A novel experimental model for product innovation strategy
ABSTRACT

The paper deepens the theoretical understanding of previous models on product innovation strategies and provides an enriched dynamic classification of product innovation based on 16 strategies. Using a critical literature review as well as the analysis of the case study, it seems some important models related to product innovation like Ansoff's grid require a modern theoretical update. Therefore, an updated version of prior product-market growth strategic grids is provided, with sixteen distinct options. Data and examples for illustration of the proposed strategies are obtained from companies in the foods and beverages industry located in Iran. Results suggest that companies should select one of sixteen strategies for creating innovative products according to competition level, market types in terms of homogeneous or heterogeneous, innovation leadership (market leader or market follower), and innovation capability (low versus high). The contribution of the paper is based on the integration of the effective factors for generating successful innovative products according to firm and market situations. The contributions for decision-makers are aimed at creating the best possible strategy toward new products and providing them with a guide for determining the blend of product innovation strategies to adopt in order to gain a competitive advantage.

KEYWORDS

Product innovation strategy, Competitive intensity, Firm innovation capability, innovation leadership

JEL CODES

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1. INTRODUCTION

Both the internal environments and external competitive environments in which the firms operate change over time. Therefore, management strategies must also change so that the firms can remain effective and competitive (Griffin, 1997). Wojtaszek and Mikula (2019) state that innovation means turning ideas and creativity into useful goods, services, and technologies that include research, organizational, financial and marketing activities. They point out that companies which systematically strengthen their competitive position in the market will be able to survive. In addition, it is evident that innovation is the result of various factors both inside the firm and outside its environment (Ponds et al., 2009). Furthermore, there is no doubt about the positive relationships between innovation and company performance that has been proven by many empirical studies (Naranjo-Valencia et al., 2017), but the research about the influence of determinants on the ability of a company to innovate is still limited (Fortuin & Omta, 2009) and few scholars are working with different combinations of various determinants and their impact on innovation (Striteska & Prokop, 2020). Therefore, there is an urgent need for further research on the determinants that influence the innovative absorption of firms (Karbowski & Prokop, 2018). Product innovation is one of the types of innovations and is defined as new products or services that have been developed to meet the needs of the market or customers (Carboni & Russu, 2018). However, firms appear to be caught in the horns of a dilemma because innovation incurs high R&D expenses and there are no guarantees of success; on contrary, if they don’t, their positions would surely be disrupted. It seems the best possible way for resolving this issue is understanding the product-market framework and find innovation to fit into it. The analysis of many research works may allow identifying the universal determinants of innovative activities carried out by firms. To the best of our knowledge, the significant factors conditioning the achievement
of innovative products success are market competition conditions (low versus high), the type of company in terms of innovation leadership (market leader versus market follower), the type of market (homogeneous versus heterogeneous) and finally firm innovation capability (low versus high). To determine the appropriate type of product innovation strategies, it is needed to carefully examine the aforementioned factors. The rest of this paper is structured as follows. The theoretical framework section illustrates the theoretical research on effective factors for product innovations. After it, product innovation taxonomies illustrated by prior scholars are presented. In the last section, the proposed framework for product innovation strategies and case studies are illustrated.

2. THEORETICAL FRAMEWORK

Innovation has become the core principle for creating added value (Setiawanta & Purwanto, 2019). Prior studies have found that innovative products are the result of internal and external determinants. For instance, Striteska and Prokop (2020) in their study mention that internal and external determinants of innovation should be considered and they state the former factors include in-house resources, social capital, material availability, financial power, and internal quality processes. As such, Vega-Jurado et al. (2008) in their research clarified the internal determinants of innovation like R&D intensity. According to earlier research, “innovation capability is the most important determinant of firm performance” (Crossan & Apaydin, 2010, p. 23). Murovec and Prodan (2008) also point out that innovation capacity has a strong and positive effect on product and process innovation and this result depicts that one of the most significant factors for innovation to create new features or improve existing technologies is innovation capability (Tajvidi & Karami, 2015). Romijn and Albaladejo (2002) examined the determinants of innovation capability in small electronics firms and found education, work experience of engineers and scientists, and R&D are the most important factors. A closer look at empirical studies shows that most of them deal with the evaluation of internal factors on product innovation, e.g., Brunswicker and Vanhaverbecke (2015) observed that in-house R&D and internal capabilities are key for managing innovation. Striteska and Prokop (2020), Baumann and Kritikos (2016), Anzola-Román et al. (2018) and Nader (2015) point out a positive relationship between R&D and product innovation. As such Hall et al. (2009), and other scholars like Bhattacharya and Bloch (2004) found this positive link. The results of these studies revealed a significant effect on internal factors particularly R&D expenditure on product innovation. Therefore, for designing our model, we consider R&D investment as an important factor. What also has been already proven by many empirical studies is the positive effect of marketing activities on product innovation. Liu and Liu (2008) have illustrated that external knowledge can be an important source of innovation. Marketing activities enable firms to acquire knowledge about their customers and competitors and are one of the integral determinants for successful product innovation (Striteska & Prokop, 2020). In this way, additional knowledge which can be obtained from market research will complement the company’s in-house resources. It is clear that product innovation usually starts with market research to identify new features and improve customer benefits when a firm focuses is on market newness (Cooper et al., 1997). Likewise, Hau and Kang (2016) also emphasize that market research activities will significantly strengthen a company’s competitive advantage and therefore, a firm can become an innovative leader in the future. The result of Hernández-Espallardo and Delgado-Ballester (2009) depicts the effect of customers on innovation and also, they mention that the feedback from customers leads to unique innovations. In this sense, Sofka and Grimpe (2010) mention that in-house R&D is
most effective when it is combined with a market-oriented search strategy. Therefore, we should consider this factor as an effective one. However, in this research, R&D investment together with marketing activities as innovation capability will be examined. According to study of prior research, other less important internal determinants are skills of the workforce, educational infrastructure and etc. which Table 1 illustrates a synthesis of the critical success of these factors (according to literature).

Others models underline external factors such as macro-economic indicators, government policies and other additional factors (Romijn & Albaladejo, 2002; Marques & Ferreira, 2009). As a whole, the product innovation literature extensively examines the importance of market aspects, for instances speed, growth, and competitive situation of the market (Cooper & Kleinschmidt, 1987; Rothwell, 1992). Norek and Arenhardt (2015) and examine the impact of the market on product innovation. Crawford and Benedetto (2021) also point out that the decision about when to launch the next generation of your product is depend on the competitive environment, customer expectations, and profit margins. These viewpoints clarify the importance of competitive environment for creating innovative products. Some scholars believe that innovation is an outcome as a result of high level of competition (Crossan & Apaydin, 2010).

Similarly, Güngör and Gözlu (2012) focused on the importance of competition. Turning to detail about the relationship between competitive intensity and product innovation, there are different viewpoints toward this relationship. For instance, Schumpeter (1942) states that monopoly market power is more conducive to innovation. Aghion and Howitt (1992) also believed that a high level of competition in the market discourages in-

<table>
<thead>
<tr>
<th>Internal Determinants (Firm-related Determinants)</th>
<th>Principal Authors (Year)</th>
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<tbody>
<tr>
<td><strong>Company Size</strong></td>
<td>Cohen and Klepper (1996); Marques and Ferreira (2009); Nicholas et al. (2011); Dahl and Moreau (2002).</td>
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<tr>
<td><strong>In-house resources</strong></td>
<td>Battisti et al. (2014).</td>
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<tr>
<td><strong>Market research/ Market-related activities</strong></td>
<td>Hau and Kang (2016); Heidenreich and Kraemer (2015); Striteska and Prokop, (2020); Sofka and Grimpe (2010); Zölniersk (2006); Hernández-Espallardo and Delgado-Ballester (2009).</td>
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<tr>
<td><strong>The ability of the company to operate according to strategic plans</strong></td>
<td>Vega-Jurado et al. (2008).</td>
</tr>
<tr>
<td><strong>Skills of workforce</strong></td>
<td>Vega-Jurado et al. (2008); Romijn and Albaladejo (2002).</td>
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<tr>
<td><strong>Company Age</strong></td>
<td>Marques and Ferreira (2009).</td>
</tr>
<tr>
<td><strong>In-house R&amp;D intensity</strong></td>
<td>Kirmer et al. (2009); Romijn and Albaladejo (2002); Prajogo and Ahmed (2006); Vega-Jurado et al. (2008); Bhattacharya and Bloch (2004); Hall et al. (2009); Baumann and Kritikos (2016); Anzola-Román et al. (2018); Nader (2015); Battisti et al. (2014); Brunswicker and Vanhaverbeke (2015); Striteska and Prokop (2020); Sofka and Grimpe (2010); Aghion et al. (2005); Cohen and Klepper (1996).</td>
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<tr>
<td><strong>Marketing innovation related to design and packaging</strong></td>
<td>Tishler and Milstein (2009); Striteska and Prokop (2020).</td>
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<tr>
<td><strong>Educational infrastructure (Training)</strong></td>
<td>Marques and Ferreira (2009); Vega-Jurado et al. (2008); Naranjo-Valencia et al. (2017).</td>
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novation. On contrary, some researchers like Nickell (1996) or Schmitz, (2005) find a positive linear relationship. However, it seems there is a relationship between competition and product innovation through R&D investment. For example, Tishler and Milstein (2009) and Aghion et al. (2005) state that when a firm is witnessed intense competition, it is possible that spend hugely on R&D to differentiate their products from its rival products in the market and they called it as “R&D war”. Although there is extensive research about the relationship between product market competition and innovation, but it seems has not yet to come to a consensus (Cornett et al., 2019). In this research, we will discuss innovative strategies in various two competitive environments, low vs. highly competitive intensity.

