

Creating a new food category - Insights from stakeholders in the Swedish Market

Silvia García González

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Creating a new food category - Insights from stakeholders in the Swedish Market

Silvia D. García González



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Lund 2015

Abstract

Title Creating a new food category - Insights from stakeholders in the Swedish market

Author Silvia D. García González

Division Packaging Logistics, Department of Design Sciences, Faculty of Engineering, Lund University

Supervisors Märit Beckeman and Karla Marie Paredes

Issue of Study The food industry faces a large number of challenges. For that, companies need to understand the dynamic of its industry and built strategies to face those challenges and go beyond. Innovation could be used as a strategic change process. One previous study related to Swedish food innovation suggests that creating a new category could be considered one success criterion to achieve innovation. Moreover, creating a new category could not just be launching a new product but creating new market shares, new experiences and new solutions for the consumers. Provided that, the author decided to explore elements for the positioning of a new food category on the market based on insights obtained from some stakeholders within the Swedish food business.

Purpose To obtain insights of how a new food category could be created by (1) reviewing potential drivers and challenges, (2) examining the evolution of some examples of category creations and (3) identifying the role of different stakeholders.

Method An exploratory study was carried out with an overall qualitative approach, considering a mix-method. The mix-method included: literature survey, 15 semi-structured interviews considering two case studies. The collected data was processed by triangulation of the multi-sources of evidence, and data analysis was performed by thematic and cross-case analysis. Findings were aimed to answer the research question. Finally a set of conclusions and recommendations for future research was done.

Conclusion The creation of a new category is not a one-moment event but a process that needs evolution. The life cycle of a [food] category faces drivers and challenges along the cycle. A simple introduction of one innovative product could be the start up of a potential category. Once a group of products share common targets and/or characteristics, a category is born. Then, the category starts to grow until it becomes mainstream and its time frame will be shaped according to market needs.

A road map for the creation of a category was suggested by (1) identifying an opportunity, (2) discussing with potential partners, (3) building a solution for a specific need, (4) constantly upgrading the company and solutions, (5) being visible at the market place and (6) attracting the mainstream consumers.

Considering the food value chain, each stakeholder has a role. One key driver is to maintain strong relationships. Retailer and food manufacturer could start a new category. The marketing research body mainly monitors opportunities and provides service and information to the units that develop the product and service. On the other hand, packaging suppliers play a role in the development of alternative products as a solution provider of added-value elements to differentiate a product that could help to start a new category. Lastly, academia plays a triple role, one as an educator of principles, also as a research body of new knowledge and as a collaborator with the industry.

Key Words New food category, positioning, Swedish food market, innovation, evolution

Executive Summary

Introduction

The food industry faces a large number of challenges. For instance, market saturation, high competitiveness and a continuous challenge to meet heterogeneous requirements of different stakeholders around the food business. For that, companies need to understand the dynamic of its industry and built strategies to face those challenges and go beyond. Innovation could be used as a strategic change process that could lead to business growth and customer satisfaction. There are a couple of studies related to food innovation in the Swedish market. One previous study suggests that creating a new category could be considered one criterion for success to achieve innovation.

A category is considered a business unit and the creation of it involves a whole supporting system from food companies and suppliers, up to retailers. Creating a new category could not just be launching a new product but creating new market shares, new experiences and new solutions for the consumers, where the aims could be from indulgence and convenience to social and environmental impact.

Throughout this study, the author explored elements for the positioning of a new food category on the market based on insights obtained from some stakeholders within the Swedish food business.

Objective

The study was driven by the following research question:

How is a new food category successfully created?

To answer to this, three objectives were established:

1. Obtain insights about the meaning and relevance of a new category from different stakeholders.
2. Discuss the evolution of a successful positioning of a food category.
3. Discuss the role/contribution of the selected stakeholders.

Likewise, the purpose of the study was to identify the drivers and challenges in the creation of a new food category.

Methodology

An exploratory study was carried out with an overall qualitative approach, considering a mix-method following the same research question. The mix-method included literature survey, 15 semi-structured interviews considering two case studies: *Oatly (concept assortment)* and *Santa Maria (Tex-Mex assortment)*. These were selected as a result of the feedback of the interviewees and own research. The unit of analysis to be studied was the positioning of a new category.

The collected data was processed by triangulation of the multi-sources of evidence, and data analysis was performed by categorization (thematic analysis) and a cross-case analysis. Findings were made to build up the answer to the research question. Finally a set of conclusions and recommendations for future research was done.

Results and Discussion

Definitions and insights among stakeholders

A common interest towards the approach and purpose of the study among stakeholders was identified. Some overlapping concepts between a [new] category creation and new product introductions occurred. Overall insights were obtained: (1) *Among Retailers*: New introductions of products with a common element across different existing categories. A new category must not necessarily be a new product range but it can be the new way of delivery and usage. (2) *Among market research and academia*: Definition based on retailing management, as it is the store that defines how and where the products should be allocated on the shelf according to a category management approach, which attempts to maximize profits within a category. On the other hand, consumers could define what is a new category as they are the ones who decide what is included. (3) *For food manufacturers*: The creation of a new category could be a way of positioning their product at the market place (4) *For packaging suppliers*: More focus on market segments, however this could be an opportunity as a starting point of creating new market opportunities from their side.

Evolution of a successful positioning of a food category- considering drivers and challenges

A total of 50 drivers and 30 challenges to create a new food category were identified. *Communication* and *following market trends* were the two drivers that all the stakeholders mentioned. Three common drivers only mentioned by the two case

studies (*Santa Maria* and *Oatly*): *upgrade, entrepreneurial culture and assertiveness*. Other key drivers such as *motivation to grow, alternative of use, uniqueness, targeting the untargeted and visibility*.

Regarding challenges, *market penetration* and *packaging opportunities* were the most mentioned among stakeholders.

From a retailer’s perspective, when accepting a product, it can be the starting point of a category. Thus, to be in constant tracking of customers’ behaviour is key. For manufacturers, to place products and concepts that could reach beyond the existing demand. Finally for packaging industries, it is important to work in collaboration with manufacturers to address the growth opportunities in the marketplace.

Furthermore, creating new market opportunities is not a static process but a dynamic one. This is a clear example of what happened to *Santa Maria* and what *Oatly* is facing at the moment.

Figure I shows a brief summary of the elements to consider when creating a category. This is based on insights obtained from the case studies and from the interviews with stakeholders.

Finally, it is important to keep in mind that the creation of a new category takes time and

it is built step by step.

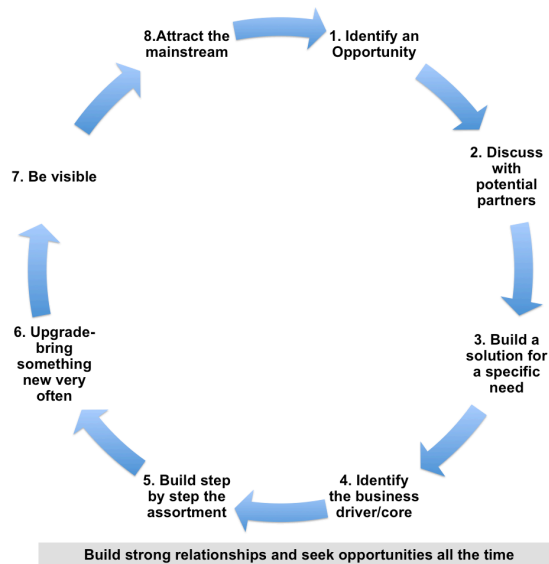


Figure I. Elements to consider when creating a category in a nutshell- *Based on insights from case studies and some stakeholders*

Role/contribution of the selected stakeholders

Each stakeholder plays an important role in the creation of a food category. Retailers and marketing research bodies are mainly oriented in the interaction between the consumer and the value chain. On the other hand, packaging and food manufacturers more oriented towards the connection of the product and its elements. Academia mostly takes role of receptor rather than developer, which means that provides service upon request, but in some cases, such as in *Oatly*, it can be the starting point of a product development with a business approach. Moreover, maintaining strong

relationships between stakeholders is a key driver. For instance, retailer and food manufacturer could start a new category.

Conclusion

The topic of creating a new category in the food market is mainly a starting point of discussion of how a business unit in the food domain behaves and can bring new ideas and ways to address future challenges.

The creation of a new category is not a one-moment event but a process that needs evolution. *Figure II* represents an overview of how a new food category could be created.

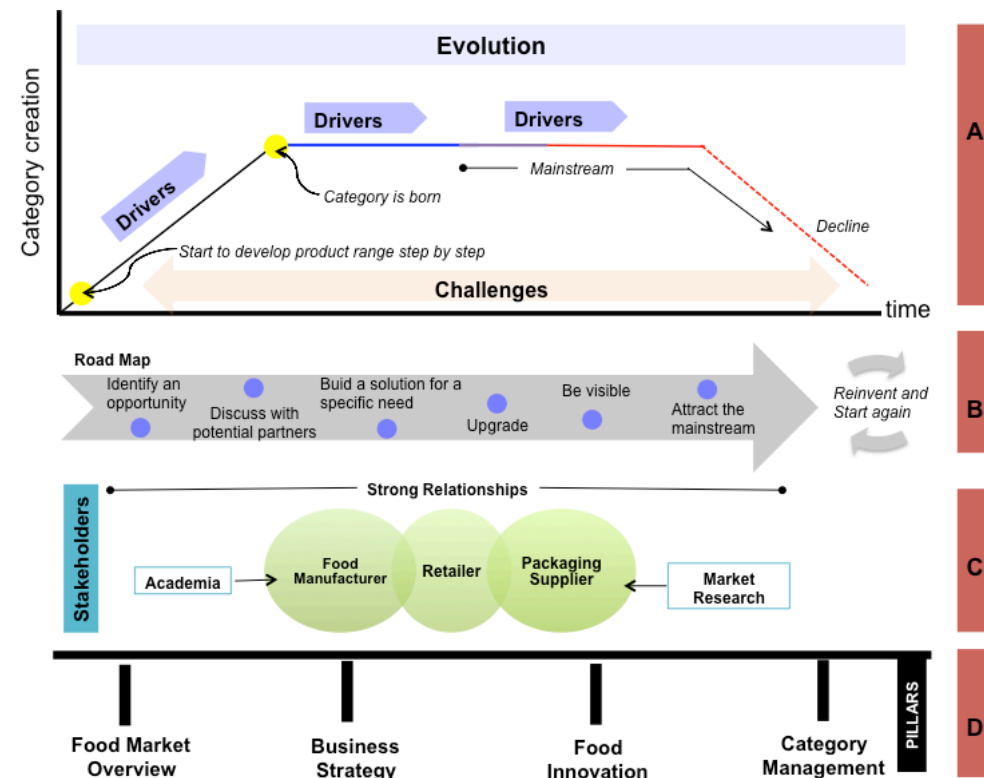


Figure II. Overview of how a new food category could be created

A. General life cycle curve of a [food] category where drivers and challenges exist throughout all the cycle. The first section of the curve corresponds to the start up of a potential category and this could be with the introduction of one innovative product. Once a group of products share common targets and/or characteristics, a category is

born. Then, the category starts to grow until it becomes mainstream and its time frame will be shaped according to market needs.

B. Suggested road map of the creation of a category following a chronological progress. The road map can be reinvented by constantly seeking new opportunities in the market place.

C. Corresponds to the role of stakeholders and the interaction among them. One key driver is to maintain strong relationships. Retailer and food manufacturer could start a new category. The marketing research body is mainly monitoring opportunities and giving the service and information to the units that develops the product and service. On the other hand, packaging suppliers play a role in the development of alternative products as a solution provider of added-value elements to differentiate a product that could help to start a new category. Lastly, academia plays a triple role, one as an educator of principles, also as a research body of new knowledge and as a collaborator with the industry.

D. Having a solid knowledge of the market behaviour from different angles (retailer, manufacturer and supplier) and to be up to date about the dynamic of categories can bring new opportunities. Likewise, considering a strategy following innovation principles could help to develop alternative and unique food solutions.

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1. Introduction

This chapter introduces the general context of the research, its purpose, objectives, research question, scope and delimitations

Innovation distinguishes between a leader and a follower

- Steve Jobs-

1.1. Project Background

The food industry faces a large number of challenges. For instance, a continuous fight for market space, where only the competitive enough will stay there; and an increasing difficulty in meeting heterogeneous requirements of a growing number of chain actors (Sarkar & Costa 2008), are two common challenges. In order to address them, companies built strategies and invest resources to achieve this and more. In fact, Kim and Mauborgne (2005) suggest that in order to make sharp investments, it is necessary to understand how the industry and surroundings are changing.

Chiefly, innovation is used as a strategy that involves a change process (Mark-Herbert 2004). Innovation could be defined in several ways, Rogers (1995) defines it as an “*idea, practice or object that is perceived as new by an individual or other unit of adoption*” or according to Betje (1998), “*as new things applied in the business of producing, distributing and consuming products or services*”. Certainly, there is a clear correlation between innovation, growth and customer satisfaction (Shelton and Percival 2013).

In particular, in Sweden, few innovations have taken place in the food industry (Beckeman & Skjöldebrand 2007). There are a couple of studies related to food innovation in the Swedish market. Particularly, Beckeman (2011) studied the potential for innovation in this sector, where the author found among other statements, that creating a new category is one criterion for success, according to retailers and food manufacturers, when defining innovation. But what is a category? According to Nielsen Co. (2015), a category is a “*measurable and manageable group of products that the retailer and manufacturer optimize by increasing their understanding*”, and usually this group is considered a business unit.

