strategy development as a matter of positioning the company in the business network through the development of relationships. Researchers noticed that position affects the economic outcome of a company’s relationships over time. Supporters of network approach agree that critical issue for managers is monitoring changes in network structure that affect the position and thus the capability and capacity of the company. Relationship is seen as a complex construct, which consists of three different layers of substance (activity layer, resource ties and actor bonds) and three different functions. Effects of relationships are important in marketing and purchasing, capability development, and strategy development.

In 2003 McNamara et al. noticed that firms tend to cluster together and form strategic groups following similar strategies. They separated core, secondary and solitary firms. Closer look revealed that companies’ performance within groups are significantly larger than across groups. Secondary firms financially outperformed both solitary firms and core firms within own group and in other groups.

Diverse positioning strategies were presented by different authors. Generic strategies (low cost, focus and differentiation) presented by Porter in 1980s in spite of long domination in strategy literature received a lot of critique. Contrary to Porter’s statement, Hill (1988) noticed that cost leadership and differentiation are not necessarily inconsistent and could be combined in some situations. Similar to generic strategies Treace and Wiersema (1993) empirically distinguished three value disciplines – operational excellence, customer intimacy and product leadership. Bowman (2008)
pointed out the simplicity of the generic strategies and even called these strategies “a substitute for thinking” for managers.

Boyd et al. (1998) proposed seven market-positioning strategies, Bowman (1996) presented a “Strategy clock”, Blankson and Kalafatis (2004) were first to develop empirically based generic positioning typologies. The popularity gained the theory about Blue Ocean Strategy by Kim and Mauborgne (2005). With publication of a book “Positioning: the battle for your mind” a decade ago the word “Positioning” gained a little bit different meaning than in network approach and relationship marketing. According to authors Al Ries and Jack Trout positioning is about creating brand associations in the minds of consumers. The concept deals mostly with perception of the brand. Keller (2008) suggests that usually it is difficult to differentiate the brand and demonstrate clear superiority over competitors, or in other words, achieve points of difference (PODs). However, positioning is often about achieving necessary or competitive points of parity (POPs), created associations necessary for a brand choice or designed to negate competitors’ advantages. Boyd et al. (1998) distinguish physical and perceptual types of positioning. Researchers stress the increasing importance of perceptual positioning. Consumers usually do not want to be bothered about a product’s physical characteristics, but rather the benefits they provide.

2.2.8. Network approach and connection between SP and SCA

Oppositely to RBV, supporters of network approach see the successful strategic positioning as a source of company’s sustainable competitive advantage. Companies position themselves in the borderless business network by developing relationships with others. Building strong relationships with strategic suppliers and customers would lead to better position in the market and possibly to SCA (Håkansson & Snehota, 1995).

Cockburn et al. (2000) also take the network approach that positioning leads to SCA. They say that companies either create new strategies or imitate market leaders to reposition themselves. And those who are positioned most unfavorably respond more aggressively to environmental changes.

Porter maintains that firms achieve competitive advantage by positioning themselves in structurally-profitable industries and strategic groups. He claims that SCA comes from operational effectiveness (doing what your competitors do, but better) or strategic positioning (delivering unique value to customers by doing things differently than your
competitors) (Porter M. E., 2001). Operational effectiveness means performing similar activities better than rivals perform them. It includes but is not limited to efficiency. It refers to any number of practices that allow a company to better utilize its inputs by, for example, reducing defects in products or developing better products faster. In contrast, strategic positioning means performing different activities from rivals or performing similar activities in different ways (Porter M. E., 2003).
III. CASE STUDIES

Selection of case studies

Companies for the case study were selected from the food industry based on the following criteria. Companies should possess different types of assets and capabilities, which according to RBV are the sources of sustainable competitive advantage of the company. It means each company’s SCA should be based on the different assets and capabilities. Companies should represent the successful examples of different positioning strategies based on different elements. Applying the theories based on network approach, companies should represent different generic strategies by definition of Porter, occupy different positions on Bowman Strategy Clock, and use different positioning strategies by definitions of Boyd or Blankson and Kalafatis. Moreover, among case studies there should be examples of Blue and Red Ocean strategies defined by Kim and Mauborgne. In addition, selected brands for the case study should be examples of different types of positioning in the minds of the customers. After the search according to the criteria mentioned before, the following food companies were selected: BIONADE, SUPERMALT and OeTTINGER. After deeper investigation author found out BIONADE positioning strategy is the most interesting, explicit and valuable for the research purposes. It represents the example of Blue Ocean strategy. It is unique and not similar to any other strategies. The secondary information about companies was collected. As well author managed to phone interview the Product Manager of BIONADE and get in contact by email with Marketing Manager for Malt and Overseas Markets of Royal Unibrew responsible for SUPERMALT brand. Unfortunately, it was not possible to get in contact with OeTTINGER. Therefore analysis of the last case is based on secondary information only.
3.1. BIONADE

BIONADE Corporation is a young, innovative and privately owned German company producing and distributing organically manufactured non-alcoholic refreshment drinks under the brand BIONADE. Based in Ostheim, Germany, the BIONADE Company is situated in the Bavarian section in the Biosphere Reserve ”Rhön”. The company is an offshoot of the local Private Brewery. Borrowing from age-old brewing techniques, BIONADE is produced through a completely organic fermentation process. The master brewer Dieter Leipold is the inventor and patent owner of BIONADE (Bionade GmbH). It took Leipold eight years and all €1.5 million of the family's money to perfect the recipe of BIONADE. Leipold found a way to ferment a nonalcoholic drink by converting the sugar that normally becomes alcohol into nonalcoholic gluconic acid. And because the acid strengthened the taste of sugar, Leipold only needed a fraction of the sugar found in a normal soft drink. Then came the flavors — elderberry, lychee, orange-ginger and herb — plus a sprits of carbonation (Treumann, 2007).

3.1.1. The Value Chain of BIONADE

The value chain of BIONADE is presented in Figure 9.

![Figure 9 – Value Chain of BIONADE](image)

Organic farming

The value chain of BIONADE starts with the project “Organic Farming in the Rhön Region”\(^3\). The idea was first brought to life by BIONADE in the autumn of 2005 in collaboration with the Ostheimer organic farmer Martin Ritter. In the current calculation, ca. 250 hectares cultivable land is used for organic elderberry and 1000 hectares for organic barley. All of the organic raw materials not only conform to EC-ecological regulations but also to the substantially stricter guidelines of the German Association of Organic farmers, like, for example, Naturland e.V. In the mean time many farmers became a part of the project “Organic farming In the Rhön Region”. Therefore BIONADE contributes to creating jobs in the structurally weak region and

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\(^3\) In German: “Bio-Landbau Rhön”
securing the subsistence of the farmers and thus improving their standard life (Bionade GmbH).

Production

Leipold’s innovative bio-technical know-how made the development and production of BIONADE a reality. BIONADE the only non-alcoholic refreshment drink that is produced in an organic way from natural raw materials and without any chemical additives. Similar to beer, BIONADE is brewed according to its own purity law. That it non-alcoholic is thanks to the example of the way bees produce honey. Honey is the only sugar-containing natural product that doesn’t contain alcohol and which doesn’t spoil. This is due to the action of the gluconic acid and mineral gluconates that bees produce. Besides malt, BIONADE is primarily composed of ingredients that are found in honey. Additional important ingredients include natural minerals as well as natural carbonation and juices and essences from organically grown fruits. BIONADE is non-alcoholic, isotonically and has a low sugar content and therefore fewer calories than conventional soft drinks (Bionade GmbH)

Marketing by Wolfgang Blum

Company was established in 1995 on the occasion of the invention of BIONADE. First years were unsuccessful for the company until 1999, when marketing expert Wolfgang Blum arrived. Product was something of a “sleeping giant” which later turned it into a cult brand. Blum gave BIONADE a radical makeover — a slick retro blue, white and red logo, and a new strategy. (Treumann, 2007). On joining BIONADE, Blum recognized that the brand’s potential was far from being fully exploited, and he completely repositioned the brand, moving it away from being a “sensible mineralized drink” and consistently towards being the modern soft drink for the LOHAS (Lifestyle of Health and Sustainability) generation. In doing so, he created a completely new market segment: one where BIONADE is the clear market leader. Blum has also demonstrated that even with a modest marketing budget, it is possible to build up an internationally successful brand—without advertising, but simply by using intelligent viral marketing. Through targeted events sponsorship in the culture, youth and sports segments and a massive presence in the right prestige venues, Blum generated enormous demand (Enhanced Online News, 2007).
**Sales and rapid growth**

Ultimately the retail and gastronomy sectors could no longer afford to ignore BIONADE. Strong distribution partners like Deutsche Bahn, McDonalds and Starbucks came on board. Sales rocketed from one million bottles in 2001 to 70 million in 2006 (Enhanced Online News, 2007). In organic beverage market the exclusive cooperation with such large companies are rare. In 2007 company filled around 200 million bottles in 2007, a juicy annual growth of 300 percent. Coca-Cola firm itself offered to buy out BIONADE in 2004. BIONADE’s owners declined the offer (Michael, 2008). BIONADE's founders don't dream of global conquest for its own sake. They speak passionately about what they describe as the drink's deeper meaning. "BIONADE is a totally idealistic product. Of course we want to make money, but honestly, this was an attempt to give people something better," says BIONADE's CEO, Peter Kowalsky (Treumann, 2007).