Another significant factor in product innovation is customers. Several models illustrate the most significant determinants of the success or failure of firms which were related to a firm’s innovative strategies, but it is obvious that little consideration has been given to the role of consumers. We know that companies have a significant role in product innovation; however, it is undoubtedly that demand exerts influence on the level and direction of the innovative effort (Caliari et al., 2017). The results of Bloom and Kotler (1975) research, point out that for building market share strategies, a firm considers some determinants like as must the product type as homogeneous or heterogeneous and competition intensity. Therefore, according to prior research, we should consider two types of market; homogeneous vs. heterogeneous. East et al., (2016) believe consumers do not have the same taste for the same product that it is a sign of the fact that there is heterogeneity in consumers’ preferences toward a product. On contrary, Pouta et al. (2010) in their research mention some consumers share the same preferences, based on their needs and their socioeconomic criteria.

As mentioned above, in this research, the impact of consumer preference by classification the market into two categories homogeneous versus heterogeneous market will be considered. However, besides these factors, recent discussion depicts that there is another important factor which is innovative leadership. Firms will create various decisions about product innovation depending upon whether they are technically superior to their competitors and lead in the market or not (Arora et al., 2016). This rule is in line with the definition of leader and follower by Striteska and Prokop (2020) that state firms that introduce a new or significantly improved product into the market before their rivals are a innovation leaders in the market. On contrary, firms that introduce a new or significantly improved product that was already available in the market are innovation followers in the market. Some researchers like Lumsdom (1997) mentioned various types of market leadership strategies among companies named, market leader, market follower, market challenger, and niche marketer. However, as is observed, the previously mentioned studies have dealt with determinants of innovation activities of companies but it is clear that fewer scholars are dealing with various combinations of different determinants and their impact on innovation. In other word, there are many factors, and few studies deal with the common influence of internal and external determinants on product innovation (Striteska & Prokop, 2020). For instance, given the conflicting interpretations about product innovation strategies among followers and leaders in different competition intensity and market segments, we avoid to summarize these opinions and instead look directly at the effect of being a follower or leader on product innovation. Furthermore, according to prior research, it seems not only there is a lack of innovative products strategy in many firms (Minaeva et al., 2018) but also the ways of definition of innovation, influencing determinants or the effects of innovation on firms’ performance are still questionable (Striteska & Prokop, 2020; Fortuin & Omta, 2009). Hence,
there is still ample room for research in this area. According to the study of prior research, other less important external determinants are Cooperation with other partners or Receipt of institutional which Table 2 illustrates a synthesis of the critical success of these factors (according to literature).

We propose a comprehensive framework of product innovation that provides an overarching structure applying various theoretical units into a coherent model. Analyzing prior studies according to Tables 1 and 2, the most relevant of variables were identified as external factors comprising R&D intensity, market research activities, training, and firm size as internal determinants versus customer expectation or market need and competition. However, it seems to the best of our knowledge, these determinants could be considered as firm and market determinants. As mentioned in the literature, firm position in the market (leader or follower) is also one of the most important factors but that is considered an external determinant, while in this research, it considers as a firm or internal related factor. This research consolidates determinants of product innovation which are derived from the existing literature into four distinct factors: innovation capability, innovation leadership, market type, and competitive intensity.

### 2.1. Firm-based effective factors

Firm-based effective factors on product innovation strategies comprise Innovation capability and innovation leadership.

**Innovation capacity:** this factor allows the creation of new features for improving existing technologies and stimulating competition in firms (Tajvidi & Karami, 2015). As discussed in the literature and according to Kirner \textit{et al.} (2009) viewpoint, innovation capacity

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**Table 2. Synthesis of critical success external (market-related) factors according to the literature review**

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<tr>
<th>External Determinants (Market-related Determinants)</th>
<th>Principal Authors (Year)</th>
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<tbody>
<tr>
<td>Customer expectation / Market need</td>
<td>Lee \textit{et al.} (2016); Crawford and Benedetto (2021); Adner and Levinthal (2001); Caliari \textit{et al.} (2017); East \textit{et al.} (2016); Dahl and Moreau (2002); Salomo \textit{et al.} (2003); Atuahene-Gima (2005); Zolnierski (2006); Hernandez-Espallardo and Delgado-Ballester (2009); Norek and Arenhardt (2015); Gungor and Gozlu (2012).</td>
</tr>
<tr>
<td>Technology acquisition and exploitation</td>
<td>Striteska and Prokop (2020).</td>
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<tr>
<td>Receipt of institutional support</td>
<td>Romijn and Albaladejo (2002).</td>
</tr>
<tr>
<td>Cooperation with other partners and networks</td>
<td>Romijn and Albaladejo (2002); Marques and Ferreira (2009); Liu and Liu (2008)</td>
</tr>
<tr>
<td>Firm’s position in the market (leaders or followers)</td>
<td>Arora \textit{et al.} (2016); Battisti \textit{et al.} (2014); Lumsdom (1997).</td>
</tr>
<tr>
<td>Competition/ Knowledge about competitors</td>
<td>De Luca and Atuahene-Gima (2007); Gungor and Gozlu (2012); Adner and Levinthal (2001); Schmitz (2005); Aghion \textit{et al.} (2005); Zolnierski (2006); Crawford and Benedetto (2021); Rothwell (1992); Schumpeter (1942); Nickell (1996); Tishler and Milstein (2009); Weiss (2003); Cooper and Kleinschmidt (1987); Gomes \textit{et al.} (2009).</td>
</tr>
<tr>
<td>Profit margins</td>
<td>Crawford and Benedetto (2021).</td>
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refers to firms’ R&D efforts. Romijn and Albaladejo (2002) examine determinants of innovation capability in small technological firms, using the following indicators: education, work experience of engineers and scientists, research and development (R&D), and the interaction of the organization with other firms. As mentioned earlier, Research and development is one of the most significant variables for creating and measuring innovation capacity in the firms (Jankowski, 1998; Prajogo and Ahmed, 2006; Marques & Ferreira, 2009). On the other hand, according to Lee et al. (2016) point of view, customers influence on development or improvement of products by providing complementary knowledge. Therefore, it is evident that innovation capability directly derives from R&D expenditure and marketing activities and this research considers it into two dimensions, low vs. high.

**Innovation leadership:** The second significant firm-related factor is the role of firms in terms of their innovation performance; market leaders and followers. It is clear that what is true or desirable for innovation leaders does not apply to innovation followers or maybe various for them (Striteska & Prokop, 2020). Therefore, identifying these determinants is a key source of knowledge for defining appropriate product innovation strategies (Stiglitz, 2015). Hence, this research categorizes companies into two main groups, a market leader and a market follower, and propose the best possible strategies through product innovation.

**Company size:** According to prior research, the size of a company influences product innovation because the company’s resources can be effective in innovation activities. In fact, Cohen and Klepper (1996) provided evidence that there is a relationship amid R&D activities that is positively correlated with firm size. Although, there are some different attitudes toward this issue because some researchers mention large companies have a complex and professional structure and as a result of it are less flexible in the face of changes (Chen & Smith 1992). While the others believe, many SMEs with high innovation capability are more interested in investment in innovation than large firms (Lee & Lan, 2011). Therefore, it is noticeable that the innovation literature depicts that the exact role of a company’s size and its effect on its innovation is not so clearly defined (Carboni & Russu, 2018) and this paper synthesizes company size and innovation leadership together and hypothesize there are two types of market leader (large companies) and market follower (SME) with low vs. high innovation capability.