However, to create a [food] category is not only one or two actors’ challenge and credit, but there is a whole supporting system from food companies and suppliers, up to retailers in order to deliver a solution in a new and successful way for the consumer. Creating a new category could not just be launching a new product but

creating new market shares, new experiences and new solutions for the consumers, where the aims could be from indulgence and convenience to social and environmental impact. For example, *Oatly*, *Gooh*, *Santa Maria (Tex-Mex assortment)* and *Proviva* are some examples of brands, and/or companies, that have created new categories on the Swedish market (Beckeman 2011).

Consequently, considering all the elements previously mentioned, plus the author's interest in making a field study about food innovation connected with topics such as business strategy, marketing and packaging; and the fact that few studies have been done around this combined approach, the author decided to explore more about the creation of food categories in the Swedish market as an innovation driver.

1.2. Purpose of the Research

1.2.1. Research Question

The lead research question that guides this study is:

How is a new food category successfully created?

1.2.2 Purpose and Objectives

The main purpose of the research is to identify the drivers and challenges in the creation of a new food category (NFC).

After a brief review of topics with potential to be explored, the next three objectives were set in order to meet the purpose:

4. Obtain insights about the meaning and relevance of a new category from different stakeholders.
5. Discuss the evolution of a successful positioning of a food category.
6. Discuss the role/contribution of the selected stakeholders.

In addition, it is expected that the study brings new insights to the food sector and raise the interest and awareness towards the topic as a way to innovate.

Likewise, this research might hopefully be useful as a reference as for many people in the food business. But most important, for the current stakeholders of the Swedish food market and the ones interested to invest and do business in Sweden.

1.3 Scope and Delimitations

The study was delimited to the Swedish market in order to gain the main group of contacts. Sweden was chosen for its innovative mindset and potential in the food sector, but also due to author's time, convenience and resources.

- The research was based on literature review and information collected from interviews. All the interviews were conducted in English. Nonetheless, in-depth discussions may be limited as the native language of the author and interviewees is not English and the topics may be considered sensitive information.
- The group of stakeholders consisted of retailers, food & beverages industries, packaging suppliers, market research firm and academia. These stakeholders were interviewed in topics related to product development, marketing, innovation and business strategy to get insights.
- Only two case studies were used to illustrate and support the answer to the research question. However, this might be one angle of different possible answers.
- Food service and alcoholic beverages are not included. Additionally, consumers were not addressed or studied; nonetheless, they will be constantly mentioned within the paper, as it is a fundamental element.

1.4 Chapter Overview

The study is divided into five chapters that will help the reader to familiarize with the topic and its boundaries, understand the aim of the research and its methodology, review the findings and finally conclusions and recommendations for future research.

Chapter 1. *Introduction*. Presents the general context of the research, its purpose, objectives, research question, scope and delimitations.

Chapter 2. *Methodology*. Proper guideline applied to the research, which includes the overview and plan design to achieve the answer to the research question.

Chapter 3. *Theoretical Framework*. Presents relevant literature review divided into four research pillars, which will be used to back-up the findings.

Chapter 4. *Results and Discussion*. Breakdown of the insights and findings from data collection. This collection driven by the answer to research question, purpose and objectives.

Chapter 5. *Conclusions and Future Research*. Presents the main statements and recommendations for future research.

2. Methodology

This chapter provides a guideline of the research process, which includes the overview and plan design to achieve the answer to the research question “How is a new food category successfully created?”

2.1. Overview

The thesis consisted in a 20-week project. The research has an overall qualitative approach. Qualitative research was selected due to its characteristics as it is based on the understanding of how people interpret their experiences, how they construct their worlds, and what meaning they attribute to their experiences. Interviewing, observing and analysing are activities central to qualitative research (Merriam 2009).

In addition, every research method can be used for three purposes: exploratory, descriptive, and explanatory. In order to define the type of research, Yin (2009) suggests three criteria: type of research question posed, the extent of control an investigator has over actual behavioural events, and the degree of focus on contemporary events. According to this, an exploratory study was selected considering a mix-method following the same research question:

RQ: *How is a successful new food category created?*

The mix-method includes literature survey, semi-structured interviews with selected stakeholders, and two case studies. The core of the research design was inspired by Yin (2009), which focuses on: plan, design, collect, analyse and share.

2.1.1. Research Plan

It is important to consider different perspectives of the food business in order to perform sharp analysis that may lead to a holistic answer to the research question. Yin (2009) suggests that the examination of evidence from different perspectives will increase the chances to perform an exemplary study. For this reason, a screening of the food value chain was done in order to select potential stakeholders in Sweden for the study. These stakeholders were selected according to the advice of academia experts, literature review and time constraints. Considering the scope and delimitations, the group of experts was selected by a non-probability purposive sampling technique. This technique samples with a purpose in mind and it is useful

for situations where the researcher needs to reach a targeted sample quickly and where sampling for proportionality is not the primary concern (Trochim 2006). The screening was stopped after a pre-defined stop criterion (collection of relevant data and stability of results).

Figure 1 shows the final group of stakeholders: one market research agency, three retailers, three packaging companies, three food companies and multidisciplinary experts (academia and packaging).

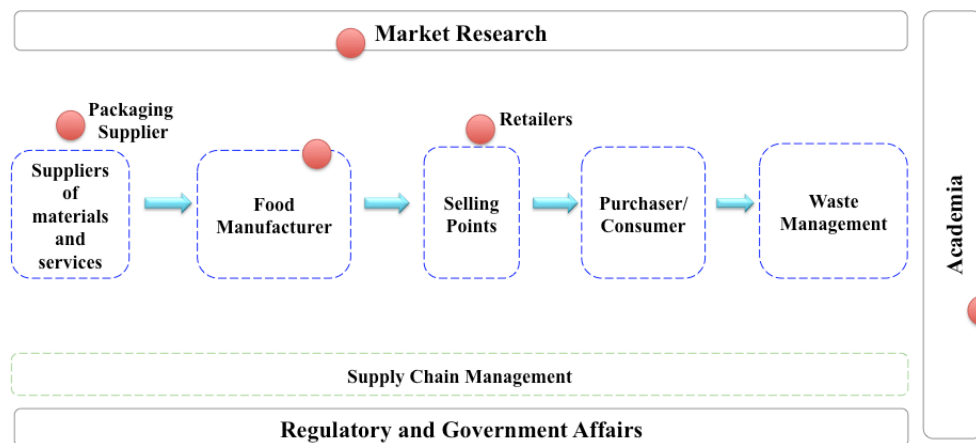


Figure 1. Overview of Food Value Chain.

The group of stakeholders considered in the study are marked in red: Market Research, Packaging Suppliers, Food Manufacturers, Retailers, and Academia

Moreover, all the interviewees were contacted by e-mail introducing the thesis topic, scope and importance of participation. The profile of the stakeholders was selected according to their role in the company and experience in the food business.

On the other hand, the selection of case studies was based on feedback from the interviewees and literature research. A multiple-case design was chosen. The evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust. According to Yin (2009), the typical criterion regarding sample size is irrelevant. Thus, the author proposed to have two case studies. This decision was mainly for convenience, availability and time. The unit of analysis to be studied is the positioning of a new category. Hence, two companies were chosen to illustrate this. More information about the selection can be found in the next section.

Figure 2 shows the general methodology that was followed. Once finalizing the interview process and the literature review, the author continued with the data

processing by triangulation of the multi-sources of evidence and analysis by categorization (thematic analysis) and cross-case analysis.

Finally a set of conclusions and recommendations for future research can be found at the end of the paper.

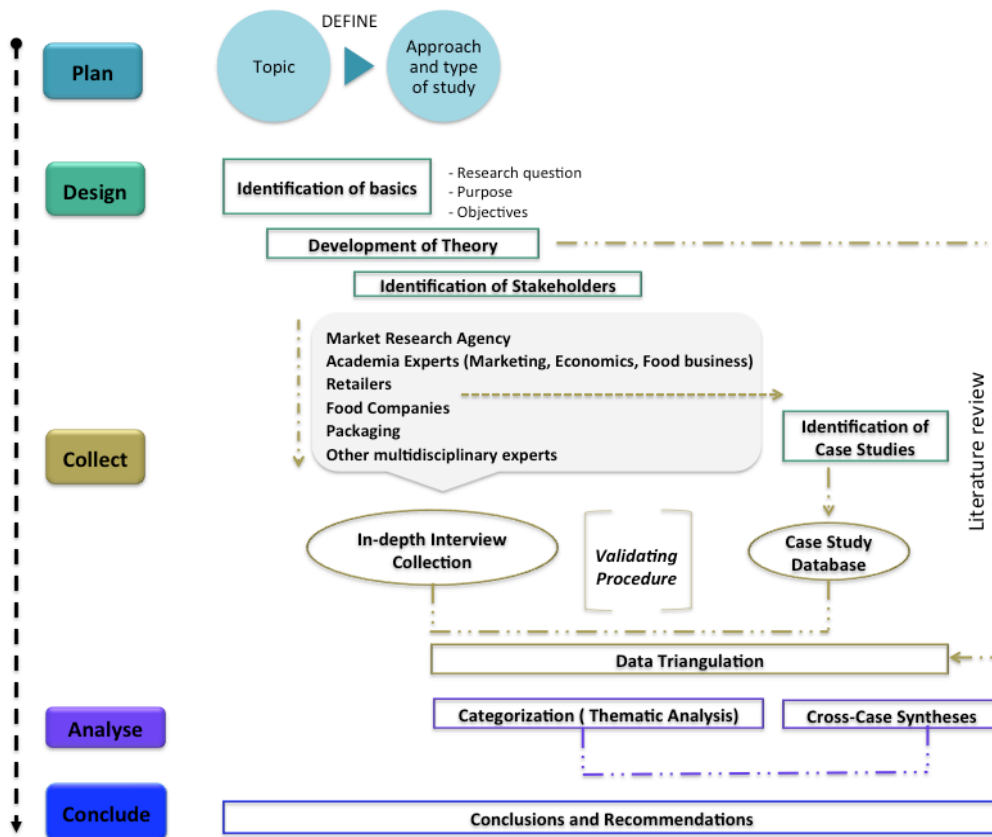


Figure 2. General Methodology (inspired by Yin 2009)

2.2. Data Collection

According to Yin (2009), there is not cut-off-point for data collection. The author set a period of three months to collect as much relevant data as possible. The data was obtained from multi-sources of evidence: *literature survey, interviews and case studies*, which are described below.

2.2.1 Literature survey

Books and the Internet were the place to start. Also specialized journals, articles, doctorates and thesis were reviewed. All the information found was saved on the author's computer (.PDF, .doc or html file) and organized in folders by topics such as innovation, business strategy, category management, food industry, Swedish food industry, marketing, retailing and packaging.

2.2.2 Interviews

All the stakeholders were initially contacted via e-mail. In some cases, it was necessary to resend the e-mail to receive an answer. Forty-three people were contacted, whereas fifteen were interviewed, six were bridges for contacts, four declined to participate due to heavy workload and space in agenda and the rest did not reply at all. Around 64% of the interviews were face-to-face, 24% by phone and 12% by email due to availability of the interviewee and/or location. The time frame of data collection was performed during March-April 2015. The interviews were recorded with a digital voice recorder Olympus VN-3100PC. The average duration of the interviews was 42 minutes with a range between 30 minutes and a maximum of 90 minutes. The recording was then played back to transcribe and save it on a .doc file, later for interpretation and analysis.

The in-depth semi-structured interviews used open-ended questions and were divided into four sets of stakeholders. The first set was oriented to business, marketing, and economics in order to have an overview of the food industry in Sweden, and to obtain some names of companies that could be used as case studies later on. The second set covered the main retailers -*ICA, Coop and Axfood*. It was important to have their perspective as they have a strong relationship with food manufacturers and consumers. After talking with them, some food companies were interviewed, either as case studies or as experts. Finally, the last set included packaging suppliers and experts.

For the interviews, a questionnaire was elaborated as a guideline and organized by topics and adapted to the nature of the stakeholders. Nonetheless, the author was prepared to inquire on topics mentioned throughout the conversation. The topics of the interviews per stakeholder can be reviewed on Appendix I.

The summary of the interviewees is shown in table 1. More details can be found on Appendix II.

Table 1. List of interviewees			
Company	Position	Stakeholder	Nature of Interview
Oatly	Head of Research	Food Manufacturer CASE STUDY	Face-to-Face
Santa Maria	Head of Innovation Strategy / past Head of R&D	Food Manufacturer CASE STUDY	Face-to-Face
Orkla Foods Sweden	Innovation Director	Food Manufacturer	Phone
ICA Sweden	Senior Health Manager	Retailer	Face-to-Face
Axfood Sweden	Head of Private Label	Retailer	Face-to-Face
Coop Sweden	Head of Consumer and Shopper Insight	Retailer	Phone
GFK Sweden	Business Development Manager	Marketing Research	Face-to-Face
GFK Sweden	Marketing Scientist	Marketing Research	Face-to Face
Lund University	Associate Professor School of Economics and Management	Academia Economics	Phone
Lund University	Associate Professor LTH	Academia Food Engineering	Face-to-face
Lund University	Professor- Packaging Logistics Division	Academia Food and Packaging	E-mail
Lund University/ Tetra Pak	Researcher- Packaging Logistics Department	Academia and Packaging	Face-to-Face
Flextrus	Business Development Manager	Packaging	Face-to-Face
Micvac	Sales and Marketing Director	Packaging	Phone
Packbridge	CEO	Packaging	Face-to-Face

Equally important, during the interviews some examples of products/companies that could be considered pioneers of new categories in the Swedish food market were mentioned and are shown in Appendix III.