The pricing policy of BIONADE is confidential information of the company. According to Mr. Rath BIONADE offers the same price to all distributors on the EXW⁴ conditions. Company doesn’t pay any shelf-fees to retailers because of the pulling strategy from the market. BIONADE is priced as a super premium product. The price of BIONADE is higher than other lemonades and Coke products in the market. It can be explained by usage of expensive ingredients in the production process. As well company emphasizes the high quality of the product, its brand sustainability. Company wants to be a market leader with high quality at high price (Rath, 2010).

**Worldwide distribution**

BIONADE has developed into a company operating on a national scale, enjoying a wide distribution platform in hotels, restaurants, as well as in supermarkets and beverage wholesale and retail stores. Today, BIONADE is on its way to achieving an international presence in the global market (Bionade GmbH).

In 2008 to the question “Where will BIONADE be in five years’ time?” Peter Kowalsky answered: "In Germany, we have set ourselves a clear goal for the next five years: we want BIONADE to be on sale everywhere where people normally buy drinks - just like it is right now in Hamburg. We also want to increase our international market share.

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⁴ EXW – Ex Works. The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination.
Over the past eighteen months, we have entered the market in 19 different countries - not only in Europe, but also in the USA, Japan and Australia. We want to go everywhere." (Bionade GmbH, 2008). In October 2009 BIONADE has been bought out by the food giant Dr. Oetker in order to facilitate a major international expansion of the brand. The Radeberger Group, owned by Dr. Oetker, has acquired 51 percent of the Franconia-based organically brewed beverage maker. Radeberger reportedly bought 70 percent of the shares held by the former majority stakeholder the Schindel Group (The Local - Germany's News in English, 2009). All decisions about marketing strategy for the company are still in the hands of the BIONADE owners Kowalsky. Radeberger Group is in charge of all distribution questions for the brand. It participates in negotiations with new distributors, can state its opinion. But final decision is in hands of the BIONADE owners, because they build the brand and they understand the product the most (Rath, 2010). With the planned international expansion which takes time and money, BIONADE would need to hold its own against giants such as Coca Cola and Carlsberg and therefore needed the bigger partner. BIONADE fears to become a generic product in many markets. According to chief executive Peter Kowalsky, the establishment of a brand such as BIONADE in new markets would take at least five years. The choice of Radeberger as new partner was also made with this in mind (The Local - Germany's News in English, 2009).

3.1.2. Strategy of BIONADE

BIONADE is still working out on formulation of its mission statement and core values. BIONADE basic message is “to do business with integrity”5. Initially, BIONADE was conceived as a natural and healthy soft drink for children. It was then branded as a health-food drink and sold mainly through health retailers. Sales were lackluster. A change of strategy was needed. The brand’s tipping point in Germany came in 2005, says Wolfgang Blum, associate partner and chief marketing officer of Bionade International. That year, influential consumers began to spread the news about BIONADE through word of mouth. Its popularity quickly snowballed amongst the young, the hip and the health-conscious. The firm became unable to keep up with demand. Blum describes the new marketing strategy as follows: “Let the brand speak for itself.” This involves spreading positive information about the brand through the mass media and individual opinion leaders. The goal was to have more and more people

5 In German: Mit Anstand gegenüber Mensch und Natur wirtschaften.
“to discover it and talk about it, and make them ambassadors of the brand,” Blum says. The change in strategy helped the product to take off by attracting a critical mass of consumers rather than a niche market. (Michael, 2008).

Today BIONADE is the third strongest brand in German market after Fanta and Sprite. Company has a 6% market share of the complete non-alcoholic beverage market in Germany. However, BIONADE doesn’t compare itself with Coca-Cola or other Cola drinks. Cola market is considered as a separate one, out of competition for BIONADE (Rath, 2010).

In phone interview Product Manager Christian Rath said that BIONADE is not a niche product. Company wants to offer BIONADE to everybody in Germany. Therefore company tries to go to every market, gastronomy, outlets that people would be able to buy it everywhere. BIONADE works already with partners in Western Europe (for example, Netherlands, Belgium, Denmark, Austria, Switzerland) and United States and Japan (Rath, 2010). The full list of countries where BIONADE has distributors is attached in Appendix 1. Company gets lots of inquiries worldwide from different companies who want to trade BIONADE. But BIONADE first of all concentrates on its core markets – Western Europe and Unites States. Later on, a decision to enter a new market depends on evaluation of economic situation of the country and the partner (Rath, 2010).

Entering new markets in Europe BIONADE doesn’t invest in market research; it goes its own way. Brand building starts with choosing tipping points as good restaurants, organic stores. It is offered as an alternative to other drinks. When consumers discover and experience BIONADE, they usually like the product and want to buy it. The more people discover the product, the higher is the pressure to the distributors to have it on their shelves. This consumer pressure to distributors BIONADE calls a pull strategy. It facilitates the negotiations with distributors. This successful way BIONADE was established in Germany starting in Hamburg. Despite this strategy takes a lot of time, BIONADE is establishing its brand in new markets exactly the same way it did in Germany.
3.1.3. Opportunities and threats

*Opportunities*

The whole production process of BIONADE is placed in Germany. It sets some limits to the expansion of the brand because of high transportation costs especially overseas. Therefore BIONADE considers the opportunities to build a bottling plant abroad. In 2008 company made an announcement about plans to build production facilities in the Amana colonies, Iowa, USA (FLEXNEWS, 2008). Together with organic pasta maker Alb-Gold Teigwaren GmbH, BIONADE planned to build a 121 500 square-foot production facility. It would include a small restaurant and visitor center. The $50 million project will create 99 new jobs in production and management, as well as approximately 25 new positions for the restaurant and visitor center (Jacobsen, 2008). In spite of BIONADE plan to open the bottling plant in Iowa at the end of 2009, the company is still investigating the US market and evaluating all risks. According to Mr. Rath, US market is not strong enough for their product, as they thought at the beginning. BIONADE will actually start building the plant only when there is a certain demand for the product in the market, otherwise it will be too risky and too expensive (Rath, 2010).

BIONADE is open for incremental innovations in its production process. The popular drink is offered in four different tastes which are elderberry, litchi, herbs and ginger-orange. Recently company presented a new BIONADE with the taste of quince. To educate the consumer about the quince fruit and new taste of BIONADE separate web page [http://www.bionade-quitte.de/](http://www.bionade-quitte.de/) with diverse information about the new product was created.

*Threats*

BIONADE production process is legally protected. There are two special secret steps in fermentation process protected by patent. According to Mr. Rath patent expires in 2016. Expiration of the patent may result in the appearance of new competitors and imitators not only in Germany, but in other markets as well. Before the patent expiration company still has couple of years to establish and develop its brand.