### 2.2. Market-based effective factors

The second dimension of the analytical framework corresponds to Competition Intensity and market types.

**Competition Intensity:** In summary, it seems previous research find no simple relationtionship between competition and innovation (Cornett et al., 2019). However, in this research, product innovation strategies in terms of low or high competitiveness intensity are proposed

**Homogeneous Market versus Heterogeneous Market:** currently, we have witnessed that traditional mass markets are becoming more and more heterogeneous. In other words, market segments scale down to niches and micro-niches, where manufacturers have to offer customized products or services for each individual customer (Kumar & Phrommathed, 2005). But it is obvious that for some products the related market is homogenous. However, according to Esslinger (2011) about the importance of market planning, this study examines and purposes the best strategies for the innovative product in two market types; homogeneous vs. heterogeneous.

For finding the best strategy for companies in terms of their internal and external situation, firstly product innovation taxonomies suggested by prior research will be investigated and after it, the proposed framework and related strategies will be proposed.
2.3. Product innovation taxonomies

In economic sciences, the notion of innovation leads back to Schumpeter (1934), who examines innovations as a necessity to be successful in the market. Several authors have indicated different typologies of innovation, like Ansoff (1965), Allen & Hamilton (1982), Johnson & Jones (1957) and etc. Some of the most significant prior taxonomies are summarized in Table 3.

Table 3. Product innovation taxonomies

<table>
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<tr>
<th>Author (Year)</th>
<th>Typology</th>
<th>Criteria</th>
</tr>
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| Johnson and Jones (1957) | 1. Reformulation (by improved technology)  
                          2. Replacement (by new technology)  
                          3. Remerchandising (no technology change)  
                          4. Improved product (by improved technology)  
                          5. Product line extension (by new technology)  
                          6. New use (no technology change)  
                          7. Market extension (new market by improved technology)  
                          8. Diversification (by new technology)                                   | Degree of technological newness / Degree of market newness |
| Ansoff (1965)       | 1. Market penetration (present product/present market)  
                          2. Market development (present product/new market)  
                          3. Product development (new product/present market)  
                          4. Diversification (new product/new market).                                      | New or existing products / New or existing markets |
| Yoon and Lilien (1985) | 1. Original new product  
                         2. Reformulated new products                                                     | |
| Booz Allen and Hamilton (1982) | 1. Launching new products which are not existing before (new to the word)  
                          2. Developing new products through R&D programs (new to the company)  
                          3. Product extension through adding new products (adding to existing lines)  
                          4. Improving existing products (product improvement)  
                          5. Reclassification products positions and oriented new products to new markets (Re-positioning)  
                          6. Applying new techniques to reduce costs to produce new products (Cost reduction) | Newness to the firm/ Newness to the market |
| Henderson and Clark (1990) | 1. Incremental innovations (having minor improvements in function and form with architectural innovations (with minor change in technological function)  
                          2. Modular innovations (with significant improvements/alterations in function due to change in technology with significant R&D expenses)  
                          4. Radical innovation (with significant R&D expenses)                                    | The degree of architectural variation and novelty of the linkages that integrate the components, giving a market acceptable form to the product/service |
| Kleinschmidt and Cooper (1991) | 1. Low innovativeness products  
                          2. Moderately innovative products  
                          3. Highly innovative products                                                      | Degree of technological newness / Degree of market newness |
According to Table 3 taxonomies, the current study offers several significant advancements to the field of innovative products strategies. In this research, first, the authors propose a contemporary product-market matrix, with sixteen distinct strategic options that according to this model, a firm can choose one of sixteen strategies. Table 4 illustrates a depiction of the sixteen proposed product-market innovation strategies. Every grid is illustrated with abbreviations in parentheses; for instance, (1) market leader (L) in the homogeneous market (Ho) with low competitiveness level (LoCo) and high innovation capability (HiIc) called LCc-LoCo-HiIc, in similar.

2.4. All types of product innovation strategies
For identification of the best innovation strategy, it is needed to recognize the most important of them.

Firstly, product innovation according to various points of view should be considered. Product innovation represents the generation of new products with innovative modifications (Dibrell et al., 2008). Murovec and Prodan (2008) in their research identified product innovation as (1) Increased range of goods or services, (2) Increased market or market share, (3) Improved quality in goods and services. Among many others, Parker,
Smith, (2003), Kodama, (2007) define product innovation as creating or improving new goods or services which involves the conversion of new knowledge into a new or improved product or service incorporating fundamental changes in technical specifications and materials or components. Likewise, Yoon and Lilien (1985) believe that really new products are more diversification-oriented. In the beginning, market leader behaviour should be considered for suggesting the best possible strategies.

**Grid 1:** In the LHo-LoCo-HiIc situation, when a firm is a market leader with high innovation capability and is facing homogeneous groups of customers with the same preferences (Wedel & Kamakura, 2002) and it is operating in low competitive intensity, for this company it will be so important to prevent competitor’s entry into market. According to prior research, like Bordley (2003) and Bahadir et al. (2008), one of the best possible strategies for a large company is brand diversification which acts as an entry barrier in the market. Kang and Lee (2014) state brand diversification is associated with the operation of multiple brands. Therefore, the following strategy is proposed

P1: If a market leader has high innovation capability as a result of R&D expenditure as well as marketing activities in a homogeneous market, and it is encountered with low competitiveness, “Brand diversification” will acquire higher desirable outcomes.

**Grid 2 and 6:** In the LHo-HiCo-HiIc situation, a company has high innovation capability; hence this circumstance is appropriate for product diversification. According to Ferrell and Hartline (2014) point of view, if a firm possesses many internal strengths but few external opportunities (e.g. high competitive pressure) the firm might pursue a strategy of diversification.

Similarly, Le (2019) states that diversification plays an important role in the context of high innovation capability.
role in capturing market power. Therefore it is evident that this type of strategy is appropriate for a market leader. However, according to David (2008), diversification is a strategy that a firm offers a new related or unrelated product to the market. Regarding literature review, related (concentric) diversification refers to offering a new product to the market which is similar in terms of product nature with previously produced products (David, 2008). Non-related (centrifugal) diversification is related to the expansion of business scope and the increase of business areas (Le, 2019). This type of diversification includes two types of horizontal and conglomerate. David (2008) states that horizontal diversification is related to such type of diversification which product is similar in few aspects like target market and at the same time is different in aspects of nature of the product. Offering potato chips is an example of horizontal diversification by Pepsi. On the contrary, conglomerate diversification is such a type of diversification that all the aspects of a product are different in nature of the product and other aspects of it (Certo and Peter, 1990). However, according to the aforementioned, it is summarized that when a market leader is witnessing highly competitive intensity, it should employ product diversification as a product innovation strategy but the type of diversification is related to the degree of its innovation capability; if a company has high innovation capability, it should use horizontal diversification. As such, Gray and Mabej (2005), and Nicholas et al. (2011), have indicated that large companies (market leader) which have a high market share and good financial resources (high innovation capability) tend to have product diversification. Therefore, second strategy is

P2: If a market leader has high innovation capability in a homogeneous market and at the same time is experiencing a high level of competitive intensity, “horizontal diversification” would be the best strategy for generating innovative products.

The LHo-HiCo-LoIc box, similar to the previous grid, product diversification is needed. However, it is obvious that when a firm has low innovation capability, the appropriate strategy would be related to product diversification and it is obvious that this strategy does not need high innovation capability. Thus, next proposed strategy is:

P6: If a market leader has low innovation capability in a homogeneous market and at the same time is experiencing a high level of competitive intensity, “horizontal diversification” will acquire higher desirable outcomes.

**Grid 3:** As mentioned earlier about LHo-HiCo-HiIc grid, a diversification strategy is appropriate for a firm with many internal strengths and many external threats. Firms in this position have a great deal to offer, but external factors (like competition pressure) weaken their ability to pursue aggressive strategies (Ferrell & Hartline, 2014). However, it is clear that in LHt-LoCo-HiIc grid, the competitiveness pressure is low, therefore, the firm could employ aggressive strategies through high innovation capability. As a result of these circumstances, conglomerate diversification is proposed. Turning to detail about this strategy, when the opportunities in a company’s current line are limited, finding an attractive investment opportunity requires what the firm considers alternatives in other types of business (employing conglomerate diversification). For illustration, Bloom and Kotler (1975) mention Gillette as a market leader that had diversified extensively and expanded from shaving-related products to deodorants and other product categories. Many high market-share companies (market leaders) have employed this strategy. The fear of competition in established markets can lead companies to diversify. Therefore, in LHt-LoCo-HiIc situation, an attractive investment opportunity requires the firm to consider alternatives in other types of a product by conglomerate diversification and this research suggests this strategy for a long-term. Because the competitiveness intensity
is low and meeting customer’s needs in this market would be profitable for that company.