2.2.3. Case Studies

The case study intends to illuminate a decision or set of decisions (why they were taken, how they were implemented, and with what result). *Oatly (concept/overall assortment)* and *Santa Maria (Tex-Mex assortment)* were selected as a result of the feedback of the interviewees and own research.

A database of the information obtained from the multi-sources of evidences (i.e. transcriptions of recorded interviews, observation at retailers and documentation) was created. For interviewing, the same procedure previously mentioned was followed.

The main data collection principle used for the multi-sources of evidence was data triangulation. Triangulation is the development of converging lines of inquiry but aimed at corroborating the same fact or phenomenon (Yin 2009).

2.3. Data Processing and Analysis

The analysis is based on a system approach which is a way of problem solving, by viewing situations as parts of an overall system, rather than reacting to specific parts, outcomes or events (Checkland 2000). This helps to understand how the elements, regarded as systems, influence one another within a whole. The system in this case is the food business and focusing on the creation of a category as a business unit.

A summary of data collection and processing is shown in Figure 3. These were driven by the purpose and objectives of the research.

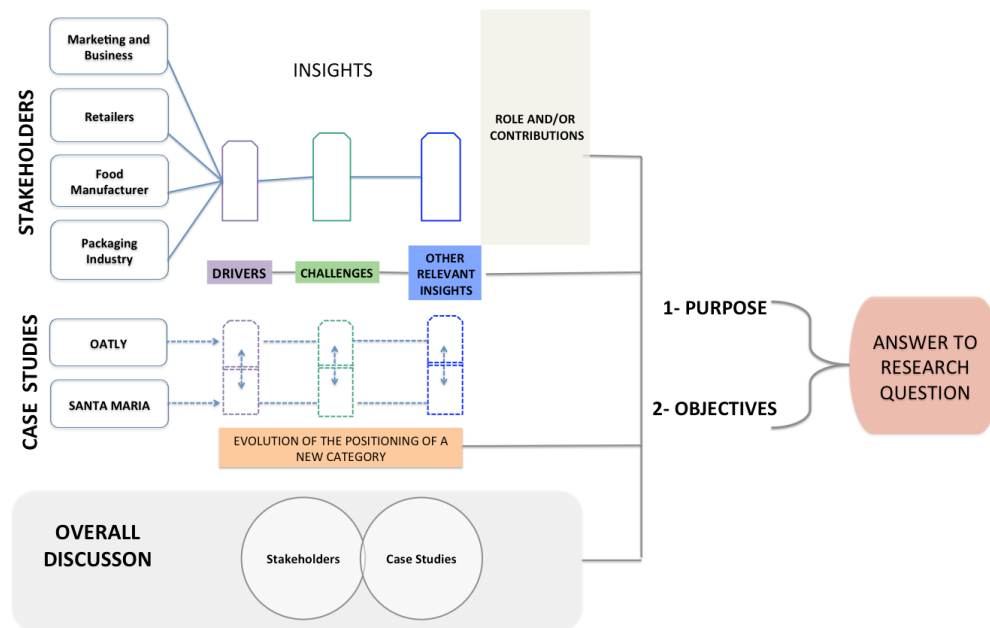


Figure 3. Summary of Data Collection and Processing

Once the information was transcribed, validated (interviews) and synthesized (literature survey), a compilation of results and discussion followed. First, the insights from each group of stakeholders were compiled, compared and discussed. The analysis was done by categorization (thematic analysis) obtaining the drivers, challenges and other relevant data useful to answer the research question. Thematic analysis is a method for identifying, analysing, and reporting patterns (themes) within data. It minimally organises and describes the data set in detail (Braun et al 2006).

Secondly, for the case studies, a brief background of the company is presented followed by the findings. The case studies were reviewed and analysed, having an individual narrative of each case and a section discussing both cases. This section had the objective to discuss the evolution of a successful positioning of a new food category in the Swedish market. Likewise, drivers and challenges were obtained, discussed and compared with the ones from the stakeholders.

Finally, an overall discussion of the findings was made to build up the answer to the research question.

2.4. Validating Procedure

As already mentioned, the transcriptions of the interviews were sent to the interviewees to review the information. By this way, the interviewees had the opportunity to decide which information was sensitive to share and until which level they want to be involved within the report (i.e. name, position, company).

The privacy and confidentiality is very important when sharing information. Thus, interviewees' protection was an important element for the design plan. Once the interviews were transcribed, they were sent back to the corresponding participants in order to validate the content.

3. Theoretical Framework

This chapter is divided into four sections. The first one is giving a food market overview, describing the European framework, landscape of the Swedish food sector and market trends. The second one reviews the basic concepts of category management. The third part portrays some concepts and tools of business strategy useful for discussion in Chapter 4. Finally, the last section is oriented to fundamentals of food innovation.

“The only constant is change”

-Heraclitus-

The world is in constant change. Sharp investments cannot be made within organizations unless it is understandable how the industry and surroundings are changing. It is vital to understand evolutions in the industry that sometimes may seem obvious, and such awareness is not always easy to be addressed (McGahan 2004). Following this thinking, it was chosen to study the successful positioning of a ‘new category’ as a business unit of analysis and the starting point of the research. For that, a review of the current food market and trends is essential to be studied as well as the basic concepts of category management. No single innovation strategy works the same way for every company in every industry. Nonetheless, if people understand the nature of change in their industry, they can determine which strategies are likely to succeed and which ones will backfire (McGahan 2004). For this particular study, the principles of *Blue Ocean Strategy* by Kim and Mauborgne (2005) were found relevant to be reviewed for a later discussion with the findings of the research.

3.1. European Food Market Overview

The population of the 32-European Economic Area countries is around 520 million people (CTS 2013). Shifts in global economic, social and demographic trends will continue to put pressure on food supplies — creating new challenges for food manufacturers and consumers. New needs are emerging based on lifestyle choices, life stage shifts and dietary requirements (Bord Bia 2013).

For instance, world’s population is aging quickly, it is expected that the total population of people over 65 will double to 1 billion over the next 15 years. United Nations projects that by 2030 one in four Western Europeans will be elderly. In addition, eating habits are being changed by increasingly hectic lifestyles. Meal

patterns have become more fluid, with many people often grabbing something to eat as they leave the house or are ‘on the go’. Likewise, as exposure to new types of cuisines and flavours is growing, food will continue to be a way of exploring different facets of identity (Bord Bia 2013).

Figure 4 shows the level of importance and dynamism towards food experimentation. Food experimentation and an indulging food culture are well established and rapidly growing in markets such as the UK, the US and France. In these markets, there is rising excitement about new ways of experimenting with food, for instance, through ‘molecular gastronomy’, driven in part by the influence of celebrity chefs. These markets are also more open to new techniques and technologies that can enhance the sensory experience of eating and drinking. In markets such as Ireland and Germany, consumers focus more towards the ease of preparing good home cooked meals using more traditional cooking methods.

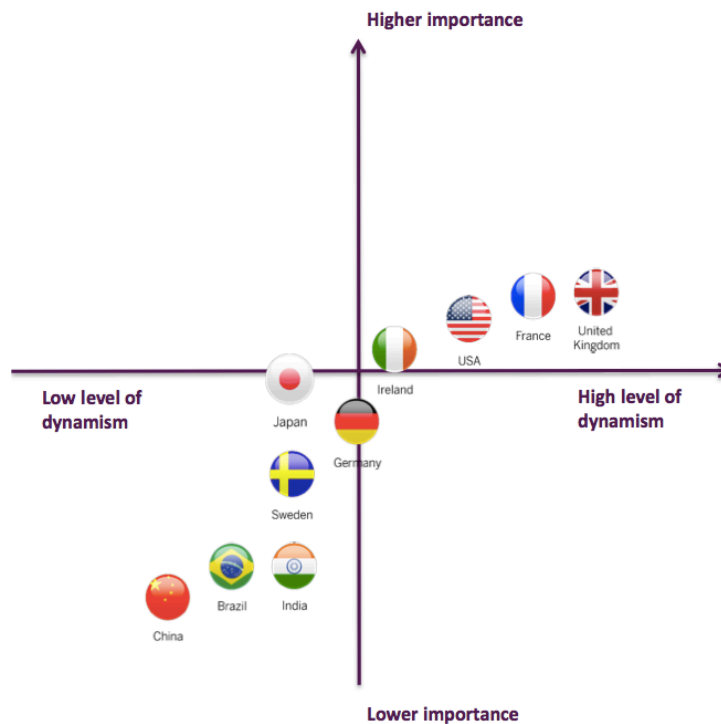


Figure 4. Food Experimentation (Bord Bia 2013)

On the other hand, people’s desire to protect their communities and to know more about the food they consume is growing. This will fuel the demand for local sourcing and local food as people look for products and ingredients they know, understand and can trust. In developed markets, reducing food waste in the home is becoming imperative. These markets are also more likely to benefit from emerging technologies

in smarter packaging and intelligent in-home appliances that help manage waste (Bord Bia 2013). Figure 5 shows that Germany, Sweden and UK are in the top of responsible choices regarding this matter.

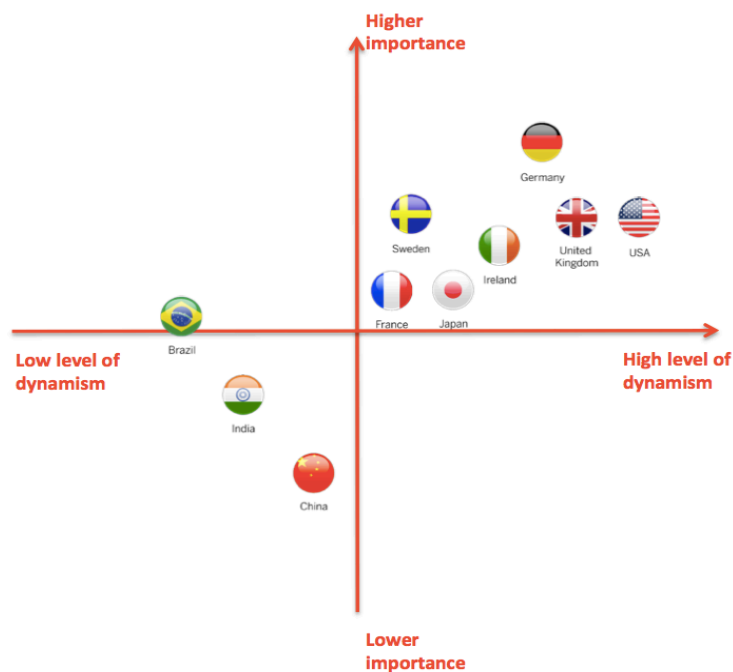


Figure 5. Responsible choice (BordBia 2013)

Besides, in mature economies, more people are shopping for food online and addressing social media as a communication platform for purchase decisions. Consumer markets have become far more complex. Nowadays, food companies are reaching new audiences through social media (Bord Bia 2013).

Moreover, consumers do not become loyal on their own; they want to be attracted, amazed, engaged, convinced, rewarded and appreciated. To find the best value, they look – and shop – around. The consumer is more aware, informed and powerful than before.

Figure 6 shows a food market framework proposed by A.T.Kearney’s client experience, a management-consulting firm, to assess different food markets and their specific needs (Mukherjee et al 2013). It is essential to understand the specific nutritional and health requirements of each market, and develop or modify products to address those needs. A market’s nutrition needs define where the centre of gravity for food demand lies. Furthermore, the key for global food companies is to focus on understanding the local palate and food preferences, adapting the global offering or

developing new products to win over consumers. Opportunities, not just for packaged food manufacturers, but also for food ingredient companies to play in new spaces or even to accelerate the trend by introducing consumers to categories they did not even know they needed. To all of this, consideration of the regulatory framework is necessary. Regulations shape all elements of the food business environment, including what food can be sold, how it can be sold, and who can sell it.

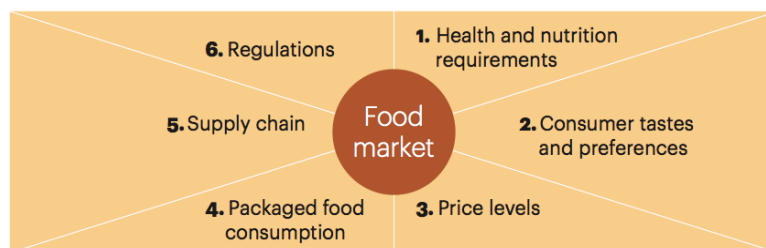


Figure 6. Food market framework (A.T.Kearney Analysis)

Source: Mukherjee et al 2013

3.2. General Market Trends

This section gathers the key trends and links them to picture the dynamics and direction of the food market.