According to Christian Rath, BIONADE doesn’t have any serious threats in the market. “Me too” organic beverage products which try to imitate BIONADE do not have a big consumer acceptance (Rath, 2010). “BIONADE is an original, like Coca-Cola and Red
Bull, and originals are always much more charismatic and attractive than copies,” Blum says (Michael, 2008). However, as with every successful novel product, imitations of BIONADE appeared on the German market. The company has a zero-tolerance policy for such piggybacking. "We will take to court anybody that comes out with a product that looks even slightly like a BIONADE imitation," Kowalsky said (Deutsche Welle, 2007). And the company does. In 2007 BIONADE took to the court supermarket chain Plus and the brewer Fransfurter Brauhaus over their “Maltonade” drink, which BIONADE claimed to be a direct imitation of BIONADE (Das ist drin, 2007). Despite intentions of BIONADE to defend its brand in courts, competitors also take actions against the company. BIONADE has been fighting its competitor Nordmann, the owner of Bio Premium, which makes the soft drink Bios, for a long time. In 2008 Bio Premium complained that BIONADE was being misleading in its labeling. Court supported this view and ordered all BIONADE to be removed from sales until they could be relabeled (The Local Germany's news in English, 2008).

Mr. Rath named several brands considered as competitors of BIONADE. It is regional brands BIOS, NOW or Sinconada (national) which come a bit closer to BIONADE. Company pays attention to new emerging products like Georgia with strong distribution power from Coca Cola Company and BEO produced by Carlsberg. These are regular lemonades who try to enter the German market. According to Mr. Rath it is very difficult to establish a new lemonade brand in the Germany because market is already saturated.

One of the threats for BIONADE is limited production capacity and inability to satisfy the market demand. In the past company already experienced some delivery problems. Unusually warm April in 2007 led to unexpected demand and temporary disappearance of the product from store shelves (Bloomberg Businessweek, 2007). That year the rapidly and steadily increasing demand could no longer be met by the existing facilities. Delivery bottlenecks became a problem for rapidly expanding brand. On the other hand, commercial caution dictated that the utmost care be taken when making investments. Therefore, Bionade Abfüll GmbH decided to obtain used components for their system. After a purchasing tour throughout Europe (such as to the pasteurization plant in Poland, the unpacking plant in Switzerland and the case washing systems in Denmark), a filling plant with a capacity of 35 000 bottles per hour was erected in Ostheim (CAN in Automation (CiA), 2008).
3.1.4. Other activities of BIONADE

BIONADE Corporation has entered into a partnership with the Trinkwasserwald e.V. (Drinking Water Forest Association) and will be in active cooperation with additional regional partners in order to create new drinking water forests throughout Germany in the next years, thereby sustainably generating additional ground and drinking water. This is the first time a German company has been engaged on a large scale and for a sustained way in the area of drinking water safeguarding and proliferation. The scientifically recognized process in drinking water forests created in this way offers the possibility for a product not only to compensate for the water sources it uses but even to increase it in a targeted way (Bionade GmbH).

BIONADE is also involved in different sport sponsoring activities. For example, with every bottle sold, BIONADE supports the German School Sports Foundation and the Nationwide School Competition JUGEND TRAINIERT FÜR OLYMPIA (Youth Trains for the Olympics). Qualities and goals such as physical fitness, health conscious eating and drinking, a sense of responsibility and fair play that are imparted through school sports correspond well to the philosophy of BIONADE (Bionade GmbH).

BIONADE was also participating in celebration of 100 years of youth hostels in Germany. People in charge of the German Youth Hostel Association were celebrating this anniversary for a whole year with many large and small activities. Under the title ”100 years – 100 trees”, BIONADE was planting Drinking water forest with the children from various youth hostels (Bionade GmbH).

Company also became the official refreshments supplier for the MONDE DU CIRQUE in Geneva 2010. For the entire year, Geneva will become the first international capital of the Circus World. The event set the goal to pay attention to environmental protection during the entire festival. BIONADE supports this unique project and from the 1st of January 2010 will sponsor the MONDE DU CIRQUE with every bottle sold in Switzerland (Bionade GmbH).

BIONADE is also making valuable contribution to the bio agriculture project Rhön. In 1991 UNIESCO recognized Rhön as a biosphere reserve, in order to ensure the protection, care and development of this exceptional highland landscape. The BIONADE Corporation has consciously taken responsibility for Rhön environment and
consequently signed the leadership-statement of the Federal Ministry for the Environment, Environment Protection and Reactor Safety (Bionade GmbH).

All above mentioned activities are consistent with the brand image company has built during the years of existence in the minds of the consumers. Sponsoring these events company continues to position BIONADE brand as environmentally friendly, organic and healthy for people.

3.1.5. SCA and Positioning of BIONADE

Resource-Based View

Evaluating the SCA of BIONADE based on resource-based theories, it can be observed that the main company’s asset which gives the superiority over competitors is the patent over the production process of BIONADE. It is valuable, rare, difficult to imitate, widely exploited by organization and therefore according to Barney (1991) leads to sustainable competitive advantage. Company also invested in its production facilities, which are valuable asset for BIONADE.

However, it is not the patent alone contributed to the success of the company. BIONADE example is the case where importance of capabilities should be analyzed with special attention. Organizational capability is critical for BIONADE in terms of shared mindset inside and outside the organization. “If you believe in this strategy, it works” answered the Mr. Rath to the question about how the company with a highly priced specific product manages to target every German customer, but not a particular segment. Such answer represents the unity of mind and belief in the values and strategy of organization. All critical elements of organizational capability (shared mindset, management practices, capacity for change and leadership) described by Ulrich and Lake (1991) can be found in the BIONADE Company as well. Company managed to generate enormous demand for its product and became a leader in creating the trend for the organic drinks, what says about its market sensing and customer linking capabilities described by Day (1994).

The strong brand name of BIONADE precisely built by organization in the minds of the consumers and carefully positioned in the business network became a powerful asset for the company. Competitors are still looking for the alternatives to imitate BIONADE with little success. The “isolating mechanisms” of BIONADE like historical uniqueness, causal ambiguity and social complexity are present. The story of
BIONADE discovery is unique and would be difficult to copy. Discovery of the brand and learning about the product are the key elements in company’s strategy. The trust and reputation gained by the company during the years of existence in the market are hard to imitate.

Analyzing the case of BIONADE from RBV perspective it appears that SCA of the brand was obtained because of the resources – assets and capabilities of the company. Existing family business owner in search of market opportunities made a big invention, which later became a new asset of the company as a patent. Company also possesses different kinds of capabilities which contributed to the success of the BIONADE. The brand name, reputation, product leadership were built around the main key element – invention. Now patent protects the unique product from imitators and contributes to the SCA of the company. However, it should be noticed that invention alone was not worth much at the beginning, until Blum created a unique positioning strategy for it. From the business practice it appears that not all inventions become successful products. It often can be observed how innovations fail if companies do not choose the right positioning strategy. Therefore, the BIONADE case should also be analyzed from the different point of view taken by many researchers that strategic positioning can lead to the SCA of the company.

Network approach

According to Porter’s definitions of generic strategies, BIONADE is definitely uses differentiation strategy. Company’s strategy is based on the uniqueness of the product with the broad target market. BIONADE targets everybody and does not choose any specific segment. The value added by the uniqueness of the product allows BIONADE to charge a premium price for its high quality. It is difficult to find the same quality substitute for the brand. However, BIONADE constantly faces the risk of imitation, which is typical for differentiation strategy.

BIONADE applies a relatively high price for their highly differentiated product. On a Bowman’s Strategic Clock it represents the strategy number 4 – differentiation with a price premium. With this strategy company adds enough value to the product to justify the high price. BIONADE is targeted to everybody in Germany. The success of BIONADE strategy shows that the price is still affordable to the majority of population and there is no specific target segment for this product. Applying tools of both authors...
with attempt to generalize the positioning strategies, author got the same result, that BIONADE is a pure example of differentiation strategy. However, Bowman’s approach specifies the type of differentiation strategy.

Applying the classification of positioning strategies presented by Boyd et al. in their book, it can be concluded that BIONADE is using multi-segment positioning attracting customers from different market segments. Author asked BIONADE product manager Christian Rath to choose suitable positioning strategies for the brand from the list of typology strategies made by Blankson and Kalafatis. According to the interviewee, BIONADE uses top of the range, service, the brand name, and selectivity positioning strategies. Brand is definitely upper class, with high quality and care about the customer; it is idealistic product with the high principles.