P3: If a market leader has the highest level of product innovation capability in heterogeneous market and the competitiveness intensity is low, “Long-term conglomerate diversification” would be the best strategy for product innovation.

Grid 4: for LHt-HiCo-HiIc grid, similar to LHt-LoCo-HiIc, conglomerate diversification is suggested. But in new case, the competitiveness intensity is high and as Ferrell and Hartline (2014) in their book mention, competition pressure debilitates firm ability to pursue aggressive strategies. Therefore, it is needed that suggested strategy will be considered in detail. Undoubtedly, when a market leader employs conglomerate diversification in high competition pressure, after a few times, the follower will enter this market probably by imitation, and therefore, this research proposes:

P4: If a market leader has the highest level of product innovation capability in a heterogeneous market and the competitiveness intensity is high, “Temporary conglomerate diversification” would be the best strategy for product innovation.

Grid 5: According to the literature review, when firms are in a dominant position in the market (market leader), it is more likely that they prefer to maintain the status and refuse to change so they neglect product innovation (Lee et al., 2016; Bloom & Kotler, 1975), particularly in the lack of competitive pressure. It is undoubtedly true that, when a product of a firm has loyal customers, it can be successful for a long time but continued improvements may be needed to keep customers satisfied (Perreault & McCarthy, 2005; Lee et al., 2016). Cohen and Levinthal (1989) assume that the market leader can have two approaches toward innovation. It may take less innovative actions because of the risk of sharing the benefits of innovation in the market and harness by followers, or it may be more innovative to be able to avoid intense of competition with followers. In this situation (LHo-LoCo-LoIc), the company does not need major innovation and product modifications replace existing products with just little changes (Danneels, 1998). An example of product improvement is flavor change of the current product (Crawford and Benedetto, 2021).

P5: If a market leader has low innovation capability in a homogeneous market and the competitiveness intensity is low, “modify and improve current products (product development)” will acquire higher desirable outcomes.

Grid 7: In the LHt-LoCo-LoIc when a market leader is operating in low environmental pressure, its preference is preserving it by preventing competitor’s entry into the market, thus we need a strategy which acts as an entry barrier by crowding out prospective competitors and creating larger market shares in the market and for finding it, we review the prior research and it seems flanker would be one of the best possible strategies in this situation. According to Certo and Peter (1990) and Kim and Lowrey (2010), flanker is a new brand offered by a firm that is a bit different in some aspects of product attribute (thus it needs low innovation capability) and the aim of this strategy is to protect the main product of the company from the competitor brand and generating more shelf space in the store (Giddens, 2010). Therefore, next strategy is:

P7: If a market leader is operating low on both innovation capability as well as competitiveness pressure in the heterogeneous market, “Flanker” is proposed as the best strategy for creating innovative products.

Grid 8: in the LHo-LoCo-LoIc, as mentioned earlier, if a firm is market leader, its preference is maintaining its market share and it has not interest to increase its share, because it is obvious that it needs costs or some risks (Bloom & Kotler, 1975). However, when competition intensity is high, the market leader needs to employ the best possible strategy facing with competitors and
defending its market position. Here the best strategy is that the market leader defends its empire by confrontation strategy. It involves making small, intermittent attacks on different territories of the competitor to capture a huge segment of competitor’s market share. Hence, the next strategy is summarized as:

P8: If a market leader has low innovation capability and it is experiencing high competition intensity, confrontation diversification is proposed as the best strategy for creating innovative products.

Now, the right strategies for market followers should be investigated. Among many others, Nicholas et al. (2011) believe these companies can compete with large competitors and gain competitive advantages by selecting and employing appropriate strategies in developing new products. A market follower must decide just how much risk to take. For instance, these firms should decide whether to compete through radical improvements or incremental improvements. Some of them have close relationships with their customers due to their small scale, and it is needless to say that this could give them a high capacity for customization (Dahl & Moreau, 2002). This research identifies this group of firms as market followers with high innovation capability and illustrates them in FHo-Lo-Co-HiIc, FHo-HiCo-HiIc, FHt-Lo-Co-HiIc and FHt-HiCo-HiIc grids in research framework.

Grid 9: For consideration of the best strategy for FHo-LoCo-HiIc grid, previous research on this area should be considered. Ferreras-Méndez et al. (2015) state that extensive market knowledge provides new ventures (market followers) with sufficient knowledge to overcome the liability of newness. It is evident that this knowledge helps new ventures transform new ideas into new products (Bao et al., 2012). In this respect, among many others, Kumar and Phrommathed (2005) mention that after realizing all successes and mistakes experienced by a market leader, a market follower typically designs their process well to achieve higher efficiency in producing products. Turning to details and focusing on the marketing strategies among followers, one of the perfect strategies in facing market leader is attacking a competitor head-on by producing similar products, prices, promotion, and distribution with competitor’s products that offer superior value or quality that this strategy called frontal attack (Yannopoulos, 2011). Hence, the ninth suggested strategy is proposed as:

P9: If a market follower has high innovation capability and it is operating in a homogeneous market, and at the same time it is experiencing low level of competitive pressure, its preference is employing offensive strategy and therefore, the best strategy would be “frontal attack”.

Grid 10: for finding the best strategy fitted to FHo-HiCo-HiIc grid, authors considered literature. Kim and Atuahene-Gima (2010) found that new ventures (market followers) that are employing technological innovation as a result of their innovation capability could easily develop differentiated new products from existing products and will meet their customer’s demand. Additionally, when a market follower (SMEs) is under pressure in facing strong competitors, they have to meet their customers’ demands to keep their market share (Nicholas et al., 2011; Yan and Makinde, 2011). Again, we consider marketing strategy in the literature for the market follower against the market leader in detail. Yannopoulos (2011) in his research states that a company as a market follower can concentrate on its developing by capitalizing on new technology and focusing on producing a next-generation of products to occupy the competitor’s market share. It should be mentioned that in this situation the follower engages himself heavily in R&D activities to come up with an improved product. This strategy named leapfrogging strategy:

P10: If a market follower has high innovation capability and it is operating in homogeneous market and at the same time it
is experiencing the high level of competitive intensity, the best strategy for creating innovative product would be “generation of a new product based on new technology (leapfrogging strategy)”.

**Grid 11:** To begin with, in FHT-LoCo-HiIc situation, according to earlier research (e.g., Hirsch-Kreinsen, 2008, or Forsman and Temel, 2011), it is obvious that the majority of SMEs or market followers create innovative product by getting information from customers and thank to their R&D investments. As mentioned in this paper, some of these companies, due to their small scale, have close relationships with their customers that this capability will lead to customization (Dahl & Moreau, 2002). On the other hand, it is crystal clear that market followers try to capture what market leader’s customers want, hence they quickly respond to rival’s customers’ needs with lower costs and higher efficiency through new product innovation. Additionally, when a firm is operating in a heterogeneous market, it means manufacturers have to offer customized products or services for each individual customer (Kumar & Phrommathed, 2005) and a high degree of specialization and differentiation is needed (Mintzberg, 1979). Therefore, next strategy in this situation will be proposed:

P11: If a market follower has high innovation capability in a heterogeneous market and at the same time it is operating at the low level of competitive pressure, the best product innovation strategy would be “Innovation in cross services of current products, specific to each group of customers”.

**Grid 12:** In FHT-HiCo-HiIc circumstance, firstly it should be mentioned that when a firm is operating in a heterogeneous market, differentiation could respond to distinct consumer segments (East et al., 2016). Hence, in this market, firms must accept various demand as a market characteristic and moderate product lines accordingly. On the other hand, we know, one of the best ways for creating a new product is identifying customers’ demographic features. Prior studies (e.g., Iqbal et al., 2013; Adner & Kapoor, 2010; Dennis et al., 2014) depict demographic factors are key indicators for the study of consumer behavior and affect customer loyalty. Also regarding literature, we know, market followers have a strong relationship with their customers; therefore, they are able to manufacture new products according to their preferences or their demographic features. Regarding it, the next strategy is suggested:

P12: If a market follower has high innovation capability in a heterogeneous market and it is operating in under highly competitive pressure, the best product innovation strategy would be “new product based on demographic variables”.