The diffusion of modern technology, resource scarcity, lifestyle and ageing of the population will be associated with a high potential for companies that manage to innovate new products, services and business models that match the special needs among consumers, businesses and governments (Dalberg Research 2014).

As a matter of fact, for practical purposes, a scheme suggested by *XTC World Innovation*, an innovation database, is used as a reference to present core trends and its drivers. Figure 7 illustrates the The XTC Trends Tree™ (2015) which is a hierarchical structure that summarizes overall consumer expectations and categorizes them under five axes, and then breaks them down into innovation trends and subsequently into the new drivers used by the world's manufacturers to meet these expectations (FDE 2014).

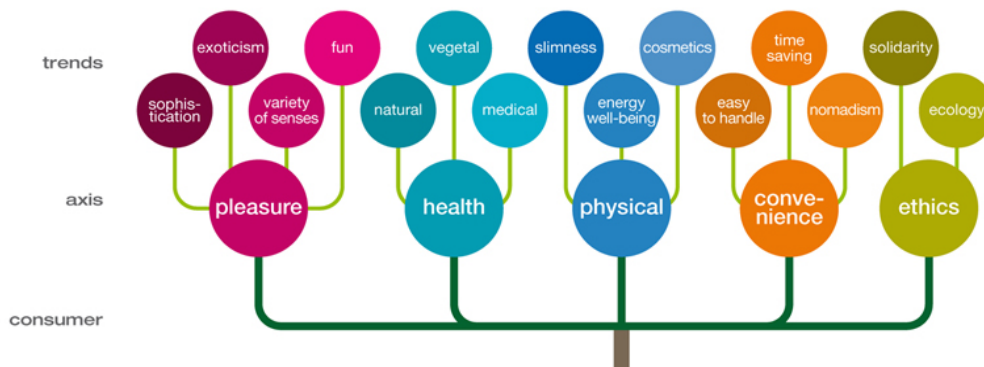


Figure 7. XTC Trends Tree™-Drivers of Innovation (Source: XTC World Innovation 2015)

Pleasure, including variety of sense and sophistication, is by far the leading axis (*See figure 7*) with a 57% share in 2013. In many markets, trends in convenience are being counterbalanced by the desire to ‘reconnect’ with the food consumption, from understanding origin and provenance, to cooking more from scratch. This is also driving greater scrutiny of food manufacturers and retailers, and consumer calls for more information about ingredients and production processes. Food brands will increasingly be required to be more transparent about the contents of their products, providing information in a way that people can easily understand (Bord Bia 2013).

Consequently, for consumers, this leads to smarter food choices and increasingly balancing nutrition with price, convenience and enjoyment. The top factor influencing a specialty food shopper’s purchasing decision is taste, but the opportunity to try something new, impulse or referral from family and friends also are important drivers (Watrous 2014).

The following trends combinations were selected by mixing the five axis presented in the *XTC Trends Tree™* (See figure 7).

Pleasure and Health

Help Me, Help Myself - Consumers are learning new ways of nudging themselves towards better habits, healthier products, but remembering that overall taste is the king (Mintel 2014). An example of that is the potential for *better-for-you* gluten-free products, particularly indulgent goods such as cakes. With just as many people avoiding gluten and wheat as part of a general healthy lifestyle, there are opportunities for these products to take a healthier positioning. Products that have a gluten-free claim could also benefit from accompanying this with other better-for-you claims, such as low/no/reduced fat or sugar, in order to chime with people looking for a guilt-free snack (Mintel¹ 2015).

Pleasure and Convenience

Transumers highlights that consumers are spending more time travelling and on the go than ever before. For example, in Ireland, a third of consumers noted they would

like to see more non-carbonated drinks in bottles with sports caps – for easy on-the-go drinking, such as when travelling or exercising (Mintel² 2015). While baby boomers are more likely to buy gourmet items for everyday cooking, younger adults purchase specialty food for snacks and on-the-go meals.

Indulgent Shortcuts. Time-poor consumers will continue to look for ways of preparing meals that allow them to take shortcuts, while still feeling they've created something from scratch (Bord Bia 2013).

Anywhere, anytime. Portable frozen food solutions for 'on the go' consumption (Bord Bia 2013).

Convenience and Health

Health-and value-conscious consumers are looking for convenient and 'better for you' alternatives to the fast food and snacks they currently turn to when they don't have time to cook. In like manner, more time spent on the go means less time for 'formal' meals, so people will increasingly look for fast, flexible and healthy food options (Bord Bia 2013). For example, *Golden Cuisine* from ConAgra in the USA targets seniors, which offers nutritionally balanced food in packaging that features easy-to-read, large fonts (McKinsey 2010).

Convenience and Ethics

Perfect portions. In the intensifying battle to reduce food waste, easier and more efficient portioning will become essential. As the number of single-person households grows, so does the need for single-servings of food. As dietary needs of families become more complex, more efficient ways to provide variety and manage waste become more important. For example, Australia Creative Gourmet's smoothie cubes are frozen fruit mixes that can be immediately blended into smoothies, with the addition of milk or juice, to provide a perfect smoothie serving (Bord Bia 2013). This could mean an opportunity for packaging industry to create packaging that visually signals portion size and to consider new product formats that provide optimum portion control and offer pre-measured or pre-portioned ingredients that enable less wasteful cooking. Likewise, providing tools to allow people to freeze portioned food at home from ambient more effectively (e.g., reusable packaging). Consider ways outer packaging could re- shape or re-size automatically as portions are removed.

Factory Fear highlights that consumers are increasingly wary of the additives and ingredients in the food and drink they buy (Mintel² 2015).

Another driver that is not considered in the *XTC Trends Tree*TM is hi-tech. Digital shopping is still in its infancy in Europe and North America. But the omnichannel business is exploding in Asia. Younger consumers in particular will lean more and more towards primarily ordering FMCGs online – at home, on the go or even while in stores. Food and beverage retailers can succeed if they expand their mobile personalized and connected device offerings. By 2020, online platforms with virtual shelves will have become the status quo for shopping (Chaltas and Beier 2015).

An example of a company that mixes various trends is Pop Up Pantry, a start-up company from Los Angeles, California. This brand offers gourmet meals in a subscription model club for food lovers. After chefs have cooked the food, each item is blast-chilled to bring it down to -40°C, which maintains food safety and ensures food quality by locking in freshness and flavour (Bord Bia 2013).

In the long run, it is important to consider that despite the global aging trend, pockets of younger consumers are growing in key markets. These micro-demographic shifts create additional opportunities for CPG companies to capture growth (Bord Bia 2013).

3.3. Swedish Food Market

3.3.1. Landscape

Sweden is a country in Northern Europe with a population close to 10 million people. According to the last report of Chamber Trade Sweden (CTS 2013), Sweden's share of the total population in Europe is close to 2%, which means that it is one of the mid-sized national markets. It has experienced a rapid growth during the last 50 years and is among the wealthiest nations in the world. Together with Denmark, Norway, Finland and Iceland (also known as Scandinavia) –with about 26 million inhabitants- are more and more regarded as the “home market” for companies within the Swedish food trade and industry.

Sweden counts as a mature market for groceries, which normally means that there should be a relatively slow market growth. However, during the last couple of years, the market value for foodstuffs and beverages has increased about 5-6 % per year (CTS 2013). Packaged food in Sweden saw positive value sales growth in 2014. The faster growth in 2014 is reflective of the increased consumer opportunism in the fortunes of the Swedish economy. “Consumer confidence and sentiment are improving, which is lowering consumer price sensitivity and subsequently supporting their willingness to trade-up and purchase packaged food of a more premium positioning” (Euromonitor International 2015).

Moreover, the most important sectors within the Swedish food industry (See Figure 8) are baked goods, meat plants, and dairies, with more than 50% of the value of output. Imports of food products have increased considerably since Sweden joined the EU and imports now account for over one third of total food consumption (CTS 2013).

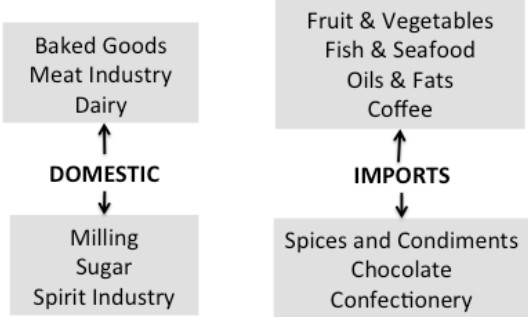


Figure 8. Domestic and Imports main sectors in the Swedish Food Industry
(Adapted from Chamber Trade Sweden 2013)

3.3.2. Food Retailing

The Swedish food-retailing sector is highly concentrated. Four trade groups, with both integrated retail and wholesale activities, dominate the market (See Figure 9). These four groups account for almost 80% of the total retail market for foodstuffs and other everyday commodities. However, if only sales of ordinary grocery stores are counted (excluding small convenience stores and specialty stores), their combined market share is about 95%.

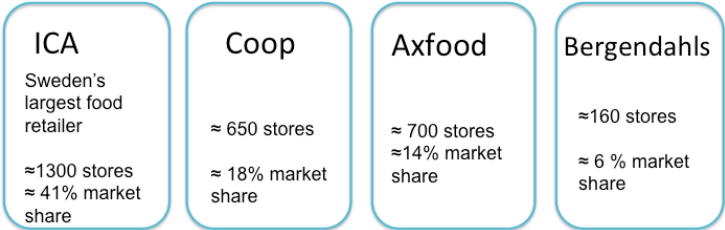


Figure 9. Top retailers in Swedish market- Represent almost 80% of the total retail market.

(Source: Chamber Trade of Sweden 2013)

Selling a product through a food retail channel assumes large volumes and a willingness to compete for exposure in the shelves. Consumers will compare prices with existing products that may fill their needs equally well. Hence, this strategic choice results in a low price margin but a larger volume (Mark-Herbert 2004). Private label secured a growing value share of packaged food as grocery retailers seek to increase profit margins with a greater focus on private label. Private label growth can also be linked to consumer price sensitivity and the value sales growth of the discounter’s channel (Euromonitor International 2015).

3.3.3. Challenges in food market

Different actors of the Swedish food sector are facing challenges. Beckeman (2011) found that food manufacturers realise that they need to develop more innovations and to add value, but that many of their innovations are invisible to the consumers, intending to cope with environmental and cost demands. Equally, manufacturers tend to feel clasped by retailers on costs and are also aware that retailers tend to copy successful new products and get them under private labels.

It seems that the industry tends to be a market researcher rather than a market developer. R&D is a key driver for top performance and competitive advantage, which despite high costs and risks, large investments are made in the development of new products and processes. According to Mark-Herbert (2004), the Swedish food industry does not invest heavily in R&D as a result of an apparent conservative consumer and a mature market. Other aspect could be basically business strategy (i.e market size vs. investment). Thus, under those circumstances, low market uniqueness and low technological uniqueness characterize a positional business strategy seen in Swedish food companies.

According to the biggest manufacturers in Sweden, structured development processes are in place (Beckeman 2011), but often top-down (Deschamps, 2008). Also, food design and production require an integrative approach which evolves by combining knowledge of the product, its production process and the packaging, and most importantly, how these affect one another (Moskowitz et al 2009).

3.3.4. Potential in food market

Every market is in constant change and it is essential to be aware of its dynamics to be ready for the challenges but as well opportunities. In the previous section some challenges were mentioned according to some authors that have extensively studied the Swedish food market. Although this may continue being a reality nowadays, even mature markets require a tailored offer and a fine-tuned business model (Mukherjee et al 2013).

The Swedish food market has been influenced for a number of years by an increased consumer awareness of health, environment, and social concerns. Also, several ethnic food items have therefore been among the fastest growing product categories within the retail trade. In fact, all major retail groups have during the last couple of years introduced an “ethnic” assortment consisting of several different products in their supermarkets, which has been met with a relatively big success (CTS 2013). Moreover, organic (also called ecological or biodynamic) and “Fair Trade” labelled products have achieved a relatively large share in a short period, especially within ”natural” product groups such as fresh fruit and vegetables, cereals and coffee.

In addition, the launch of health-oriented products is continuously growing. For instance, new products with gluten free and lactose free/reduced claims are becoming more visible on the shelf. Likewise, consumers have a keen and growing interest in food. This is driven by a broader home cooking trend on the market on weekends, which in turn is encouraging consumers to prepare meals from scratch and to use locally sourced and natural ingredients. Nonetheless, consumers want packaged food that is tasty, healthy and convenient to prepare. This is reflected in value sales growth for chilled packaged food, as consumers perceive the chilled storage format as superior to others. Indeed, a growing number of manufacturers are emphasising the use of natural ingredients in their packaged food products (Euromonitor International 2015).

Swedish market players are particularly strong in packaged food categories of a more perishable nature, in particular dairy. Multinationals are more into non-perishable categories. It is relevant to mention that the Swedish food market counts as an important industry for foreign suppliers of foodstuffs. Even though domestic producers and companies still supply the main part of the raw materials and food ingredients used, imports are on the increase. In contrast to the challenges already mentioned in the previous section, Swedish food is a growing export sector and Sweden will continue to invest heavily in this area through ventures like *Sweden, The New Culinary Nation*- (a Ministry for Rural Affairs initiative) and Try Swedish, an international marketing drive to raise awareness of Swedish food and encourage food-lovers worldwide to discover Sweden's culinary culture and lifestyle (Business Sweden 2015).