BIONADE case is a good example of the Blue Ocean strategy. Company managed to create its own organic beverage market for their new product. BIONADE generated a new demand in Germany for organic drinks and it is continuing to do the same in other markets. BIONADE highly differentiated itself from other lemonades. It is absolutely unique and does not have any serious competitors in organic beverage sector.

Positioning in the mind of the prospect

Positioning is not only about placing the product in the business network; it is also about careful creation of associations in the minds of the consumers. BIONADE uses both physical and perceptual positioning of the product. On the very first page of BIONADE official website company names physical attributes of the drink “The unique non-alcoholic refreshment drink. Produced from natural raw materials of organic quality through fermentation in a purely organic way.” And then text mentions what the product does: “BIONADE refreshes in a special way. Delicately tart and fruity, with the special note of a fermented drink. Whether as Elderberry, Lychee, Herbs or Ginger-Orange.” The slogan at the end states “BIONADE A refreshing change”. These statements are the main points of difference of BIONADE, which describe the individual elements of differentiation. Usually PODs are more difficult to achieve, because brand must demonstrate clear superiority. BIONADE is successful in demonstrating its product superiority over other drinks. It is often can be obtained in the press that BIONADE is “Un-Cola” drink. It is a competitive point of parity (Keller, 2008), which creates associations to negate competitors’ points of difference. The initial
strategy created by Blum based on viral marketing was evolving with the growth of the company. Now BIONADE uses different marketing tools to communicate the values and advertise the brand. Since BIONADE targets different market segments, its advertisements are different to various locations. For example, in the areas around schools to attract children attention the simple BIONADE add says “Good in biology, bad in chemistry”\(^6\). In areas around the trendy residential districts to attract busy business people advertisement says “Elderberry instead of Blackberry”\(^7\). BIONADE also created an enormous “Danke Hamburg” campaign, because Hamburg was the first city where BIONADE became popular. The special edition of BIONADE bottle labels with title “Thank you Hamburg” were created only for Hamburg city. As well company made out of BIONADE crates “Danke Hamburg” construct next to a famous bridge in the Hamburg harbor. Recently BIONADE created a web page [http://www.bionade-fragen.de](http://www.bionade-fragen.de) asking different funny questions with multiple choice answers. After answering one question the statistics of answers is shown with additional information about BIONADE; the reference to the related longer articles about BIONADE appear.

BIONADE is absolute first mover in the market. According to Ries and Trout (2001) to be the first is the easy way to get into the person’s mind. Company is inventor, the product pioneer and the market pioneer. Company was the first to sell the product in the market. But being the first not always implies the absolute advantage over competitors. How long the company would manage to sustain its leadership position on a market the time will show. According to Boulding and Christen (2003) being first to the market leads, on average, to long-term profit disadvantage. They also state that patent protection moderate the long-term profit effect of entry order. Researchers suggest to first movers to pay closer attention to later entrants and pursue strategy that continuously creates new markets. Till now BIONADE is successfully expanding and keeping an eye on all its competitors and imitators.

The case of BIONADE is the most extensive one because company is very open to any means of communication. There is a lot of information about BIONADE in press. Personnel quickly replied to authors request for phone interview and even answered additional questions by email after the interview. Company left a very positive impression and appeared to be a very interesting case for analyzing SCA and SP.

\(^6\) In German: GUT IN BIO, SCHLECHT IN CHEMIE
\(^7\) In German: HOLUNDER STATT BLACKBERRY
3.2. SUPERMALT

Supermalt is a brand of non-alcoholic malt beer produced by Royal Unibrew A/S in Denmark, Scandinavia's largest beverage exporter with a range of recognized global brands. Supermalt is non-alcoholic highly nourishing and energizing drink. The high content of vitamins and minerals is beneficial for the whole family and provides the nourishment necessary for healthy living. Supermalt is available in following variants: Original, Plus (enriched with Ginseng and Aloe Vera), and the new Tetra Pak. As well company introduced Supermalt Light, which has the same smooth and rich taste as Supermalt original but with 50% less calories. Supermalt is dark colour, almost black with sweet, rich full-bodied and smooth taste. Supermalt combines the well-known properties of nutritious malt with vitamin B Complex, minerals, proteins, nutrients and antioxidants. The sweet notes are a combination of naturally occurring glucose, fructose, saccharose, maltose and maltriose, which are quickly absorbed by the body and metabolized into energy (Supermalt). Supermalt is more similar to a soft drink than a beer. In some regions of the world malt drinks are simply referred to as Malta. Supermalt uses traditional brewing skills for all non-alcoholic batches to ensure recognized superior quality. It is brewed to perfection using only the finest natural ingredients (Supermalt). Supermalt is a niche product widely sold among Afro-Caribbean population in UK and other European cities. The biggest target segment for Supermalt is concentrated in Brixton, London (Royal Unibrew).

Royal Unibrew

Royal Unibrew produces, markets, sells and distributes quality beverages focusing on branded products within beer, malt and soft drinks, including carbonated soft drinks, water and fruit juices. Basic values of Royal Unibrew are presented in Appendix 2. Royal Unibrew is organized into three market segments: Western Europe (primarily comprising the markets for beer and soft drinks in Denmark, Italy, the Cross-border Trade and Germany); Eastern Europe (primarily comprising the markets for beer, fruit juices and soft drinks in Lithuania, Latvia and Poland); and Malt and Overseas Markets. The most important markets for Royal Unibrews malt drinks include countries in Africa and the Caribbean as well as ethnic groups from these areas living in and around major cities in Europe and the USA. Malt and Overseas markets also include The UK, France, Canada and The Middle East. In some places in the Caribbean,
Vitamalt, which is the third biggest malt drinks brand in the world, sells better than cola (Royal Unibrew).

For more than 30 years Royal Unibrew has produced, exported and marketed Supermalt. At the beginning malt drink was produced as a nutritional supplement for the Nigerian army. Later it was exported and marketed also to West African countries and the Caribbean markets, in which Supermalt found a ready market (Royal Unibrew).

Ceres became aware of the Afro-Caribbean population of the London suburb Brixton and launched Supermalt in 1978. It became an immediate success within this particular niche. Later low-end sister brands Vitamalt and Power Malt were introduced. Today Supermalt is the leading malt drink in the UK (with the market share of more than 80%) enjoyed by all ages as a natural part of a healthy diet. Royal Unibrew has an overall market share of more than 85% of the malt drinks market in the UK. The primary consumer target group for malt drinks is the Afro-Caribbean population, which represents more than 1 million people in the UK. London is the largest single European market for malt drinks (Royal Unibrew).

3.2.1. Value Chain of Supermalt

The value chain of Supermalt drink is presented in Figure 10.

**Figure 10 – The Value Chain of Supermalt**

Supermalt is produced in Århus by the Danish Ceres brewery, a typical manufacturer of alcoholic and non-alcoholic beverages, which belongs to Royal Unibrew. Marketing of malt brands in the UK market is conducted by Supermalt UK Limited, Royal Unibrew's UK subsidiary. For the full Group structure please see Appendix 3. Sales and distribution take place primarily via ethnic distributors and cash & carries (wholesalers), and further out to a wide variety of ethnic retail stores. Company has inbound logistics service, but retailers also can pick up their goods be themselves; it depends on retailer’s capabilities (Falch, 2010). In addition, Supermalt also increasingly sells through major supermarket chains such as Tesco and Asda/Walmart, Sainsbury and Morrisons (Royal Unibrew).
3.2.2. Strategy of Supermalt

Investments in marketing of Supermalt are minor. A significant part of Supermalt brand profiling is visibility. The brand is marketed by means of a low-cost and locally focused marketing strategy mainly based on outdoor advertisements, sponsoring of storefronts, distribution of free samples, and sponsoring a wide variety of local cultural events (e.g. the Notting Hill carnival, Afro Hair, The Beauty Show and The Respect Festival). Despite an unchanged marketing strategy Supermalt continues to be the preferred beverage of the Afro-Carribbeans in Brixton. Supermalt is the leading malt brand in this specific segment due to a high level of cultural embeddedness. The strong ethnic self-identity in UK market was created through the early-to-market approach of Supermalt in 1980s. At that time the only competitor was Guinness Malta with not much marketing effort. It is safe to conclude that, Supermalt got the first mover advantage in UK. Since then Supermalt managed to build a very strong brand among particular segment.