However, it is evident that some of the market follower have not high innovation capability. In this respect, among many others, Kock et al., (2011) assume that some followers with original ideas probably cannot commercialize them because they have limited experience in solving unusual problems. Furthermore, these scholars point out that the behaviour of innovation leaders in the market can serve as a benchmark for innovative followers. These results are in line with the second category of market followers in this research (market followers with low innovation capability). In this situation, when a company has low innovation capability, its preference is imitation or entering to a new market. These followers will be considered in four final grids in research model; FHo-LoCo-LoIc, FHo-HiCo-LoIc, FHt-LoCo-LoIc and FHt-HiCo-LoIc.

**Grid 13:** When a company is operating in the FHo-LoCo-LoIc situation, it is obvious that the best strategy is imitation. According to Striteska and Prokop (2020) opinion, innovation followers in the market can rely on the spill-over effects of knowledge that spreads uncontrollably. Xu et al. (2017) also state that moderate innovators (or followers) are not able to create original innovations; therefore, it is crystal clear that they usually innovate via imitation or reserve engineering. Imitative products are new to the firm, but not new to the market. These
products have low technological innovativeness and also low market innovativeness (Garcia & Calantone, 2002). Therefore, we proposed our thirteenth strategy:

**P13**: If a market follower has low innovation capability in a homogeneous market and it is operating in the low competitive pressure, the best product innovation strategy would be “new product equals to market leader’s successful product”.

**Grid 14**: Yannopoulos (2011) in his research states that one of the strategies which is employed by follower is flanking strategy that does not need to high innovation capability. He mentions that this strategy is employed by a follower because some segments of market are not served well by the market leader because these major companies do not see these segments as important enough or profitable. Flanking firms could exploit this opportunity by improving service and offering better terms. Therefore:

**P14**: If a market follower has low innovation capability in homogeneous market and at the same time it is operating in the high competition pressure, the best innovation strategy would be “New product superior to market leader successful product in new geographic markets flanking attack strategy”.

**Grid 15**: Gilligan & Wilson (2004) in their book mention about the strategies of successful low-share followers. For instance, efficient use of limited R&D budgets, focusing on specialization rather than diversification, and offering high value-added rather than mass products. Hence, our suggestion for FHT-LoCo-LoIc grid is:

**P15**: If a market follower has low innovation capability in a heterogeneous market and it is operating in low competition intensity, the best strategy for producing innovative products would be “neck and neck with market leader in cross services of products, specific to each group of customers”.

**Grid 16**: For purposing the best strategy, the authors review Ferrell and Hartline (2014) viewpoint. They mention that when a firm has a few internal strengths but myriad external opportunities, it is obvious that it could not take advantage of opportunities because it does not possess the needed resources to create innovation capabilities and in this situation, the firm might focus all of its efforts toward small niche markets. However, Lieberman and Montgomery (1988) state that innovation enables SMEs (market followers) to enter niche markets and achieve superior customer value which leads to competitive advantages. Turning to details about this strategy, the marketing strategy focuses on one small sub-segment of the market with a collection of highly specific needs (Driessen, 2005). According to Miller (1986), niche differentiators offer a specialized product/service bundle to a market segment that is not offered by larger firms in the industry. Therefore, according to the aforementioned research, we proposed the final strategy for market followers:

**P16**: If a market follower has low innovation capability in a heterogeneous market and at the same time it is experiencing a high level of competitive pressure, the best strategy for producing innovative products would be “new product based on a highly specific market”.

### 3. RESEARCH METHODOLOGY

The paper is conceptual and exploratory in nature and builds on existing literature and the author’s experience with developing conceptual framework. For best illustration of the proposed strategies, case studies were employed in whipped cream market in Iran. A case study is one of several ways of doing social science. According to Voss et al. (2002) point of view, case studies have become a very powerful research method. Yin (2009) defines a case study as an investigation of a phenomenon in real-life context by focusing on observing contemporary events. The reason for choosing this method was testing the proposed strategies in various circumstances in the food and beverage industry. Firms
in the food and beverage industry have to compete on the basis of regular launches of new and improved products on the market (Enzing, 2009) and a major problem for the food and beverage industry is the high failure rates of new products. The result of prior research depicts that two in every three newly introduced products fail within the first year after product launch (Enzing, 2009). Therefore, it is obvious that one of the most significant challenges of the firms is to organize the product innovation in such a way that the product’s success rates on the market will increase.

3.1. Data gathering
To select the firm to examine research proposed strategies, the authors first identified a group of food manufacturers located in Iran which were producing whipped cream in Iranian market. These companies were contacted and asked about getting information about their strategies. Finally, one of the successful innovative companies (Kalleh Company) was selected among some companies that showed their interest in this research.

The data was collected by an in-depth interview with industry experts of this Company. A judgmental sampling technique was used for selecting Kalleh Co. industry’s experts by using two criteria; they should have more than five years of work experience in the food or beverage fields and at the same time, they should be working in production, marketing, or R&D departments. As in this way, these people were knowledgeable about Kalleh and its competitor’s new products and strategies.

Required information was derived from interviews with seven industry experts who were knowledgeable about the whipping cream market. For collecting information about Kalleh whipping cream SKUs, personal interviews with industry experts were undertaken in two steps; firstly, for identifying successful whipping cream products and after it, for exploring information about external environment as well as firm position in the market. It should be mentioned that Kalleh has various types of whipping cream, some of which are sold just through B2B market. Therefore, before starting the interview, participants were asked to mention just whipping cream products that are sold to the end consumers. The authors asked participants to specify the market type of whipping cream, the firm’s type of Kalleh Co, this company’s innovation capability level and competitive intensity in the Iranian market.

According to literature (e.g., Arrow, 1962; Cornett et al., 2019), for measuring competitive intensity, there are various ways that this research employed Arrow, (1962)’s proxy. This way suggests that competition intensity is measured by measuring the number of firms in the industry. 0, 1, 2, 3 and 4 competitors depict low competitive intensity and more competitors show the high intensity of competition. In addition, for considering market type, according to literature, if customers’ needs are the same among them, the market is homogenous. Kalleh industry experts were in agreement about the homogenous market type of whipping cream in Iran.

One of them (Sales manager, 12 years working experience) mentions:

“Generally, we could categorize whipping cream market into several segments for instance, it is segmented into dairy and non-dairy. However, in Iran, this product is rather new for B2C market and, therefore, this market is considered as a homogeneous market. I mean if you consider B2C market for whipping cream, I believe this is heterogeneous because whipping cream products in B2B market have different attributes. For example, some of them are appropriate for cake decorating. They hold their shape longer. While the other maybe are more appropriate for topping of ice cream of milkshake or for filling”.
As it is observed from Table 8, there were four companies producing whipping cream in Iran, therefore, the competitive intensity is low. Industry experts also were asked to specify the order time of entry for every product into market. They depicted them with numbers. Indeed, 1 is related to the first whipping cream of this company that was introduced into the market. It should be noted that Kalleh has three brands in whipping cream, all of them mentioned by industry experts.

Table 5 depicts Kalleh whipping cream SKUs which market and firm types of them were presented according to industry expert’s point of view.

<table>
<thead>
<tr>
<th>The main methodological topics</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose of research</strong></td>
<td>The aim purpose of this research is to provide a comprehensive framework of product innovation that comprises an overarching structure applying various theoretical units into a coherent model. Therefore, considering applied strategies of successful market leaders and market followers toward innovative products is worthwhile.</td>
</tr>
<tr>
<td><strong>Methodology of research</strong></td>
<td>Case study</td>
</tr>
<tr>
<td>analysis unit</td>
<td>Successful market leaders and market follower’s products</td>
</tr>
<tr>
<td>type of sample</td>
<td>Judgmental sampling method</td>
</tr>
<tr>
<td>sample</td>
<td>Whipping cream products of market leader and market follower Industry experts</td>
</tr>
<tr>
<td>evidence-gathering methods</td>
<td>In-depth interview with industry experts</td>
</tr>
<tr>
<td>information sources (internal and external)</td>
<td>Interviews</td>
</tr>
<tr>
<td>key informers</td>
<td>Industry experts 1) Production manager, 2) Marketing manager, 3) Regional sale manager, 4) R&amp;D experts (2 people), 5) Market research experts (2 people).</td>
</tr>
<tr>
<td>methods of analyzing the evidence</td>
<td>If a product was available in the market, the authors considered it as a successful product and employed a strategy about it considered as a correct strategy. Therefore, if the employed strategy for the successful product was fitted with the suggested strategy, the proposition was accepted.</td>
</tr>
</tbody>
</table>

3.2. Data analysis

The finding of interview is observed in Table 6. Related information about firm and market types are illustrated in following table.