Lastly, new business with emerging markets will increase. Emerging markets already offer many attractive market opportunities for Nordic companies and the range of opportunities will continue to expand in years to come. According to Dalberg Research (2014), food is one of the most attractive focus areas in terms of sectors, while the next generation of large growth economies – e.g. Nigeria and Indonesia– are likely to offer even more attractive opportunities for Nordic companies.

Now having an overview of the Swedish food market, it is time to review some concepts about category management to get familiarized with the topic.

3.4. Category Management

3.4.1. Definitions and Principles

Foodstuff can be categorized into two main approaches, one according to regulatory aspects (based on their intrinsic properties such as chemical composition) and the other as a business entity. Both ways have a dynamic interpretation depending on the context. The first can vary between regions [e.g. European (EFSA) vs. American (FDA)], and the other one by stakeholders' perspective (e.g. from consumers' own

mindset, marketing research agencies or retailers). This research is primarily focusing on the second approach.

According to Nielsen Co. (2015), a *category* is defined as a “distinct, measurable and manageable group of products that the retailer and manufacturer will optimize by increasing their understanding of and meeting the needs of shoppers”. Whereas *category management* (CM) is “the process which involves managing product categories as business units and customising them on a localised basis to meet customer needs”. CM enables companies to address the revolution in the consumer needs by exploiting new technological possibilities.

Many retailers use a category management approach, which attempts to maximize profits within a category (Kök et al 2009). This can also be useful to decide what is the role each category plays in the overall portfolio, for example, variety enhancers or niches, and then execute towards those goals (Dhar et al 2001). It requires a closer relationship between retailers and suppliers as they work together and share their knowledge for maximum mutual benefit (Wang 2014). Nielsen Co. (2015) suggests that in a highly dynamic retail environment, the two parties have certain shared objectives, and are much more likely to be able to cope with the pace and diversity of the marketplace if they pursue these together.

In particular, according to Euromonitor International (2015), the Swedish Packaged Food market is divided into twenty-one main categories: baby food, bakery, canned/preserved food, chilled processed food, confectionery, dairy, dried processed food, frozen processed food, ice cream, meal replacement, noodles, oils and fats, pasta, ready meals, sauces, dressings and condiments, snack bars, soups, spreads, sweet and savoury snacks.

3.4.2. Cross-Category

Retailers are going beyond category management to cross-category management initiatives (Basuroy et al 2002), which objective is to optimize profits across categories (Bezawada et al 2009). To be more responsive to the retailers’ emphasis on improving cross-category performance, manufacturers are paying greater attention to cross-category affinities in planning their marketing strategies (Dupre and Gruen 2004) that could increase the sales of multiple brands in disparate but related categories. The benefits are particularly high if a manufacturer is a category captain (typically a leading vendor of the category) that the retailer selects to plan merchandising and other marketing decisions for that category (Gray 2005).

3.4.3. Potential of creating new food categories

Thinking beyond existing behaviours and usage could develop new categories in the

food market — potentially creating new consumption moments. For instance, the combination of innovations in packaging, processing technologies and new retail formats could lead to platforms niches (Bord bia 2013).

The introduction of new products generally leads to a change in a retailer’s assortment. Not only due to the addition of the new product, but the limited shelf space, a weak performing product will most likely be dropped (Van Everdingen et al 2011). According to a study made by Van Everdingen et al (2004) in the Netherlands, the retailer’s adoption decision depends on four main variables, which are shown in Figure 10. That research was aimed to understand up to what extent the importance of the category for a retailer influences the decision to adopt or not, a new product (the data resulted from approximately 700 stores).

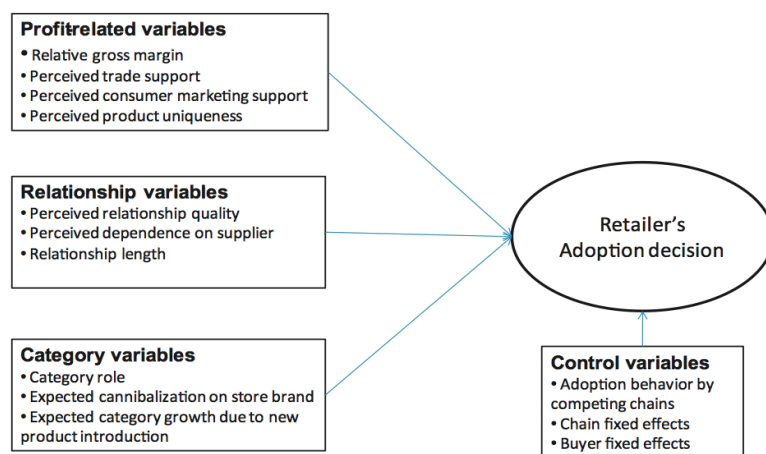


Figure 10. Conceptual model of product adoption decision

Source: Van Everdingen et al 2011

Besides, literature suggests that if a new product is more or less similar to other products in the assortment, the retailer’s adoption of the new product would lead to assortment redundancy and duplication, which would increase the choice effort of consumers and could cause lower category sales (Sloot 2006). Therefore, it is unlikely that retailers adopt new products with a lower level of uniqueness. Product uniqueness refers to the extent to which the new product differs from existing products within a category. However, unique products can create their own niches, reshape customer preferences, and differentiate themselves from other products (Gielens and Steenkamp 2007).

On the other hand, the manufacturers play an important role in the creation of a category. For instance, Mark-Herbert (2004) suggests that innovation of a new product category (i.e. functional foods) could be driven by research projects,

networking, flexible management and having financial support from partners. Some examples are Proviva, Magiform, IgY-eggs in Sweden.

3.5 Business Strategy

3.5.1 Positioning and creating value

The idea of positioning focuses on the rational or emotional benefits that a buyer will receive by using the product or service. It must be unique and sustainable. Without effective differentiation, there is no positioning and without positioning, there is no uniqueness (Matzler et al 2013). Hence, a company's value creation process needs to be distinct from its competitors.

Figure 11 shows the relation between value creation and value capture. Value creation expresses the benefits the company creates for its customers. The customer value (value capture) corresponds with the customer's willingness to pay for a product or service. Business model innovation results when a company increases customer value and simultaneously creates a new value creation and revenue model that allows the company to capture some of the value created in a new way.

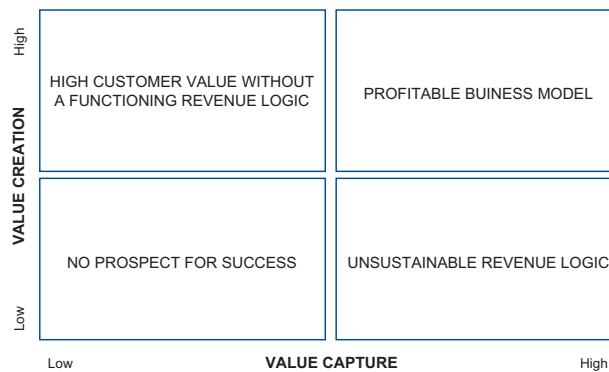


Figure 11. Value creation and value capture (Matzler et al 2013)

For instance, the case of Nespresso by Nestlé could be positioned in the upper right corner of figure 11, having a sustainable, profitable business model. The basic idea of the Nespresso concept is customization. This non-duplicable model provides the foundation for its sustained success. Figure 12 shows the differentiation elements of the Nespresso Business Case according to Matzler et al (2013).

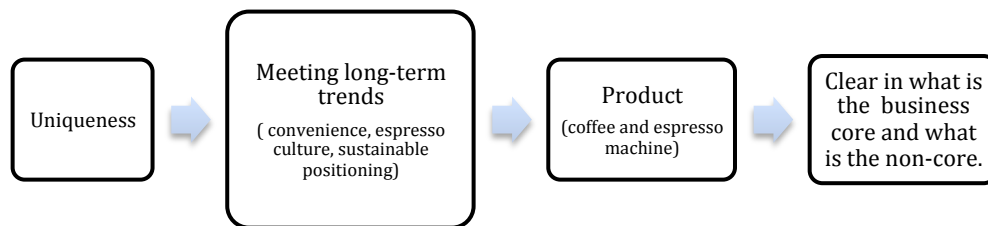


Figure 12. Differentiation elements of Nespresso Business Case

Source : Matzler et al 2013

With this in mind, it is relevant to highlight that competitors are quickly able to copy innovations, product life cycles are becoming shorter, and competitors from low wage countries have considerable cost and price advantages. Plus, product innovation no longer offers sufficient competitive advantage in differentiating successful companies (McGrath 2011).

3.5.2 Blue Ocean Strategy Principles and Tools

In order to create competitive advantage, companies build or follow strategies. For this particular research, the author focused on one strategy – *Blue Ocean Strategy*- (Kim and Mauborgne 2005). On chapter 4, this theory will be mentioned and connected with the findings and discussion of how the principles of the strategy can be useful for the positioning of a new food category on the market.

3.5.2.1 Overview

The philosophy of Blue Ocean Strategy (BOS) presented by Kim and Mauborgne (2005) talks about how to create uncontested market space (*ocean*) and make the competition irrelevant. There are two types of oceans: the red and the blue oceans. Red oceans represent all the industries in existence today and the blue oceans denote the unknown market space. Table 2 shows their main differences. Creating *Blue*

Oceans is not a static achievement but a dynamic process. Once a company creates a blue ocean, sooner or later imitators appear on the horizon. This section aims to introduce concepts and possible tools that can be used for the discussion of findings in chapter 4.

Table 2. Red Ocean vs. Blue Ocean Strategies (Adapted from Kim and Mauborgne 2005)

Red Ocean Strategy	Blue Ocean Strategy
Complete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost.

3.5.2.2 Principles and Tools

The BOS follows six principles (*See figure 13*) for its formulation and execution. It is important to consider that in order to have an effective strategy, it should be considering risk minimization instead of risk taking.

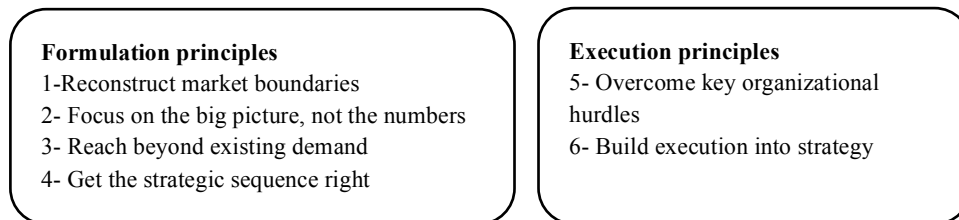


Figure 13. Principles of Blue Ocean Strategy (Adapted from Kim and Mauborgne 2005)

Besides the principles, there are tools that can help to achieve blue oceans and are mainly focus on an indicator called the *value curve*, which illustrates the company's performance across a determined industry factors of competition. One tool oriented to visualize the company versus the marketplace is the *strategy canvas*.

The *strategy canvas* is a diagnostic and action framework for building blue ocean strategy based on the use of the value curve and it allows understanding the current positioning and competing factors. If a company wants to shift its strategy canvas, it must begin by reorienting the strategic focus from competitors to alternatives, and from customers to noncustomers of the industry (Kim and Mauborgne 2005).

Although the universe of noncustomers typically offers big blue ocean opportunities, few companies have keen insight into who noncustomers are and how to unlock them. Figure 14 shows a scheme suggested by Kim and Mauborgne (2005) about the system of noncustomers.

1. *First Tier*: “Soon-to-be” noncustomers who are on the edge of the market, waiting to jump ship.
2. *Second Tier*: “Refusing” noncustomers who consciously choose against the target market.
3. *Third Tier*: “Unexplored” noncustomers who are in the market distant from the target market.

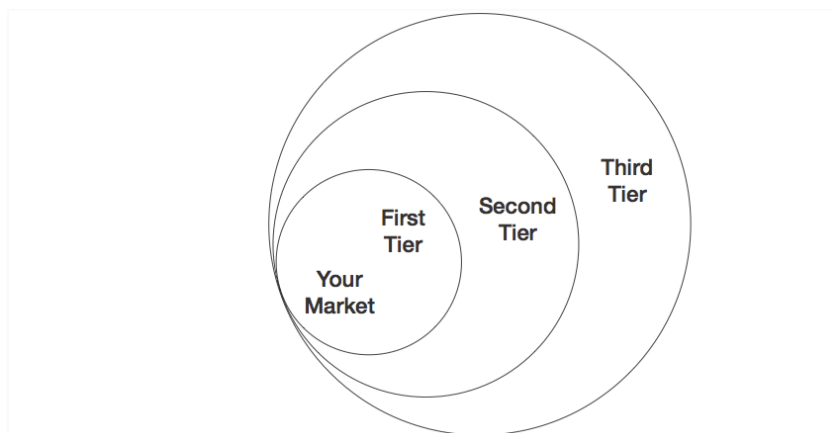


Figure 14. The Three Tiers of Noncustomers (Kim and Mauborgne 2005)

In order to gain share in those tiers, it is central to understand the behaviour of each of these three tiers and focus on key commonalities across the noncustomers and existing customers companies.

3.6 Food Innovation

3.6.1. Innovation as a strategy

Innovation is a strategic change process. The traditional perspective has been that of strategic planning, which is related to finding the optimal way to meet the strategic goal outlined in the plan. An alternative interpretation is an entrepreneurial perspective, where the plan is replaced by a direction for development; a vision in which an intended strategy gradually finds its way towards a realized strategy that depends on the visualization and realization of ideas. When combining both perspectives it is called creative management (Mark-Herbert 2004).