Supermalt differentiates itself from other malt brands as a natural product, without any artificial additives with high content of vitamins, minerals and nutrients retrieved from quality malt using traditional brewing skills. It is suitable for all age people, pregnant women, vegetarians/vegans, everybody (Supermalt). Supermalt promotes a healthy life by encouraging people to do regular exercise. On a Supermalt webpage people can find running programs for different people from beginner to trained person. Page visitors can read about importance of warm up and stretch out and even perform a cooper test online to know their shape.

3.2.3. SCA and Positioning of Supermalt

Resource-Based View

The main asset of Supermalt is the strong brand name widely recognizable by the target segment. Because of the long history of consumption by particular segment the brand achieved the effect of ethnic self identification by Afro-Caribbean consumers. Another factor contributed to the success of Supermalt is the strength of Royal Unibrew behind the Supermalt brand. Ceres-Brewery, the producer of Supermalt, carries long brewing traditions of non-alcoholic malt beverages. During 30 years of brewing experience company generated a lot of knowledge inside the organization in production of malt drinks. Moreover, company trained highly skilled employees. The Royal Unibrew enjoys economies of scale and scope due to its big logistics network with numerous
production lines and distribution centers all over the world. It is a leading supplier for malt beverages and the largest beer exporter in Scandinavia.

Royal Unibrew possesses strong market sensing and customer linking capabilities. Imitation by substitution or duplication of the brand would be difficult due to history dependence and such isolating mechanism as time compression diseconomies (Powell, 1995), when resources require long-term accumulation before attaining value.

Network Approach

According to Porter definitions of generic strategies SUPERMALT uses focus strategy concentrating on a narrow segment, sometimes called differentiation focus. Company enjoys a high degree of customer loyalty, even self-identification from Afro-Caribbean population in UK. This customer loyalty discourages other firms from competing directly and allows Supermalt to acquire a really big market share in a malt drinks market. A typical risk associated with this strategy includes changes in the target segments.

However it should be noticed that in Bowman model there is no definition of the market scope. In the malt beverage market Supermalt is absolute leader enjoying high market share among other malt drinks. But if we take non-alcoholic beverage market of UK as a whole, we can expect Supermalt to occupy a very small share of the market – a drink consumed by black population mostly concentrated in one region of London. It means that the market for Supermalt has its limits (1 million people in London) and product cannot be targeted to a wider market (e.g. rest of the UK population) without change of brand identity. In spite of its similarity to Supermalt as a unique beverage product, the BIONADE market scope is much wider and the market for BIONADE is rapidly expanding. Without any doubt we can state that according to Porter BIONADE uses differentiation strategy. In comparison to BIONADE, Supermalt occupies a very small niche market and according to Porter’s definition uses focus strategy, also called differentiation focus.

In Bowman’s Strategy Clock strategies are appraised on the parameters of cost advantage (price) or differentiation advantage (perceived added value of the product). Analyzing Supermalt in respect to the Bowman’s Strategy Clock, it appears that Supermalt uses focused differentiation strategy as well. The price of Supermalt in UK
groceries is higher than other lemonades and Cola drinks. Still the price is reasonable and acceptable for the targeted segment.

According to Boyd et.al definition of positioning strategies, Supermalt is using mono-segment positioning targeting a marketing mix at only one segment of UK population. First two positioning strategies described by Boyd et al. multi-segment and mono-segment are very similar to the concept of “market scope” used by Porter in his model of generic strategies. Based on the two cases of BIONADE and Supermalt it can be noticed that mono-segment positioning is used by Supermalt with the narrow market scope and multi-segment positioning is used by BIONADE approaching the wide market scope. These models logically supplement each other.

From the list of positioning strategies typologies designed by Blankson and Kalafatis Marketing manager for Malt & Overseas markets in Royal Unibrew Mrs. Ingrid Falch has chosen seven out of eight possible positioning strategies for Supermalt. It is Service, Value for money, Reliability, Attractiveness, Country of origin and Selectivity. Interpreting the choice of Mrs. Falch it could be concluded that Supermalt brand appears to people as friendly, it has reasonable price, it is reliable, attractive and reminds to the target group their belonging to other countries and cultures. The product has a long history of recognizable brand name being a leader in the malt market. However, according to Blankson & Kalafatis (2004) all elements of these positioning strategies are not mutually exclusive, but a firm cannot emphasize all of the factors, because such claim would lack credibility.

Supermalt represents the Red Ocean strategy. Malt drinks exist since 1960s and were consumed by Afro-Caribbean population for a long time. Production and marketing of Supermalt is unique in a way that Ceres managed to see the opportunity for their existing product to be sold on a newly formed market of black population in London. Long history of consumption malt drinks by Afro-Caribbean was the factor contributed to the success of the brand. But the drink itself does not represent an innovative product which created a new market as it was the case for BIONADE.

Positioning in the mind of the prospect

Supermalt positions itself as a healthy, energetic and fun family drink. On its webpage the list of all the vitamins of the drink is presented together with its positive effect on human body. Brand states its PODs by comparing ingredients of Supermalt to other
drinks like milk, orange juice, cola and beer. In addition to positioning on physical characteristics of the product, Supermalt wants to create the image of healthy drink providing a lot of energy after physical exercises. Separate section is created for individual running programs and funny computer game to play.

The Supermalt case is a very valuable example on how the self-identification with the brand in the target group was created. Supermalt has never been marketed in Denmark, but it continues to be the preferred beverage by the Afro-Caribbeans in Brixton. Unchanged marketing strategy is leaving ample room for consumer co-construction of the Supermalt identity. The research of Tino Bech-Larsen et al. (2007) describes that apart from being black and belonging to the Afro-Caribbean culture, it is not possible to describe the projective profile of the prototypical Supermalt consumer. The single most common characteristic of the Supermalt consumers seems to be their dissimilarity. However, strong connotations to culture and family give Supermalt identity of a family drink. The target segment is unaware of the company behind the brand what gives Supermalt a secure but not overpowering identity. Researchers conclude that targeting an ethnic niche one advantage of branding strategy based on consumers’ cultural values and co-constructive efforts, is that such a strategy requires fewer resources compared to one which aims a conveying values that are more or less alien to the target group. Based on Supermalt example it can be concluded that branding products to an ethnic niche (and maybe also to broader markets), marketers can benefit from a conceptualization of brand identity as a co-constructive process of marketer efforts and consumer interpretations. However such strategy has certain drawbacks. It would be more difficult to extend the brand to culturally diverse market segments. Another question is a brand extension. It seems reasonable that brand extension success will depend on the relations between the targets’ self-identity needs and the cultural embeddedness of the product categories (Bech-Larsen, Esbjerg, Grunert, Juhl, & Brunsø, 2007).

The Supermalt case study by Bech-Larsen et al. (2007) on brand identity does not allow to conclude whether the success of the Supermalt brand was just a lucky strike, or whether the case involves a lesson for other brands seeking brand-identity within a cultural minority target. However, it indicates that an effort to understand the culture of target group paired with the creation of ample space for consumer co-construction of brand identity is better strategy, than traditional brand strategies.
3.3. OeTTINGER

Oettinger is a leading beer producer and bottler in Germany. The Oettinger Group consists of 5 breweries. For full group structure in Germany please see Appendix 4. Assortment of Oettinger includes 14 different types of beer, beer mixtures and different types of non-alcoholic beverages. The Oettinger Group has gained a prominent position among the top 50 German food trading concerns and is currently providing its products to about 13,000 outlets throughout Germany (OeTTINGER).

Similar to other German beers Oettinger is brewed in accordance with the German purity law of 1516⁸. It is one of the oldest and strictest food standards in the world maintained up to the present day. According to this law, the only ingredients a producer is permitted to use for beer production are barley, water, hops. It also describes different brewing techniques that are permitted to use.