In the next step, industry experts were asked to state the most important competitors that are producing whipping cream for B2C market. The derived data depicts that the seven industry experts were in agreement about competitor’s name. In addition, they were asked to determine firm type for every rival as well as their entry time into market if company had more than one SKU in whipping cream category (see table 7).

After identification of competitors in whipping cream market, experts were asked to point out Kalleh as well as other
companies’ strategies towards producing whipping cream. This information is illustrated in the following sections.

4. CASES
4.1. Kalleh case – a market leader with high innovation capability

From reviewing literature, it is evident that the most important determinants of generating innovative products are firm and market related factors. First of all, to investigate the best possible strategy for product innovation and diagnosing the behaviour of Iranian successful companies in the area of implementing innovation on whipped cream products, as mentioned above, this research employs Kalleh and its competitor’s behaviour. According to some international reports (e.g., Wageningen Economic Research report conducted by Beldman et al., 2017) about Iranian market, Kalleh dairy Company acts as a successful market leader. Euromonitor International (2016)’s report, also mentions Kalleh Dairy Company as a part of Solico Group acts as an undisputed leader in Iranian market with the help of product quality as well as innovation. For considering Kalleh’s strategies towards innovative whipped cream, firstly, all SKUs of whipped cream were identified by industry experts.

In the last part of collecting information, after recognizing all whipping cream products in Iranian market, the related
strategies towards these products were derived by continuing interviews with industry experts. As mentioned above, these individuals were selected from three departments, including 1) production manager, 2) marketing manager, 3) regional sale manager, 4) R&D experts (two people), 5) market research experts (two people). In this section, authors had traced Kalleh company strategies toward new products of whipping cream category to test current research propositions. Through this data market follower’s strategies after launching Kalleh whipping creams were explored.

As mentioned earlier, regarding whipping cream, Kalleh is a market leader with high innovation capability, and its competitors Mihan, Koolak (http://tolikoolak.com/) and Bonsa (https://www.instagram.com/mybonsa/?hl=en) act as market followers according to expert’s point of view. Mihan Co. (http://www.mihanfood.com/en/) is one of the successful dairy Companies in Iran with high innovation capability while two others companies are market followers which have low innovation capability (Table 7).

Hence, Kalleh and its rival’s placements according to the research framework are illustrated in table 8.

For considering the best possible strategies about generating whipping cream’s successful products, this paper had considered successful innovative companies’ strategies in the market.

As whipping cream market in Iran is yet homogenous, therefore suggested strategies about heterogenous market were presented not tested, as there was no same situation for testing them.

Some of the most significant information derived from interview about Kalleh’s strategies are presented below:

Kalleh marketing manager (has worked five years in the food field):

“We are the first producer of whipping cream for B2C market in 450 and 900 gr which have the largest share of this market. Three companies, Mihan and two others are producing nearly

Table 8. Firm’s placement according to current research variables

<table>
<thead>
<tr>
<th>Firm / Market</th>
<th>Market Types</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Homogeneous Market</td>
</tr>
<tr>
<td></td>
<td>Low Competitiveness</td>
</tr>
</tbody>
</table>

- **Kalleh** - Market leader with high innovation capability

- **Mihan** - Market follower with high innovation capability

- **Koolak, Bonsa** - Market follower with low innovation capability
similar products and they are serving to some segments of market. Currently, in this market we have both plant-based cream (non-dairy) as well as dairy whipping cream, but I think our end users don’t know big difference between them and they are substitute, however, our first SKU was Soliano whipping cream (450 gr) and after it we produced our plant-based whipping cream with Pemania brand. I think this new SKU helps us to increase our share of shelf and defending our market share against competitors. After producing them, we had produced new packaging of Soliano (900 gr). Our first two SKUs are more successful and we hope Soliano 900 generates more market share for us in the near future. However, we also produced an SKU of whipping cream with Baharan gol brand, the price of which was lower than our original brand, of course at now it has not produced”.

R&D expert (eight years of experience in the food field):
“I think in the early future, we will witness some customers with various needs toward whipping cream category. For instance, some of them will prefer flavoured cream, light cream, heavy cream and so on. I would say that we produced flavoured whipping cream in the recent years (chocolate and banana flavoured), however they were not successful and did not create more share for us”.

Industry experts were asked to speak about competitor’s behaviours about whipping cream SKUs.

4.2. Mihan case – a market follower with high innovation capability
Kalleh production manager (seven years of experience) stated:
“Mihan is one of the most important competitors for us in dairy products, it has one SKU in whipping cream category and I believe its quality is good and acceptable. It has a successful R&D team and could create innovative products in whipping market in the future”.

4.3. Bonsa and Koolak cases – market followers with low innovation capability
Market research expert (three years of experience in the food field) said:
“Koolak is a small company that is producing just whipping cream, however, it is one of the most important brands of whipping cream in B2B market and it was producing just 5 KG whipping creams. After introducing Kalleh whipping cream into supermarkets, this Company also introduced its whipping cream into this market. Another competitor is Bonsa that has two SKUs in whipping cream. This company is a small one. The most important products of this company are all types of boxed cake mix; however, it is producing whipping cream, probably it thinks it as complement product for boxed cake mix. Firstly, it had produced dairy whipping cream and after it, started to manufacture plant-based whipping cream. Furthermore, Mihan, which is one of the largest dairy and ice creams in Iran, has one SKU of whipping cream for the B2C market”.

5. RESULTS
According to information obtained from the interview, the authors decided to summarize them in a table for considering current strategies employed by companies which led to new successful products. In the following table, a column titled “Employed strategies” is observed that this section was filled by the authors after considering the company’s action(s) stated by industry experts. For instance, according to literature review, if a company modifies its product and replaces with
existing product by little changes or minor modifications (Danneels, 1998; Crawford & Benedetto, 2021), this strategy will be “product development”. 

Therefore, according to Kalleh marketing manager as well as R&D expert point of views, Soliano whipping cream was the first SKU of this category, after it, Kalleh introduced Pemania brand in the market (brand diversification). After these two products, this company had produced Soliano 900 (Product development) and two new flavours (Concentric diversification), introducing a new brand-Baharan gol- with a lower price (Flanker). As mentioned by industry experts some of them are not produced now, therefore, this research considers them as failure products. These data are observed in table 9.

In the next section, regarding to Kalleh production manager as well as market research expert point of views, employed strategies of market followers were determined.

Derived information depicts that Mihan is a market follower with high innovation capability. Koolak and Bonsa are market followers with low innovation capability.

For finding employed strategies of these companies, firstly, the authors consider the most important strategies of market followers. Reviewing literature shows that one of the perfect strategies facing market leader is attacking a competitor head-on by producing similar products or similar prices, promotion, and distribution with competitor’s products that offer superior value or quality at competitive prices, strategy called frontal attack (Yannopoulos, 2011). Hence, it is evident that Mihan strategy in this market was frontal attack.

In addition, prior research (e.g., Zach et al., 2021) illustrate that competition stimulates companies to mimic a successful competitor. Once the innovation is successfully introduced in the market, rivals will start to follow and adopt it, hence, repeated adoption of an innovation in the same marketplace leads to a more homogeneous market, where the majority of offered products are similar. Xu et al., (2017) also state that some moderate innovators (or followers) are not able to create original innovations; therefore, it is crystal clear that they usually innovate via imitation or reserve engineering. Hence, producing

### Table 9. Kalleh successful and failure products in whipping cream category

<table>
<thead>
<tr>
<th>Company name / firm situations</th>
<th>Competition level</th>
<th>Market type</th>
<th>Product (product category)</th>
<th>Employed strategies</th>
<th>Leads to which success new product</th>
<th>Action</th>
<th>Whether is available in the market or not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalleh- Market leader</td>
<td>Low</td>
<td>Homogeneous</td>
<td>Soliano whipping cream- 450 gr</td>
<td>Brand diversification</td>
<td>Minarin )plant-based( whipping cream- 450 gr- Pemina brand</td>
<td>Introducing a new SKU with a new brand (Pemina) into market</td>
<td>It is available</td>
</tr>
<tr>
<td>Kalleh- Market leader</td>
<td>Low</td>
<td>Homogeneous</td>
<td>Soliano whipping cream- 450 gr</td>
<td>Product development</td>
<td>Soliano whipping cream- 900 gr</td>
<td>Producing a new weight</td>
<td>It is available</td>
</tr>
<tr>
<td>Kalleh- Market leader</td>
<td>Low</td>
<td>Homogeneous</td>
<td>Soliano whipping cream- 900 gr</td>
<td>Flanker</td>
<td>Baharan gol whipping cream- 900 gr</td>
<td>Introducing a new brand with lower price</td>
<td>It is not available</td>
</tr>
<tr>
<td>Kalleh- Market leader</td>
<td>Low</td>
<td>Homogeneous</td>
<td>Soliano whipping cream- 450 gr</td>
<td>Concentric diversification</td>
<td>Flavoured whipping cream- 450 gr (Chocolate/ Banana)</td>
<td>Producing new flavour</td>
<td>They are not available</td>
</tr>
</tbody>
</table>
Table 10. *Kalleh* competitors’ successful products in the whipping cream category