The food industry faces a large number of typical challenges comprised of instantaneously changing and evolving consumer needs, shortened product life cycles,

the competitive time-to-market race, cluttered retail shelf space (Bellairs 2010) and increasing difficulty in meeting the heterogeneous requirements of a growing number of chain actors (e.g., suppliers, customers, legislators) (Sarkar & Costa, 2008).

Moreover, manufacturers have a strong role to play in launching offerings that are unique and difficult to copy, by using the knowledge of different suppliers in and outside the chain and by constantly aiming for continuous development (Beckeman 2011).

3.6.2. Packaging and Food Innovation

In the developed world, overall demand for consumer goods has been relatively static. However, demographic changes (e.g., decline of the nuclear family, increase in average age) and increased market share competition between established fast moving consumer goods (FMCG) producers have required innovation on the packaging side. Nowadays, packaging has become an integral part of food design (Moskowitz et al 2009). Rising concern about resource use means consumers, manufacturers and retailers are paying more attention to packaging. Packaging can help support a food category's ambition to become a positive and aspirational lifestyle choice (Bord Bia 2013).

Packaging suppliers are global and usually are very knowledgeable about products and trends in many markets. They could be valuable partners in system development/innovation with the other actors in the chain, and those should also recognise the potential of such collaboration, especially to achieve sustainability (Beckeman 2011).

Besides, packaging provides a significant opportunity for manufacturers to elevate consumer perceptions of food categories through communicating brand values and reflecting changing consumer aspirations on-pack information (Bord Bia 2013).

There have been introductions of a number of new developments (Bord Bia 2013) in the recent years, for example:

- a) Convenience features such as resealable packs, easy-opening and stand-up pouches.
- b) Smaller pack sizes for single-serving and on-the-go use.
- c) More promotional packs and brand extensions to maintain customer loyalty.
- d) More eye-catching and colourful designs to enhance brand awareness and to stand out on the shelf.
- e) Packaging devices are already being designed to release food-grade aromas from the material during storage or microwave thawing or heating.
- f) Surfaces coated with essential oils or encapsulation of flavours in packaging materials are being explored as ways to actively enhance the sensory qualities

of packaged foods.

3.6.3. Open Innovation

Open innovation (OI) is defined as “*the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively*” (Chesbrough et al 2006). Today, OI is essential to surviving and gaining a competitive advantage in most business environments, where companies must use both external and internal ideas, open channels for knowledge access, employ external technology and solutions, and purchase or license inventions (Trautler et al 2011). The open source development might be a fruitful conceptual model assuming there are well-allocated resources and trust among collaborative partners (Mark-Herbert 2004).

In addition, food companies are reaching new audiences through social media. This could provide an important channel to “listen” to consumers without the biases created by conventional research techniques. The companies are just starting to tap into social media to understand brand buzz, monitor the impact of campaigns, and even gain input into new product development. Companies that ignore this important new information source risk being slower to respond and adapt to their consumers’ changing needs (McKinsey 2010).

4. Results and Discussion

This chapter presents the breakdown of the insights and findings from the stakeholders and the two case studies. This section shows the findings and analysis to answer the research question based on the results of the field study and connecting it with the theoretical framework.

The flow of this section is driven by the answers to the research question, purpose and objectives. In order to answer this, the author decided to gather insights from stakeholders that could participate in the creation of it, having questionnaires with assorted questions in major topics (i.e. marketing, business, innovation) (See Figure 15).

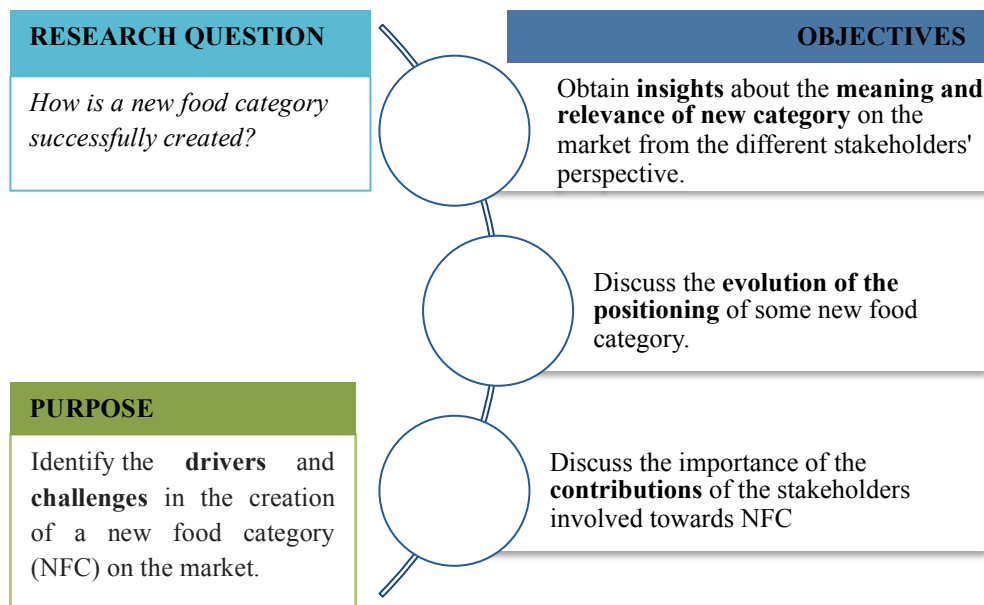


Figure 15. Guide for the presentation of results

The results and discussion are divided into three main sections.

1. *First section.* To review the meaning and relevant findings about the topic.
2. *Second section.* To discuss the drivers and challenges that could lead to the creation of a new food category from the stakeholders' perspective (See figure 2 in chapter 2).

3. *Third section.* Presentation of the two case studies (*Santa Maria* and *Oatly*), to represent the evolution of a successful positioning of a new category in the Swedish market. Findings will be presented, brief comparison between them and as well identification of drivers and challenges from their experience.

4.1. Definitions and overall findings

A common interest towards the approach and purpose of the study among stakeholders was identified. It was a positive element to build a holistic interpretation and discussion of the concept of *a new category*.

As discussed in chapter 3, there are established definitions for *category* and *category management*. However, the author decided to obtain the meaning and relevance of these concepts from each stakeholder involved in the study. This was also important for standardizing and facilitating the understanding of the findings.

When asking, “ *How do you define a new [food] category? or what do you understand by the creation of a new [food] category?*” some overlapping of concepts between a [new] category and product occurred, mainly because some respondents focus more in a part rather than a system approach. Similarly, when asking about companies or brands that could have started a category, it was sometimes complicated for the interviewees to separate a new product introduction with a new category creation.

It is relevant to mention that most of the participants were from marketing, innovation or business development areas, which basically are familiar with the literature concept. However these contestants are from different industries within the food sector, which makes it interesting to portrait.

As mentioned in the previous chapter, a *category* is defined as a measurable and manageable grouping of products that the retailer and manufacturer optimize by increasing their understanding of and meeting the needs of shoppers (Nielsen Co. 2015). This definition mainly focuses on a connection between the retailer, manufacturer and the shopper as main actors.

More than obtaining definitions, this was a starting point of discussion. It is clear that the creation of a new category does not happen in one step but it is also true that there is a product or group of products that were the blue ocean pioneers.

The next insights were gathered and shown below. In particular, the group of retailers and marketing & business had a similar opinion.

4.1.1. Among Retailers

Some mentioned that a new category could be products that have not existed before on the supermarket shelf or those new introductions of products with a common element across different existing categories. Another relevant point of view was that there are emerging areas, rather than categories, where the importance has grown significantly or changed and that could be considered a start of a new category. Moreover, another way of looking at it can be something that is very basic and already existing, but over time it develops step by step with slight variations. A new category must not necessarily be a new product range, but it can be a new way of delivery and usage. Likewise, it is not compulsory that a new category means that the set of products should be placed in the same [shelf] space, meaning that it could follow a cross-category behaviour. This should be considered by the manufacturers and retailers, and as Dupre and Gruen (2004) suggests, the manufacturers are paying greater attention to cross-category affinities when planning their marketing strategies. On the other hand, retailers are using more cross-category strategies (Dupre and Gruen 2004) rather than just focusing individually on a particular category management strategy.

4.1.2. Among Marketing Research and Academia

Some discrepancies between who defines a category were discussed. From one perspective, the consumers could define it, as they are the ones who decide what it is included in a category, however this definition is out of the scope of the research. Another option could be the definition based on retailing management as it is the store who defines how and where the products should be allocated on the shelf according to a category management approach which attempts to maximize profits within a category. Also, it was mentioned that in order to detect early emerging categories, it is recommended to do a probing with manufacturers, as they are the ones that develop new concepts and products, though only under their boundaries. That is why, performing a screening of all food manufacturers could be helpful to see the situation as a system, meaning to identify patterns and deviations among the manufacturers. This idea can be matched with another statement, which suggests that products can start with a goal trying to open new blue oceans based on the philosophy presented by Kim and Maubourgne (2005). These blue oceans could be referred as the new food category. It is important to emphasize that a new category by definition should have a group of products, meaning that the launching of a new product does not open really new categories. This last point could contrast with the fact mentioned by one retailer suggesting that there have been situations where new products arrive to the assortment and it is somehow difficult to locate it into an existing category. In

that case, the store could start developing new category management strategy, nonetheless, this has been rare.

4.1.3. Among Food and Packaging Industries

These groups could not really define a new category, as they are focused on their current business and current product categories. However they are in constant development of new products within their boundaries but as well in identifying new opportunities according to the market trends, but they are not necessarily focusing on products aiming to open new categories different from the ones they currently have.

4.2. Drivers and Challenges according to stakeholders

In order to arrive to a specific word or group of words to label the drivers and challenges, a categorization of ideas and patterns were compiled with the information from the transcripts. This information was gathered per group of stakeholders and from the case studies. It is important to mention that when presenting the results, the insights from the marketing research agency and the academia (business and marketing) were merged under the same block of ideas as the approach was mostly the same.

A total of 50 drivers and 30 challenges to create a new food category were identified and can be found in Appendix IV and Appendix V. It is important to highlight that these drivers and challenges may vary in context and focus depending on the stakeholder approach.

4.2.1. Drivers

Figure 16 represents the top 20 drivers and the number of stakeholders who discussed that topic. The first three drivers: upgrade, entrepreneurial culture and assertiveness, were mentioned only by the *Santa Maria* and *Oatly* but not by the stakeholders.

More details will be given in the corresponding section of case studies.

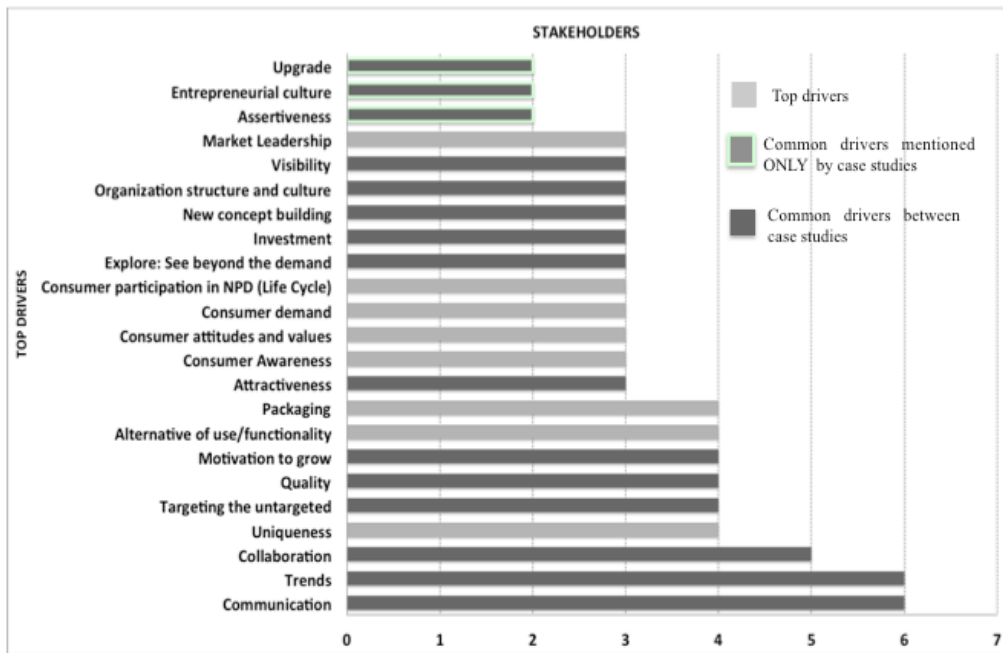


Figure 16. Top 20 Drivers

Communication and following market trends were the two drivers that all the stakeholders have in common. These elements may seem obvious but the know-how and objective of this is what makes it relevant.

Communication and Collaboration. Can be divided into external and internal communication. The external corresponds to what the company needs to present to the marketplace, especially to consumers and suppliers. Consumers are more aware, knowledgeable and like to be informed. Thus, a good communication channels should be performed across the value chain. This is definitely a driver to start promoting the benefits and potentials of the new range of products in order to attract consumers. At the retail environment, the packaging plays an important role, as the label is an important source of information. The easier the better. One packaging supplier mentioned that the best packaging is the one that could be intuitive: do not confuse the consumer, be clear and obvious. Also the fact of a closer interaction and collaboration with suppliers help to shape potential openings of new market spaces.