In 2009 company sold 6.59 million hectoliters of beer and sustained its first position in German market by volume sold. For full list of top 10 German beer brands please see Appendix 5. Oettinger sells products far below market price and therefore passes their cost advantages directly to the customers. Every move and every part in Oettinger’s value chain is directed at reducing cost and increasing efficiency. The company tries to avoid unessential investments and cost drivers. Oettinger totally avoids communication investments throughout the company’s history. There exist no advertisements for the brand, no sponsoring and nothing comparable. The company does not attend trade fairs. The only mean it takes advantage of is communication via price.

3.3.1. Strategy of Oettinger

The purchasing strategy of Oettinger differs greatly from the one of premium competitors. While companies like Radeberger or Warsteiner put importance on buying premium raw materials like expensive aroma hop and premium summer barley, Oettinger maintains its low cost advantage by producing standard hop and cheap winter barley. If premium competitors reject materials due to quality issues, the supplier usually sells those materials to Oettinger for a lower price. Company policy dictates the procurement department not to purchase any premium materials. Standard hop is favored over expensive aroma hop, and the purchasing department is interested in cheap winter barley instead of premium summer barley. (Dierig, Welt Online, 2009).

⁸ In German: Deutsche Reinheitsgebot
Company also saves costs by abandonment of fancy bottle labels. The cheap production of bottles is justified by using recycled materials. Oettinger GmbH chose to pursue the strategy of not making any extra effort to increase beer quality above the minimum level. The bottles are standard-sized and do not have fancy labels, and the crown caps are monochrome (OeTTINGER).

German government also inadvertently influenced the path of Oettinger business development, when it imposed an obligatory deposit on cans in 2003, but without any provision for recycling the cans that were returned. At that time Oettinger had a 30% of its production packed in cans. According to Oettinger owner Kolmar, it was the biggest intervention of the German government to the beverage sector. Many supermarkets stopped stocking cans altogether, and although some cans still exist - that left a very big hole for a relatively pleasant cheap beer like Oettinger to fill (INDEPENDENT, 2005).

The company has only a small R&D budget. Instead of investing considerable amounts in this field, it rather waits for competitors to make the first move to introduce a new product. If it proves to be successful in the market, Oettinger just copies it and brings to the market for the half price. Examples are beer-cola mix, winter beer, wheat beer with grapefruit flavor and fermented lemonade. Company pursues a “me too” strategy instead of working on real innovations. All innovative products that reached the German beer and beverage market in the last years were copied by Oettinger after they were proven to be successful. In addition to copying, Oettinger sometimes also introduces its own drinks. For example, recent introduction was a wheat beer with strawberry flavor (Dierig, Welt Online, 2009)

Oettinger targets the whole German market, more and more including and expanding to adjacent markets. Unfortunately, beer consumption continued to decline in Germany in 2009 both off-trade and on-trade, due to a considerable number of different factors. They are absolute maturity and saturation of the sector, the ageing population, different tastes among younger consumers. Older people tended to drink less alcohol, the middle-aged segment of traditional beer drinkers diminished. As well as the health and wellness megatrend remained powerful obstacle to a better performance of the sector (Report Linker, 2010).
3.3.2. Oettinger strategy in Russia

At present moment Oettinger beer is present in more than 100 countries worldwide. The whole production of beer is paced in Germany. However, couple of years ago the company sold a license to produce Oettinger beer in Russia. CJSC “Moscow Brewing Company” (Moskovskaya Pivovarennaya Kompaniya) (MPK), a new Russian brewing company, launched a brewery in the Moscow Region on production of beer and drinks. According to MPK, investment in this project accounted for 200 million dollars. The first brand which was produced by the brewery in September 2008 in accordance with a relevant license is Oettinger (The Union of Russian Brewers, 2008). According to Mr. Evgenij Kashper, the co-owner of Detroit Investment (DI), which owns MPK, agreement is signed for the 40 years. According to him, Oettinger beer in Russia will be pushed into the market based on the German strategy. It means savings on marketing will contribute to the lower price of the product. DI decided not to create a completely new beer brand because of the restrictions on beer TV advertisements and high media inflation. The price of start up of a new brand is increasing each year in Russia. In 2007 the first time in many years there were no new brands introduced on the beer market in Russia (Food News Week, 2008). At present moment brewery produces OeTTINGER Pils, OeTTINGER Bock, OeTTINGER Weiss and OeTTINGER Gold (OeTTINGER).

The positioning strategy of Oettinger in Russia obviously differs from how Oettinger is positioned in Germany. In order to establish a German brand in Russian market, beer producer uses different marketing tools, what may appear against company’s philosophy. Oettinger uses advertisements, organizes special events like Oettinger fest, and makes regular excursions to the brewery. “The most advanced brewery in Europe” states the message in the Oettinger Russian webpage. To attract customers to the brewery company organizes special excursions with degustation each Saturday without registration and with special registration on the work days. Company even let a free bus from different metro stations to bring people to the brewery.

The message on all Oettinger bottles in Russia states “Beer Nr.1 in Germany”. It immediately can be noticed that the design of the webpage www.oettinger-beer.ru is surprisingly fancy and more customer oriented. It differs considerably from the simplistic designs of Oettinger web-pages in other languages for the rest of the world. Oettinger brand in Russia obviously stepped aside from the main company’s strategy
not to invest in marketing. Messages in movies about Oettinger state about high production control and premium quality of the beer brand.

According to Aleksej Krivoshapko, the director of Prosperity Capital Management, German customers are more price sensitive than Russian customers and to win Russian market with only low price will be impossible. Based on his evaluation, advertising expenses in Russian beer market account for $6 for 1 hectoliter of beer. With planned brewery capacity of the 70 thousand hectoliters in a first year the potential marketing budget of a new brand would account for $420 thousand. To get adequate attention from consumers by only distributing the product in the business network would be extremely difficult. According to Mr. Krivoshapko, beer is the emotional product, and emotional ties are built by advertisements, not by trade-marketing (Food News Week, 2008).

This change in positioning strategy for Russia can be an example how company adapts to different market conditions and show their market sensing capabilities. The strategy which is proven to be successful in Germany, not necessarily will be successful in other markets. Communication only by low price can mislead new customers and damage the brand mistakenly being perceived of poor quality. Therefore other means of communication are needed to present product’s high value for low price relationship.

With slightly different strategy, Oettinger brand already proved to be successful in Russian market. In 2009 more than 100 000 hectoliters of Oettinger Pils were sold in Russia. It accounts for 70% of all Oettinger beer products. (Sostav.ru, 2010)

3.3.3. SCA and Positioning of Oettinger

Resource-Based View

The success of Oettinger in Germany is justified by the cheapest price on the beer market. Company evidently is having the leanest cost structure industry wide. It operates at high efficiency due to their cutting-edge manufacturing systems and skills. In order to reduce costs Oettinger made decisions about vertical integration. Company runs one of the most efficient distribution systems in Germany. The company possesses an own fleet of 200 trucks. With those vehicles, strategically located at the various production facilities, 450 drivers of the company perform distribution tasks. Due to its already reached market leadership in terms of sales, the company possesses and exerts a considerable amount of economies of scale. This allows it to purchase raw materials at a
lower price. In order to keep advantage Oettinger continuously reinvests profits into the maintenance and enhancement of its facilities.

The distinctive capabilities of the company’s personnel should be noticed. Workers in warehousing, shipping and production have a proven record of above industry average efficiency supported by the modern facilities. Every worker in Oettinger is 3 to 4 times more efficient than a colleague of competitors. The superior efficiency is further supported by a very lean and simple organizational structure of the company (OETTINGER, 2003). Experience and proficiency in skills require long-term accumulation before providing the value. It means main isolating mechanisms of Oettinger valuable resources will be *time compression diseconomies* and *connectedness of all resources* company already possess.

*N Network Approach*

According to Porter, Oettinger uses *cost leadership* strategy. Company sells its beer at below average industry price in order to gain a big market share. It successfully occupies Nr1 position in German market by volumes sold. Targeting a broad market company is using very efficient production system and remains profitable for a long period of time. According to Bowman’s Strategy Clock, Oettinger is using *low price strategy*. According to this strategy company should be a cost leader as well to be able to fight in the price wars with competitors. Oettinger beer price is the cheapest in German market. We can assume that the perceived added value by customers is high enough. Company claims it has a very strict quality control, but according to the low cost production philosophy it uses cheap raw materials. It is brewed according to the German’s purity law and therefore maintains good quality. Apart producing beer, Oettinger also introduces new drink copies of existing popular brands proved to be successful in the market, but with the lower price. Therefore it fits under the definition of *imitative positioning* described by Boyd et al.