<table>
<thead>
<tr>
<th>Company name / firm situations</th>
<th>Competition level</th>
<th>Innovation capability</th>
<th>Market type</th>
<th>Leader’s Product</th>
<th>Employed strategies</th>
<th>Leads to which success new product</th>
<th>Action</th>
<th>Whether it is available in the market or not</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mihan-Market follower</strong></td>
<td>Low</td>
<td>High</td>
<td>Homogeneous</td>
<td>Soliano whipping cream-900 gr</td>
<td>Frontal attack</td>
<td>whipping cream-900 gr</td>
<td>Introducing a high-quality whipping cream into market</td>
<td>It is available</td>
</tr>
<tr>
<td><strong>Koolak-Market follower</strong></td>
<td>Low</td>
<td>Low</td>
<td>Homogeneous</td>
<td>Soliano whipping cream-900 gr</td>
<td>Producing a new product equal to the market leader’s successful product</td>
<td>whipping cream-900 gr</td>
<td>Producing a new product equal to the market leader</td>
<td>It is available</td>
</tr>
<tr>
<td><strong>Bonsa-Market follower</strong></td>
<td>Low</td>
<td>Low</td>
<td>Homogeneous</td>
<td>Soliano whipping cream-450 gr</td>
<td>Producing a new product equal to the market leader’s successful product</td>
<td>whipping cream-450 gr</td>
<td>Producing a new product equal to the market leader</td>
<td>It is available</td>
</tr>
<tr>
<td><strong>Bonsa-Market follower</strong></td>
<td>Low</td>
<td>Low</td>
<td>Homogeneous</td>
<td>Minarin )plant-based( whipping cream-450 gr-Pemina brand</td>
<td>Producing a new product equal to the market leader’s successful product</td>
<td>Plant-based whipping cream-450 gr</td>
<td>Producing a new product equal to the market leader</td>
<td>It is available</td>
</tr>
</tbody>
</table>

A new product equal to market leader’s successful product by market follower is the right strategy for market follower with low innovation capability. Koolak and Bonsa strategy towards whipping cream category was producing similar product with Kalleh as market leader. These data are observed from table 10.

Firstly, successful products placement in research framework is observed from table 11. For considering suggested strategies, the authors consider all of them respectively. However, as mentioned earlier, Iranian market for whipping cream, according to industry experts’ opinions, is homogenous and the competition level is low. Therefore, in this situation, we could test our proposition in four grids: grid 1 (market leader with high innovation capability, homogenous market and low competitive intensity), grid 5 (market leader with low innovation capability, homogenous market and low competitive intensity), grid 9 (market follower with high innovation capability, homogenous market and low competitive intensity) and grid 13 (market follower with low innovation capability, homogenous market and low competitive intensity). For other situations, for instance, when a firm is market leader in homogenous market with highly competitive intensity, this research suggests related strategies not tested.
### Table 11. *Kalleh* whipping cream placement according to current research variables

<table>
<thead>
<tr>
<th>Firm / Market</th>
<th>Market Types</th>
<th>Firm Types</th>
<th>Market Types</th>
<th>Firm Types</th>
<th>Market Types</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low Competitiveness High</td>
<td>Low Innovation Capability</td>
<td>Low Competitiveness High</td>
<td>Low Innovation Capability</td>
<td>Low Competitiveness High</td>
</tr>
<tr>
<td><strong>Kalleh:</strong> Market leader with high innovation capability (Kalleh/ Pemina)</td>
<td>Horizontal diversification</td>
<td>Brand diversification</td>
<td>Long-term conglomerate diversification</td>
<td>Temporary conglomerate diversification</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product Development</td>
<td>Concentric diversification</td>
<td>Flanker</td>
<td>Confrontation diversification</td>
<td></td>
</tr>
<tr>
<td><strong>Mihan:</strong> market follower with high innovation capability</td>
<td>leapfrogging strategy</td>
<td>Innovation in cross services of current products, specific to each group of customers</td>
<td>New product based on demographic variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Frontal attack</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Koolak and Bonsa:</strong> Market follower with low innovation capability</td>
<td>Flank Attack</td>
<td>Neck and neck with leader competitors in cross services of products, specific to each group of customers</td>
<td>New product based on a highly specific market</td>
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6. Discussion
6.1. Discussion of within-case findings

Grid 1: Market leader with high innovation capability/ homogenous market/ low competitive intensity

P1: If a market leader has high innovation capability as a result of R&D expenditure as well as marketing activities in a homogenous market, and it is encountered with low competitiveness, “Brand diversification” will acquire higher desirable outcomes.

As is observed from tab 11, for testing the first proposition, related strategies of placed products in grid (1) were considered. Two strategies were opted by Kalleh Co. as a successful market leader in this situation. First strategy was brand diversification which according to interview, acted a barrier for its competitors. And the second one was product development. All products are available in the market; however, it seems brand diversification has acquired higher outcomes for this company. However, we should say that both of them worked correctly. But this research suggests if a firm is market leader with high innovation capability, the best possible strategy for it is brand diversification.

However, if a company is market leader with low innovation capability as a result low investment of its R&D or marketing teams (grid 5), therefore, product development would be the right strategy. For instance, if Kalleh was a market leader with low innovation capability in homogenous market that will encounter with low competitive intensity, product development will be the best possible strategy for it which this strategy is fitted with grid 5 of this research.

Grid 9: Market follower with high innovation capability/ homogenous market/ low competitive intensity

P9: If a market follower has high innovation capability and it is operating in a homogeneous market, and at the same time it is experiencing low level of competitive pressure, its preference is employing offensive strategy and therefore, the best strategy would be “frontal attack”.

In this situation, as you can see from illustration (table 11), Mihan is market follower in whipping cream market with high innovation capability. This research suggests frontal attack as a right strategy for a company in this situation.

According to industry expert’s interview, this company has produced a whipping cream with high quality. Reviewing prior research illustrates that if new ventures (followers) possess diverse market knowledge, they could generate superior product performance than rivals. Therefore, it is clear that introducing a whipping cream with higher quality than market leader into market is a frontal attack strategy. Hence, for every company in this situation this strategy will work correctly.

Grid 13: Market follower with low innovation capability/ homogenous market/ low competitive intensity

P13: If a market follower has low innovation capability in a homogeneous market and it is operating in the low competitive pressure, the best product innovation strategy would be “new product equals to market leader’s successful product”.

Investigating market follower’s strategy in this research shows that they are producing a whipping cream same as Kalleh product. These companies (Bonsa and Koolak) have not high innovation capability; therefore, they are not able to produce a completely new product in the market, hence, me too strategy (Lukas & Ferrell, 2000) is the best possible strategy for them.
6.2. Discussion of cross-case findings
Suggested strategies for future market of whipping cream

In this section, according to current research framework, the authors suggest the right strategies for a market leader or market followers in three situations: 1) if they are operating in homogeneous market with highly competitive intensity, 2) if they are operating in heterogeneous market in low competitive intensity, and 3) if they are operating in heterogeneous market in highly competitive intensity.

Grid 2: Suggesting the right strategy for a market leader with high innovation capability / homogenous market / highly competitive intensity

P2: If a market leader has high innovation capability in a homogeneous market and at the same time is experiencing a high level of competitive intensity, “horizontal diversification” would be the best strategy for generating innovative products.

According to literature, in the LHo-HiCo-HiIc box the best strategy for creating innovative and successful product is horizontal diversification. If we consider Iranian market of whipping cream in the early future has more firms producing whipping creams, therefore, Kalleh as market leader will employ horizontal diversification. For instance, producing puff pastry or chocolate sauce are the good strategies for acquiring high outcome in this situation.