On the other hand, there is the internal communication which corresponds to the flow of information inside the company and collaboration between departments. Elements as open innovation, developing with consumer and social media were connected with this driver. Basically the objective of communication is to get knowledge, ideas and combine this with resources to create something out of the standard and mainstream.

Trends. Five main trends have driven the Swedish food market in the last years: wellness, health, sustainability (environment and ecology), convenience and freshness. One of the retailers mentioned that 15 years ago, people that bought ecological products bought them because it was good for the environment, but today when people buy ecological products is very normal that they buy it because it is

good for their own health. There is a connection between health and environment. This is confirmed with the trends reviewed in chapter 2 (Euromonitor International 2015; Mintel 2014; FDE 2014; Bord Bia 2013; XTC World Innovation 2015) which mentioned a strong focus on health, ethics and convenience.

It seems that those trends are now a *must* to be in the marketplace, however this behaviour will be adopted by the competitors as well. So in this case, the trends should be important as a reference but this must have to be combined with added-value elements to make the difference. This fact could be related to the first and third principle of BOS (i.e. reconstruct market boundaries and see beyond existing demand) and the *value curve* concept of the strategy canvas, suggested by Kim and Mauborgne (2005) where the company should look across alternative industries and complementary product and service offerings. Plus, it adds new competitive factors to its strategy canvas. This might be helpful for focusing on trends but adding elements that others (i.e. competitors) have not considered yet in their offerings.

Alternative of use/ functionality. From the retailers' point of view, this is one of the drivers to create a new category. The product has not necessarily to be completely new but eventually a product can exist already in the shelf with a specific purpose and suddenly, the consumers start to use it for other purposes. This is mainly driven by trends followed by the consumers. This effect can be performed across existing categories. For instance, the case of the product *kvarg* (milk based component high in protein) in Sweden. This product had existed for long time ago in the shelf as a baking ingredient, and suddenly, people started using it as a protein source. The trend that drives this is mainly health. People are getting healthier food habits, they do exercise, and they are looking for sources of protein. So basically, often the product is not new itself but the context might be new. There comes some kind of new interest, which could be exploited.

In addition, the marketing experts suggested that another way to open market shares is to find new ways to use products and creating needs. On the other hand, for the packaging industry the focus is mainly to explore and find new ways to deliver solutions to different actors in the value chain. One packaging supplier implied that finding new ways to use the current invested packaging machinery could be an opportunity for future applications for their clients (i.e. food manufacturers).

Uniqueness. Important to have an added value that makes you different of what already exists. This follows the Blue Ocean strategy mentioned in chapter 3 (Kim and Mauborgne 2005). Creating a new product or concept and be the only one could be a start of a new category. Another important fact is that once you are the market leader of the ocean that you open, will be helpful for the development of the category. It is important to mention that this driver can cause a little bit of confusion and discussion among manufacturers, marketers and manufacturers due to their proper interests.

When matching the literature with the insights found in the interviews, it was found that retailers would be positive to adopt a product if this would increase sales and enrich the current assortment.

Van Everdingen et al (2011) suggests that if a new product is slightly less similar to other products in the assortment, the retailers will have difficulty to adopt and accept a product with a low level of uniqueness that could also cannibalize other products in assortment. According to Gielens and Steenkamp (2007), there is U-shaped relation between uniqueness and consumer adoption timing implying that incremental or really new products are adopted faster than those with an intermediate level of uniqueness.

Targeting the untargeted. This driver is related to the segmentation of the blue ocean strategy proposed by Kim and Maubourgne (2005), of how to get nonconsumers. For example, ICA launched rice-type made of cabbage (Blomkåls Ris) oriented to young and middle age people that could be interested in eating low carbohydrate food. However they got surprised when they realized that the elderly was one of the main consumers of the product. In this case, the product might be a hint to start developing new products with a focus on elderly for instance. This driver can be intentionally or unintentionally addressed. Consumers can start demanding more products like this.

Even though not mentioned by all the stakeholders, motivation to grow is quite important when developing something out of the standard or mainstream. This could be linked with a company being perseverant to start a blue ocean (based on Kim and Maubourgne (2005) Blue Ocean Strategy reviewed in chapter 2).

4.2.2. Challenges

Market penetration and packaging opportunities were the most mentioned challenges among stakeholders. There are other challenges that were considered drivers for some stakeholders, as it is the case for communication and collaboration. Figure 17 shows the top 15 challenges obtained from stakeholder’s insights. Further details about the challenges and which stakeholders mentioned them are shown in Appendix V. The main challenges are presented and discussed below.

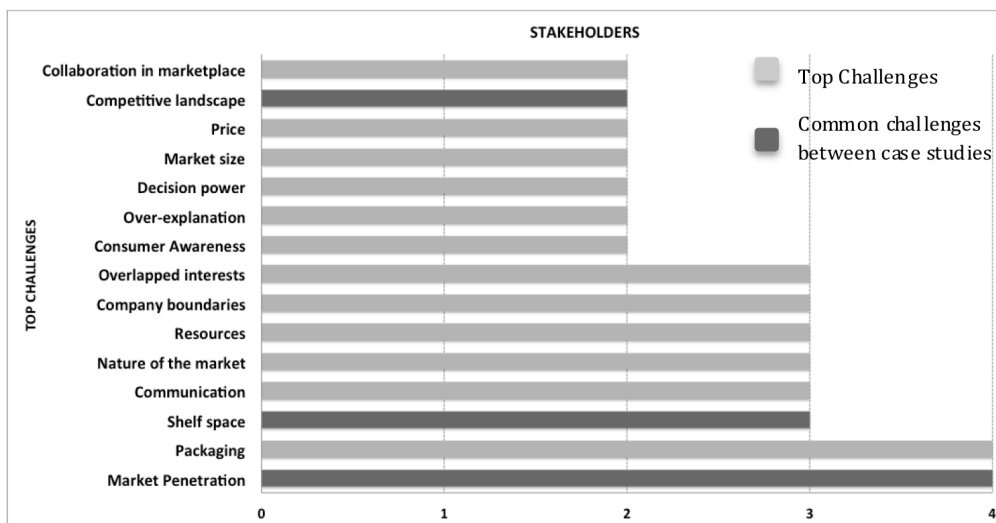


Figure 17. Top 15 Challenges

Market penetration. Food manufacturers and brand owners, often say that it is difficult to introduce a new product at the retailers, it is not easy to come with something new, so probably you will for instance need to find a new packaging as well to differentiate. One interesting point mentioned, which all stakeholders should keep in mind, is that there should be a relevant business opportunity for the stakeholders.

From the retailer’s perspective, when accepting a product, it can be the start point of a category, so be in constant tracking of customers’ behaviour is key. As well for manufacturers to place products and concepts that could reach beyond the existing demand. Finally for packaging industries, it is important to work in collaboration with manufacturers to address the growth opportunities in the marketplace.

Penetration is one of the main key performance indicators mentioned by the market research agency because it shows you how your company behaves in the marketplace. This indicator is related to the first and third principle of the blue ocean strategy,

which is *reconstruct market boundaries and reach beyond the existing demand* and the strategy of targeting noncustomers, following the scheme of the tier of noncustomers suggested by Kim and Mauborgne (2005).

Packaging. It was mentioned by the retailers and food manufacturer as a challenge in order to create a new category. The main issue is investment and the limitation of the machinery to deliver different kinds of solutions. Also, it was perceived that the packaging suppliers are more dependent on the requirements from the food manufacturers rather than delivering new options of conceptualizations for its business, meaning that the industry is more a follower rather than a developer of concepts. Whereas from the packaging side, it's main challenge is to meet requirements with low volume and with very customized petitions.

For instance, the demands by companies producing locally are a current challenge for the packaging industry. This is interesting because this kind of companies are usually start ups, which are small and creative companies and could be potential incubators of new categories. However in order to place them in the market place they need a packaging that could differentiate and help the product to stand out. Moreover, it is important to *keep in mind that packaging provides a significant opportunity for manufacturers to elevate consumer perceptions of the category through communicating brand values and reflecting changing consumer aspirations on-pack information* (Bord Bia 2013).

Shelf space. A product has to make a profit in 6 months (according to retailers and market research agency), if not the product will be out of the shelf. What is difficult for the manufacturer is to convince the retailer in what product segment or category this particular product should be. At retail level, there have to be products that do not cannibalize other items, or categories. If the new brand or the category just cannibalises on the existing items and does not make any growth for the retailer, then it is not of interest for the retailer. One retailer mentioned that one key element is to *“enter correctly to the selling points (i.e. retailers) as it takes a lot of time to come up with a new product and make it sell, and even longer to establish a new category”*. On the other hand, one packaging supplier declared that when there is something new to show to the market, it is vital to be able to persuade people that your offering is the right thing. This last thought could apply to any stakeholder in the value chain but adapting it to its context.

Other challenges

Several challenges were related to consumer demands, marketplace and investment. It is important to consider the *nature of the market*, “is it a mature market or a conservative market?” . In what things is the market investing their money? This could be a good starting point for developing new concepts that could lead to the

creation of new categories. This idea is linked with the first principle of the BOS (Kim and Mauborgne 2005) which suggests to look across the chain of buyers (purchasers vs user vs influencers) and as well across functional or emotional appeal to buyers



Another challenge is to face the *overlapping of interests* among the value chain. Every stakeholder has its own boundaries and goals. It is a journey to align the interests in order to establish something new that could benefit all the value chain. At the end each stakeholder has to take care of their image, brand name and consider if the investment will be worth it for the market size. All of this matches with the philosophy of the BOS (Kim and Mauborgne 2005) where the risk management has to be oriented to the minimization of the risk rather than the risk taking.

More discussion about drivers and challenges will be made when comparing the case studies.

4.3 Evolution of a successful positioning of a food category

The selected two case studies, *Oatly* and *Santa Maria* are examples of Swedish companies to represent two ways of a successful positioning of a food category.

A relevant point to highlight between the two cases is that the category where *Santa Maria* strongly participated in the positioning during the 90s (i.e. Tex-Mex) is today considered mainstream in the market, meaning that at some point the blue ocean once created is now considered a red ocean, but still leading the marketplace. Nonetheless, the company is now in the process of looking for new blue oceans. On the other hand, *Oatly* is a company that is in the stage of expanding a still young blue ocean of lifestyle-sustainable-healthy products in the Swedish market and they are working towards it. In Table 3 is presented a brief summary of the main differences between these two companies.

Table 3. Highlights between Santa Maria and Oatly		
Characteristics	Santa Maria 	Oatly 
Origin	Family Business (Sweden)	Research project (Sweden)
Motivation to start	Looking for new business	Research, be independent and different
History	- 100 years	- 20 years
Size	- 900 employees	- 80 employees
Core	Taste	Health and Sustainability
Ownership	Pågengruppen, Industrifonden, Östersjöstiftelsen, founders and employees (Sweden)	Paulig Group (Finland)
Status in Marketplace (Type of Ocean)	Once in blue ocean, now in red ocean as a leading brand, and looking for opening new blue oceans	Expanding in a young blue ocean
Type of products	Flavourings and Seasonings Meal concepts: Tex-Mex, BBQ, Asian concepts.	Oat based products Non-dairy alternatives

This section will first introduce the companies separately. Then, drivers and challenges obtained from the case studies will be discussed and eventually match them with the ones obtained from the stakeholders. After this, the author will present insights about the evolution of a successful positioning of a food category based on the information obtained from the selected companies.

4.3.1. Santa Maria - Case Study 1

The story of Santa Maria goes back to 1911 selling spices and condiments at grocery shops in Goteborg, Sweden. Years later, it became the largest flavouring company in Sweden. At the end of the 80s, they expanded their market area to all stores in Scandinavia. It was in 1991 that the company introduced the *Tex-Mex* assortment in the Swedish market, which is considered a success story for the company and for the Swedish food market. When Santa Maria launched the *Tex-Mex* assortment, a rapid growth of the assortment and turnover was achieved in the 90s and beginning of the 2000. In 1994, 69% of their business was spices and *Tex-Mex* was launched three years later (15%). By 2004, the turnover had grown 10 times and the *Tex-Mex* category increased to 60%.

Today, Santa Maria is part of the Finnish food group Paulig and the leading flavouring company in Northern Europe with about 900 employees. Their products are sold in more than 25 countries and have production plants in Sweden, Estonia and UK. They participate in the retail and food service business. Figure 22 below shows the main events of the company's history.