Oettinger is positioned in German market based on its amazingly low price for good beer quality; therefore Oettinger is the best example of the positioning strategy called *Value for money*. However, in such country as Russia Oettinger uses slightly different positioning strategy. Against its no marketing approach, company widely advertises Oettinger as a “Beer Nr1 in Germany”. Germany has a reputation of the beer drinking country in the minds of the Russian customers. As well German products in general are
considered by Russian population as products of high quality. Therefore, we can conclude that *Country of origin* and *Reliability* elements are present in Oettinger positioning strategy in Russian market.

Oettinger fits in the definition of the *Red Ocean* strategy. Production and selling of beer is century-old tradition. Company is competing on the price only, capturing already existing demand in the market and not creating a new one. Company successfully copies new products after they prove to be successful in the market and does not introduce radical innovations.

*Positioning in the mind of the prospect*

Analyzing the associations of the brand in the minds of the customers is different in case of Oettinger. Associations in the minds of German consumers are created based on price only, which sometimes leads to the negative perception of the Oettinger as a “cheap beer”. Dominik Hust, who runs one of the several dozen Oettinger fan clubs in Germany comments: “There are still people who don't even know Oettinger, and there are, even worse, people who insult it as a cheap beer for cheap people. They also claim that Oettinger can't keep up with the other big German brands, which is definitely not true.” Oettinger’s CEO, Gunther Kollmar comments “you might call our beer socially acceptable”, but he bridles, nonetheless, at calling it “cheap” despite it being half price of competitors like Krombacher. “It is not cheap”, he told one Bavarian paper. “There’s no such thing as a cheap beer” (INDEPENDENT, 2005). In spite of several comments to the newspapers Oettinger doesn’t take any further steps in communication to consumers about the quality of the beer. Thanks to the purity law of Germany, customers know that all beer produced in this country matches this quality standard. However, this does not apply for Russian market. In Russia negative perception of “cheap beer” would seriously damage the brand. Therefore, company took some actions to prevent Oettinger to be perceived as a cheap. The product itself looks different in Russia than in Germany. Brewery put more effort on the design of the bottles and cans. Labels are nicer, shining and made of more expensive materials. In Russia Oettinger establishes its POD based on its existing leadership position in Germany. “Beer Nr. 1 in Germany” states each bottle. The webpage is interactive; it includes video presentations about Oettinger beer. It also invites to the brewery for weekly free beer degustation. Company provides interested customers with free buses to the brewery. Brand still
neglects expensive means of communication like TV advertisements, but uses low cost communication means. Oettinger brand regularly appears in Russian press.

IV. RESULTS AND DISCUSSIONS

All three cases of drinks represent interesting examples of how strong brands were built with a limited marketing budget. Even though each brand followed its own strategy, some commonalities in all three strategies were found. This allows us to draw some general conclusions and pick up valuable lessons about successful brand positioning strategies.

The theoretical framework for case analyses was developed based on different theories and models about SCA and SP found in different literature sources. The comparison of three case study analysis based on developed theoretical framework is summarized in Table 3.

**Table 3 – Schematic comparison of the three cases**

<table>
<thead>
<tr>
<th>Theoretical framework</th>
<th>BIONADE</th>
<th>SUPERMALT</th>
<th>Oettinger</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resource-Based View</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>Patent over production process Up to date production facilities Strong brand name</td>
<td>Strong brand name with ethnic self identification Strong experienced producer of malt drinks with a long history and traditions</td>
<td>Lean production system Efficient distribution system Simple organizational structure</td>
</tr>
<tr>
<td>Capabilities</td>
<td>Organizational capabilities: Shared mindset inside and outside the organization, Management practices, Capacity for change, Leadership Market sensing and customer linking capabilities</td>
<td>Experienced and skilled personnel Market sensing and customer linking capabilities</td>
<td>Efficient and skilled personnel Market sensing capability (Russia example)</td>
</tr>
<tr>
<td>Resource imitatibility: main isolating mechanisms</td>
<td>Historical uniqueness, casual ambiguity, social complexity</td>
<td>Historical uniqueness, time compression diseconomies</td>
<td>Time compression diseconomies and connectedness of resources.</td>
</tr>
</tbody>
</table>
### Network approach

<table>
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<tr>
<th>Porter generic strategy</th>
<th>Differentiation strategy (unique product for a wide market segment)</th>
<th>Focus strategy (unique product for a narrow segment)/differentiation focus</th>
<th>Cost leadership strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bowman’s Strategic Clock</td>
<td>4. Differentiation strategy with the price premium</td>
<td>4. Focused differentiation</td>
<td>2. Low price strategy</td>
</tr>
<tr>
<td>Positioning strategies by Boyd et al.</td>
<td>Multi-segment positioning</td>
<td>Mono-segment positioning</td>
<td>Imitative positioning</td>
</tr>
<tr>
<td>Blue ocean vs. Red Ocean</td>
<td>Blue Ocean</td>
<td>Red Ocean</td>
<td>Red Ocean</td>
</tr>
</tbody>
</table>

### Positioning in the mind of the prospect

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>POPs</td>
<td>Competitive POPs: Healthy, environmentally friendly, organic, trendy, innovative, un-cola</td>
<td>Competitive POPs: Healthy, energetic, fun, family drink</td>
<td>Category POPs: necessary for the product to belong for the category</td>
</tr>
<tr>
<td>First mover</td>
<td>Absolute first-mover: inventor, product pioneer and market pioneer</td>
<td>First mover: product and market pioneer</td>
<td>Follower, copying products of other successful brands</td>
</tr>
</tbody>
</table>

Following the theories described in the first part of the paper, the starting point for successful brand development in all three brand stories was a possession of initial resource-based advantage. BIONADE success story of introducing a new product in German market begins with patenting an invention. At that time, company already has initial production facilities to produce a new drink. Successful Supermalt introduction in
UK was possible because producer in Denmark already had long brewing traditions of malt drinks and managed to make a product of good quality already known for target group in their home countries. The success story of Oettinger is also based on its resources – highly efficient breweries which are constantly updated.

Another common feature found in all three companies is a market sensing capability. All companies represent the ability to learn about customers, competitors, and channel members. They continuously sensed and acted on events and trends in the markets. Even rigid strategy of Oettinger was modified and adopted for Russian market. However these adaptations do not represent a radical change in chosen strategies. All companies were consistent with their long-term strategies very carefully introducing limited brand extensions, which could possibly damage the original brand.

Even though the Resource-Based view is the oldest approach in evaluating SCA, it is still evidently valid method. All three companies possess valuable, rare, difficult to imitate and employed by organization resources which contributed to the success of the companies. In evaluation of the companies’ resources the separate analysis of isolating from imitation mechanisms was useful, because it includes different dimensions; therefore it was included in the theoretical framework.

The network approach taken by some authors stresses the importance of the right positioning of the company in the overall business network. Author assumed that theories of Porter, Bowman, Boyd et al., Blankson and Kalafatis, Kim and Mauborgne were built on the definition of the strategy in terms of positioning in the business networks.

Porter generic strategies in spite of critique are still widely spread in marketing literature. Applying the model of generic strategies to the chosen cases was easy, because definition of the strategy according to this model is based on two dimensions only – market scope and differentiation or cost leadership focus. However, it was proved by some authors (e.g. Hill in 1988) that due to different factors like economies of scale and scope, it is possible to pursue both differentiation and cost leadership strategies. It could be the case for BIONADE brand for example. Even though company uses expensive ingredients to produce a drink, it can achieve economies of scale and scope, learning effects which can considerably reduce the production costs. However,
BIONADE prefers to keep its price high, therefore all cost reductions would have positive effect on company’s profit.