Grid 3: Suggesting the right strategy for a market leader with high innovation capability / heterogenous market / low competitive intensity

This research suggested strategy for this situation is:

P3: If a market leader has the highest level of product innovation capability in heterogeneous market and the competitive intensity is low, “Long-term conglomerate diversification” would be the best strategy for product innovation.

In the LHt-LoCo-HiIc, if the whipping cream market in the future is heterogeneous and customers have various needs for this category (non-dairy whipping cream), the best proposed strategy for Kalleh as a market leader will be long-term conglomerate diversification (For instance, opening chain Coffee shops).

Grid 4: Suggesting the right strategy for a market leader with high innovation capability / heterogenous market / high competitive intensity

This research suggested strategy for this situation is:

P4: If a market leader has the highest level of product innovation capability in a heterogeneous market and the competitiveness intensity is high, “Temporary conglomerate diversification” would be the best strategy for product innovation.

In the LHt-HiCo-HiIc, if the market be heterogeneous in early future and for instance, will be segmented into dairy and non-dairy whipped cream, and the competitive intensity is high, the best-proposed strategy for Kalleh as a leader would be temporary diversification. For example, producing a new product like a waffle and giving it up after making a profit from it and attacking competitor in this market.

Grid 5 is considered in previous section.

Grid 6: Suggesting the right strategy for a market leader with low innovation capability / homogeneous market / highly competitive intensity

This research suggested strategy in these circumstances is concentric diversification. According to research interview, Kalleh has two SKUs of whipping cream (flavoured) which were not successful in the market. It seems if Kalleh be witness to high competitive pressure in the future, the best strategy for
it will be producing flavoured whipping creams (concentric diversification).

P6: If a market leader has low innovation capability in a homogeneous market and the competitiveness intensity is high, “Concentric diversification” will acquire higher desirable outcomes.

Grid 7: Suggesting the right strategy for a market leader with low innovation capability/ heterogeneous market/ low competitive intensity

According to data opted from interview, Kalleh produced a new brand of whipping cream (Baharan gol) at a lower price. This product was a failure, as this strategy was not fitted to firm and market situation on that time. However, if the market is heterogenous in the future, certainly this strategy will work correctly and will acquire high output for this company. Therefore:

P7: If a market leader is operating low on both innovation capability as well as competitiveness pressure in the heterogeneous market, “Flanker” is proposed as the best strategy for creating innovative products.

Grid 8: Suggesting the right strategy for a market leader with low innovation capability/ heterogeneous market/ highly competitive intensity

P8: If a market leader has low innovation capability and it is experiencing high competition intensity, confrontation diversification is proposed as the best strategy for creating innovative products.

However, when competitive intensity is high, the market leader needs to employ the best possible strategy to face competitors and defending its market position. Therefore, the best strategy is that the market leader defends its empire by confrontation strategy. It involves making small attacks on different territories of the competitor to capture a huge segment of competitor’s market share. For illustration, Kalleh in this situation in early future could employ promotional activities or cutting prices to capture competitor’s share in the market.

Grid 10: Suggesting the right strategy for a market follower with high innovation capability/ homogenous market/ highly competitive intensity

For finding the best strategy fitted to FHo-HiCo-HiIc grid (10), literature (e.g., Yannopoulos, 2011) suggests that a company as a market follower can concentrate on developing by capitalizing on new technology and focusing on producing next-generation of products to occupy the competitor’s market share. This strategy is leapfrogging strategy. Hence, if whipping cream market in the early future has highly competitive intensity, the right strategy for Mihan as a market follower with high innovation capability will be leapfrogging strategy. Producing next generation of whipping cream for example producing whipped cream spray.

P10: If a market follower has high innovation capability and it is operating in homogeneous market and at the same time it is experiencing the high level of competitive intensity, the best strategy for creating innovative product would be “generation of a new product based on new technology (leapfrogging strategy)”.


Grid 11: Suggesting the right strategy for a market follower with high innovation capability/homogenous market/highly competitive intensity

In the FHT-LoCo-HiIc box, if the market be heterogeneous in the early future, our proposed strategy for generating innovative product will be innovation in cross services of current products, specific to each group of customers. For example, Mihan could use its strong innovation capability for finding customers’ needs to meet them. Therefore, if the market is heterogeneous, Mihan will manufacture various whipped cream such as light, heavy and original whipping creams.

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Table 12. Sample for product innovation Strategy

Grid 12: Suggesting the right strategy for a market follower with high innovation capability/homogenous market/highly competitive intensity

In the FHT-HiCo-HiIc box, if the market is heterogeneous in the early future, the best-proposed strategy for Mihan as a market follower will be a new product based on demographic variables. For instance, organic whipped cream for some customers with higher income level, sugar-free and low-fat whipping cream for women concerned about the amount of fat or sugar consumed.

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Table 12. Sample for product innovation Strategy

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Grid 14: Suggesting the right strategy for a market follower with low innovation capability/homogenous market/highly competitive intensity

As mentioned above, the best strategy for a market follower with low innovation capability when the market is homogenous and the competitive intensity is low is producing new product similar to those of the market leader. However, if the competitive pressure is high, flank attack would be the best strategy. For instance, Bonsa or Koolak as market followers with low innovation capability could enter to the rural regions, which are not attractive for the market leader.
Grid 15: Suggesting the best strategy for a market follower with low innovation capability/heterogenous market/low competitive intensity

In the FHt-LoCo-LoIc box, the proposed strategy according to research framework for Bonsa as well as Koolak brands is focusing on specialization rather than diversification. For illustration, if the Iranian market of whipping cream in the early future is heterogenous, producing a whipped cream with special nozzles for an excellent blob which meets the expectations of chefs and women would be the right strategy that will acquire the highest outcome for market followers.

Grid 16: Suggesting the best strategy for a market follower with low innovation capability/heterogenous market/low competitive intensity

In this situation, the best-proposed strategy for Bonsa and Koolak as market followers with low innovation capability would be developing a new product based on a highly specific market and focusing on one small sub-segment of the market. For instance, introducing vegan whipped cream into market.

Table 12 illustrates these proposed strategies.

7. LIMITATIONS AND FUTURE RESEARCH

The present research study faced several limitations. The first constraint is that this research is based only on the study of literature review and case study, a consideration of four firms’ behaviour in proposed circumstances and interview with all four companies (market leader with high innovation capability; market leader with low innovation capability; market follower with high innovation capability and market follower with low innovation capability) should be interesting.

The second limitation of current research is that this research analysed the Iranian successful companies. Indeed, for testing research suggested strategies toward generating innovative products, more extensive research to investigate other successful companies in other countries would be required. This research focused on whipping cream market in Iran. However, considering other food categories would be worthwhile.

This paper focused on seven industry experts’ point of views about considering whipping cream market in Iran. These experts were from market leader company. However, having obtained more interviews with more industry experts from market leader as well as market follower companies would allow considering this market in more detail.

As mentioned above, this research considered just whipping cream market. According to industry expert’s viewpoint, this market is homogenous with low competitive pressure. Therefore, we suggest in the future, various products from different types of markets (homogenous vs. heterogenous) with different level of competition will be considered.

This research opens up many interesting avenues for future research. Because one limitation of this research is the potential common bias. For future research we suggest to use interview with firm’s experts to collect data and firm pinion about competitive intensity, the type of market, and innovation capability because these are complex concepts. It is possible that some important aspects of these concepts are being missed. It is, therefore, possible that various answers could
have been gotten if a different method is used. The following recommendations are offered by the researchers:

8. CONCLUSIONS

The current study provided a framework for generating innovative successful products in various firm and market situations. We know innovation is a time consuming and costly affair, hence the appropriate framework shall prove to be useful. According to literature, these factors act as two most significant determinants of creating innovative product among companies. The proposed model was operationalized based on descriptions for a two-category market types (homogenous versus heterogenous market), two competitive intensity (low versus highly competitive intensity) and firm types (market leader or market follower) with two different innovation capability levels (low versus high innovation capability). These four determinants are important for considering the best possible innovative strategy related to new products. This research illustrated that companies should consider the competitive situations as well as market type and according to their firm type as well as innovation capability offer the best possible product innovation strategies that will maximize firm’s wealth in the food industry. It provides the decision makers of these firms with a guide for determining the blend of product innovation strategies to adopt in order to gain a competitive advantage.

This research implies that companies should adopt brand diversification, horizontal diversification and other suggested strategies to extend their product innovation in term of their internal and external circumstances. It will definitely help them to increase their market share. Our final proposed model and strategies in terms of market and firm circumstances is illustrated in table 13.

**Table 13. Model of product innovation strategy**

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9. REFERENCES