The Bowman’s Strategy Clock is basically very similar to Porter’s generic strategies. However, its application raised some difficulties and questions. The main difficulty was definition of perceived added value for the brands. To define the perceived added value, the customer research is needed. Not all companies perform customer researches and if they do, usually do not share this information. Another difficulty, relationship between price and perceived added value is not clear. Does the lowest price in the market of Oettinger beer considerably increases brand’s perceived added value on the Strategic Clock? Or can the perceived added value be evaluated on the parameter of the product’s quality? Another difficulty in application of the model is the lackluster border between definitions of differentiation with the price premium and focused differentiation strategies. In both the perceived added value is high, but the difference between price premium and just high price is blur. Even though Bowman in his model provides wider spectrum of possible strategies, the application of Strategic Clock to three cases raised more questions than answers. The main advantage of Porter’s model is simplicity and easy application; therefore it is still popular nowadays.

The positioning typologies of Blankson and Kalafatis (2004) provide 8 generic factors which could be the base for constructing positioning strategy. However, this approach may be understood differently by marketers. Supermalt example showed that 7 out of 8 possible factors could be applied to the case, what lacks credibility.

The theory of Kim and Mauborgne about Blue and Red Ocean strategies is relatively new. The theory description is supported by the analysis of successful innovative companies. Projecting their behavior may be beneficial and inspiring to managers in attempts to create their Blue Oceans. In this paper the BIOINADE case portray the unique Blue Ocean strategy. Company shows that innovation and creativity in strategic decisions bring good results. BIONADE is unique in its strategic positioning. The basic lesson that can be learned from BIONADE case is that innovation, creativity and ability to be different from the rest players in the market yields good results. It is not surprising that companies pursuing Blue Ocean strategy are absolute first movers and gain first mover advantages.
The positioning concept got its popularity with the book of Al Ries and Jack Trout. The wave of new thinking about positioning got bigger attention in strategic positioning literature. Marketing and brand building literature concentrated more and more on building associations in the minds of consumers. It is common practice that companies spend lots of money in the development and positioning the brand. On the other hand, it should be noticed that all three beverage producers from the case study analyzed in this paper used low-cost marketing tools of communication and focused more on internal characteristics of the product in brand building. None of the companies used aggressive push to the market strategy spreading their alien values to the target group. Oppositely, all chosen brands were positioned harmoniously and grew naturally. Without aggressive pushing to the market all companies allowed customers to form their own associations with the brands. It was confirmed by Supermalt case study of Bech-Larsen et al. (2007) that stressed the importance of creation of ample space for consumer co-construction of brand identity. BIONADE strategy was based on possibility for consumers to discover the brand and create their own ties with the product. Oettinger neglected any additional communication tools at all, providing customers with best value for money choice.

Whether strategic positioning contributed to the sustainable competitive advantage of companies discussed in cases study is difficult to say. More correctly would be to conclude that process of positioning the brands in the consumer minds in three cases started with the product itself. All three companies have strong PODs which are based on the internal physical product characteristics. The next step was the creation of additional associations in cases of Supermalt and BIONADE to strengthen their main PODs. Companies made attempts to create a good image of their brands associating them with positive values like healthiness, sport, fun, family, environment friendliness.

V. CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

After analysis of all cases it can be concluded, that evaluation of the company’s success and analysis of its strategies should be performed by combining different theories and models. There is no single theory found which would be universal in its application. Companies are complex structures and their success may depend of different elements, whether it is sustainable competitive advantage or strategic positioning.

The concepts of SCA and SP are interchanging. From the case studies there is more evidence that successful strategic positioning starts with the building associations of the product based on their already existing strengths of the product and its competitive
advantage. Later brands successfully positioned in the consumers’ minds became an asset of the companies contributing to their SCA. It means that concepts of SCA and positioning are interchanging and should be analyzed together. It cannot be concluded whether SCA leads to SP or vice versa. Different dimensions of these two concepts may contribute to the overall success of the brand.

The results of the case studies are limited to the beverage industry only. Further researches could apply the developed theoretical framework to analyze companies in other industries and perform additional quantitative researches.

The following limitations exist. Not all firsthand information was possible to get from all companies. Supermalt was very reluctant in providing any additional information about the brand stressing the confidentiality of their plans and marketing strategies. Moreover, Oettinger case analysis is based on the secondary information only, because company did not replied to any request for the phone interview or any other contact. Therefore, it cannot be guaranteed that unknown elements beyond the scope of this study did not have an influence. Another limitation is that findings are based solely on the case analysis of three unique beverage companies. To generalize conclusions the research of other companies in food industry on possession of SCA and their positioning strategies might be needed.

From the case studies appeared that at least two companies had strong brand names as their assets, which contributed to the SCA. The possible future research may focus on the compatibility and comparison of theories on positioning and brand building strategies.
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Appendix 1 – List of countries where BIONADE has its distributors

- Belgium/Luxemburg
- Finland/Estonia
- France
- Italy
- Japan
- Netherlands
- Norway
- Austria
- Russia
- Sweden
- Switzerland
- Spain
- USA

(Bionade GmbH).
Appendix 2 – Basic values of Royal Unibrew

Values of Royal Unibrew

We have six values in our company. They form our mutual foundation and act as daily guidance for our behavior. The values and follow-up on their compliance are evaluated once a year - partly in an overall satisfaction survey and partly in individually appraisal interviews.

Our values are:

- RESPONSIBLE
- COMMITTED
- HOLISTIC
- CREATIVE
- AMBITIOUS
- HONEST AND OPEN

Royal Unibrew VISION

With increasing profitability we will strengthen our position as a leading provider of beverages in Northern Europe, Italy, and in our markets for malt beverages. Outside these areas we will develop selected profitable export markets.

Royal Unibrew MISSION

We will meet our consumers’ and customers’ demands for quality beverages focusing on branded products primarily within beer, malt beverages and soft drinks.

From Vision to Action

The work with our vision, mission and values is a mutual issue. The challenge now, as in future, will be to secure the joint foundation of our values is understood and accepted, as well as being a natural part of our behavior - internally as well as externally.

Henrik Brandt, CEO, Royal Unibrew
## Appendix 3 – Royal Unibrew Structure per 31 December 2009

### GROUP STRUCTURE

<table>
<thead>
<tr>
<th>Segment</th>
<th>Ownership</th>
<th>Currency</th>
<th>Share capital</th>
</tr>
</thead>
<tbody>
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<td><strong>Western Europe</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subsidiaries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>DKK</td>
<td>1,008,000</td>
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<td>Alcabin AB, Sweden</td>
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<td>SEK</td>
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<td><strong>Associates</strong></td>
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<td>AB Kalnapilis-Tauras Grupe, Lithuania</td>
<td>100.0%</td>
<td>LTL</td>
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<td>Royal Unibrew Services UAB, Lithuania</td>
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<td>SIA “Cibos Group”, Latvia</td>
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<td><strong>Associates</strong></td>
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<td>Solomon Breweries Limited, Solomon Islands</td>
<td>35.0%</td>
<td>SBD</td>
<td>21,000,000</td>
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---

(Royal Unibrew)
Appendix 4 – OeTTINGER in Germany

(OeTTINGER)
## Appendix 5 – Top 10 German beer brands 2009

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Oettinger</td>
<td>6,59 Mio.</td>
<td>- 1,9 %</td>
</tr>
<tr>
<td>2</td>
<td>Krombacher</td>
<td>5,38 Mio.</td>
<td>-1,3 %</td>
</tr>
<tr>
<td>3</td>
<td>Bitburger</td>
<td>3,85 Mio.</td>
<td>- 0,2 %</td>
</tr>
<tr>
<td>4</td>
<td>Warsteiner</td>
<td>2,84 Mio.</td>
<td>- 4,9 %</td>
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<td>5</td>
<td>Beck’s</td>
<td>2,83 Mio.</td>
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</tr>
<tr>
<td>6</td>
<td>Hasseröder</td>
<td>2,74 Mio.</td>
<td>+ 4,5 %</td>
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<td>7</td>
<td>Veltins</td>
<td>2,47 Mio.</td>
<td>- 3,8 %</td>
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<td>8</td>
<td>Paulaner</td>
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<td>- 0,5 %</td>
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<td>9</td>
<td>Radeberger</td>
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<td>+ 0,8 %</td>
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<td>10</td>
<td>Erdinger</td>
<td>1,59 Mio.</td>
<td>+ 2,5 %</td>
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</table>

*According to “Inside Getrankemarkt”

(OeTTINGER)