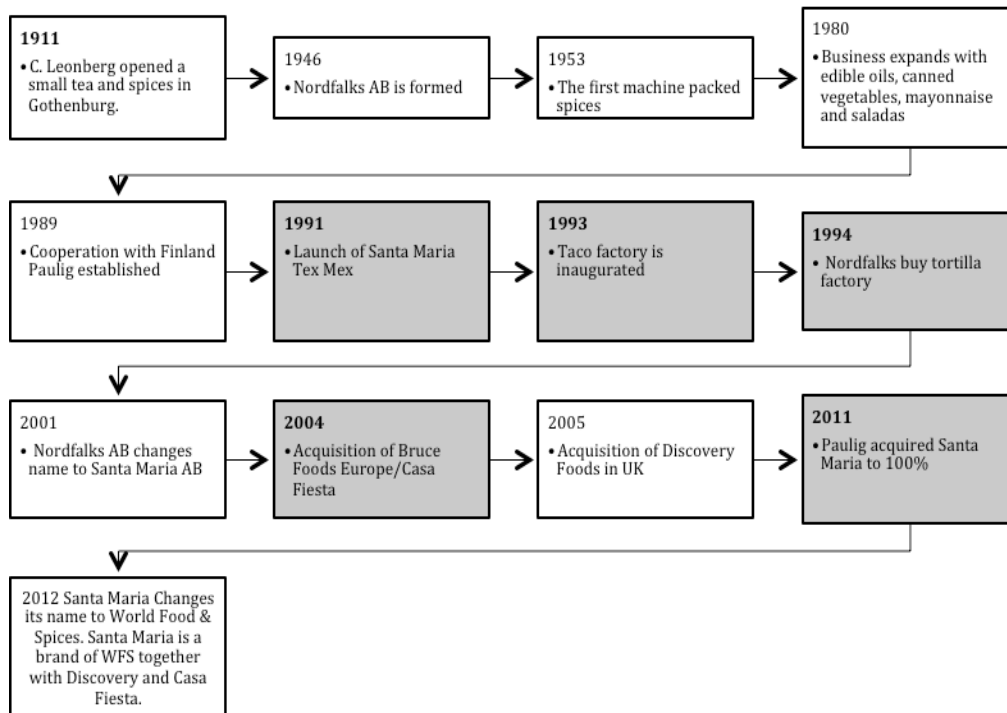


Figure 18. Santa Maria timeline (Adapted from Santa Maria's corporate website)

The company considers itself as a taste company with an assortment consisting of five categories, which are divided into two main units:

- a) *Flavouring*: Products that are use to spice and flavour the food. Categories: Spices and Condiments
- b) *Meal concept*: Convenience concepts to make successful meals at home. Categories: *Tex-Mex*, BBQ and Asian concepts.

In both units they work in new concepts and new product developments. The author will focus the discussion particularly in the ***Tex-Mex category***. Figure 19 shows part of the current Tex-Mex assortment (Santa Maria 2015). Nowadays, Santa Maria is leader of the Tex-Mex category competing with brands such as *Old El Paso* and retailer's private labels (See Figure 20).



Figure 19. Examples of Santa Maria Tex-Mex Assortment . Nacho chips, tortilla chips, soft tortillas, taco sauces, dry mixes, green jalapeño, dips, taco shells, taco tubes (Source: Santa Maria Corporate website, 2015)



Figure 20. Tex-Mex category at the retailer shelf space (Hempköp Lund , 2015)

4.3.2. Oatly - Case Study 2

During the 80s, there was a high interest in research projects about food applications for oats rather than just for feed. Plus, there was a positive environment for funding from the government and agriculture organizations for those projects whose research was about functional components of oats. The history of Oatly started as a research project at the end of the 80s at Lund University in Sweden, oriented to potential applications of oat co-products. This happened after its founder, Rickard Öste had a conversation with a grain trader who explained to him that grain merchants had an issue of having large surplus of oats without knowing what to do with them. This gap, plus the idea of having a lactose-free product captured the interest of Öste and others. The idea of the oat drink was born. Figure 21 shows the main events of the company's history.

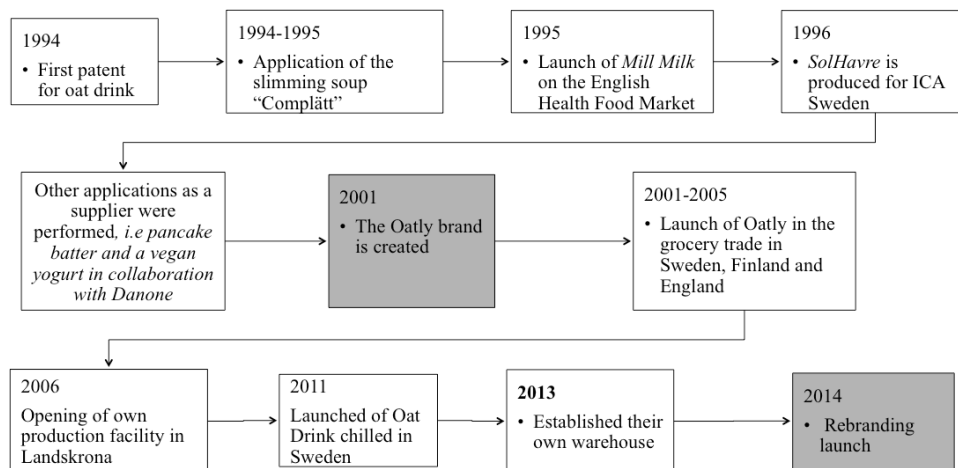


Figure 21. Oatly timeline (Adapted from Oatly's corporate presentation and from the interview with the Head of Research)

The first years of the company were oriented as an ingredient supplier, having different applications. In 1995, they entered the UK health market as 'Mill Milk' in the organic food sector. One year later, ICA in Sweden saw the potential of the milk alternative and decided to trade the product under its name, *SolHavre*, fortifying it with calcium and vitamins.

Years later, in 2001, the company decided to create their own brand, Oatly. This decision was made after securing solid financial situation and a wish to develop their own brand. Also they started to expand their assortment not only the oat drink but also ice cream and cooking creams followed. At the beginning most of the resources (e.g. facilities, equipment, human resources) were outsourced. For instance, they had

a partnership with Skåne dairy (Skånemejerier) from 1998-2006 where they used their facilities, personnel and packaging. Finally in 2006 they invested again and established their own facility in Landskrona and seven years later their own warehouse.

The Oatly assortment in the Swedish market is constituted by oat drinks (different flavours and sizes with carton and plastic packaging), oat cream, ice cream, vanilla custard and “oatgurts”. Figure 22 shows the original branding assortment.

In 2014 a rebranding took place (See Figure 23) and the company decided to start its positioning from a non-dairy alternative to a sustainable nutritional health company.



Figure 22. Oatly Assortment, first branding before 2014

Source: Oatly corporate presentation, 2014



Figure 23. Oatly assortment after rebranding in 2014

Source: Oatly Corporate Presentation, 2014.

Nowadays, the Oatly assortment is positioning as sustainable, nutritional health lifestyle new cross-category. In Figure 24 illustrates the Oatly oat drink and its direct and indirect competitors in the category such as soja drink, almond drink and other versions of oat drink.



Figure 24. Oatly oat drink and competition at retailer shelf space
Source: Hempköp Lund, 2015

4.3.3. Drivers and Challenges - Cross-case review

a. Drivers in common

When discussing the drivers and challenges to arrive to a successful positioning with each company, the author could identify fourteen similar drivers (*See Figure 25*).

- | | |
|--|---------|
| <ol style="list-style-type: none"> 1. Motivation to grow 2. Entrepreneurial culture- Organization structure and culture 3. Collaboration 4. Communication 5. Tracking trends 6. Attractiveness 7. Visibility 8. Targeting the untargeted 9. Explore: See beyond the demand 10. Investment 11. Upgrade 12. Assertiveness 13. Deliver Quality 14. New concept building | DRIVERS |
|--|---------|

Figure 25. Common drivers between case studies

Most of the drivers were also mentioned by the other stakeholders with the exception of *upgrade*, *assertiveness* and *entrepreneurial culture*, which only were mentioned by *Oatly* and *Santa Maria*.

Motivation to grow. One of the most important drivers for the creation of a new market space. A company should have this element in order to move further. Without it, the company may stay in a comfort zone that in the long term can be dangerous to its existence. This driver was also mentioned by the retailers and market research experts. For Oatly, this was important to move forward and to look for autonomy. In the case of Santa Maria to seek other business alternatives to expand the current business.

Entrepreneurial culture. One of the three drivers mentioned only by the case studies. As Mark-Herbert (2004) suggests, this kind of culture is driven by a “*vision in which an intended strategy gradually finds its way towards a realized strategy that depends on the visualization and realization of ideas*”. Be open, creative and flexible. Adapt easily to new changes in structure. This can help to develop things out of the mainstream. This type of culture was the environment of Santa Maria and Oatly at the beginning of its business. Nowadays it has turned into a more corporate strategy mainly because of their size. Both companies agreed on the fact the market size and the company size naturally pushed them to start acquiring this type of structure.

Collaboration. Working in collaboration with different stakeholders will bring more opportunities to expand. Having good relationship with several actors at the marketplace, from other industries, retailers and suppliers such as the packaging industry. For Oatly this was important to build its identity and potential.

Communication. One of the drivers mentioned by all. Internal and external communication is quite relevant to the continuous evolution of the company and its presence in the market.

Attractiveness. Added –value: new products to the market, making the assortment wider, building tasty products in the case of Santa Maria and health-sustainable products for Oatly. Important to be visible.

Visibility. Be visible. Before, it was important to be very visible in the shops because many of the purchase decisions were done at the shops. In the case of Santa Maria, they work very close with the retailers in order to build cases and make the category stand out the category. For Oatly is vital to be visible and to be obvious in order to capture the attention of as much market as possible.

Targeting the untargeted. Mentioned as well by the retails and market research. Important to identify first your target groups and their values. Next step is to reach the noncustomers. In this case, both companies claimed to look for unexplored target groups. This is a good and intelligent position and as well it matches with the tool of the blue ocean strategy: the tier of noncustomers (Kim and Mauborgne 2005).

Explore. See beyond the demand – packaging. Look beyond to the core, what else can you do with your products, what benefits do they have.

Upgrade. One of the three drivers mentioned only by the case studies. This driver means to be in constant improvement within the organisation but as well with the relationships with customers, consumers and suppliers. Without being upgraded, the companies lose their attractiveness and its key differentiator. Oatly was more oriented to upgrade the consumer's lifestyle but also the company. On the other hand, Santa Maria was more oriented to upgrade the company's direction.

Assertiveness. Meaning to be aggressive at the marketplace. Both companies suggested to be sharp in business and be eyes-wide open to all opportunities.

Delivery quality. Both cases as well as market research and packaging industry mentioned that quality is a key driver to open new market shares or new market space. Without quality the product or concept could be easily improved by others and stand out.

New concept building. Relevant to transmit the potential of the product and the effect could be to open new opportunities to sell/offer products and build occasions that at the end can be transformed into a lifestyle. In this case, Santa Maria worked together with the retailers to get a business case, giving the opportunity for different actors to be participants of a win-win setting. In Sweden, the Friday taco night is quite common in the Swedish households where different products are used having as a core the Tex-Mex concept.

b. Difference between drivers

Nine differences were found between case studies. Some of these drivers were mentioned by other stakeholders as well. The difference of drivers and challenges between the companies could be mainly related to their background, experience and type of business. The interviewees gave answers spontaneously and the author interpreted them as shown in table 4.

Table 4. Difference between drivers		
Drivers	Oatly	Santa Maria
Alternative of use/functionality	✓	
Packaging		✓
Uniqueness	✓	
Consumer Awareness	✓	
Consumer attitudes and values	✓	
Market Leadership		✓
Build trust	✓	
Legislation	✓	
Be up to date		✓

c. Challenges in common

On the other hand, there were three similar challenges between the case studies: market penetration, shelf space and competitive landscape. In making every purchase decision, buyers implicitly weigh alternatives, often unconsciously (Kim and Mauborgne 2005).

1. *Market Penetration* – Meaning that it is a challenge to gain market acceptance and sales.
2. *Shelf Space* – Meaning to gain acceptance from the retailer to introduce the group of products in their assortment.
3. *Competitive Landscape* – Has to deal with competition at the marketplace. is why it is important to be all the time updating and upgrading the company in order to maintain the leadership, otherwise it could cost the existence or the reduction of market presence.

d. Difference between challenges

Table 5 shows the eight differences between case studies. Other stakeholders mentioned some of these challenges as well.

Table 5. Difference between challenges		
Challenges	Oatly	Santa Maria
Packaging	✓	
Resources	✓	
Overlapped interests	✓	
Market Size	✓	
Over-explanation	✓	
Mass Appeal	✓	
Company boundaries		✓
Consumer awareness		✓

It is relevant to point out that packaging for Oatly is a challenge and for Santa Maria a driver, this is mainly due to their experience at the moment of development and branding. For Santa Maria it was a driver to position its brand and to make the product stand out. In the case of Oatly it was a challenge as it faced issues with volumes and machinery limitation. It is true that packaging machinery involves a high investment and sometimes it could limit the development of products and concepts with a variety of packaging formats.

A relevant point mentioned by Oatly was to attract the mainstream (be mass appealing). Oatly is looking to attract the mainstream consumers. They declare that the main target audience is already aware of their brand and that now the challenge is to gain market acceptance in other target groups.

4.3.4. Evolution models according to cases

a. Santa Maria Case

The concept Tex-Mex in Sweden started with a *Eureka moment*. **Observation** plays a vital role in this effect. The former owner was enthusiastic in **finding new business**, or in other words, looking for new oceans, and

“One day when eating a Tex-Mex buffet with some Swiss friends, he could observed that the type of food was very much liked among the families that were present, including the kids, so he thought - This must be a very good opportunity- ”

At this moment, the owner **identified an opportunity** and the first step he took was to contact manufacturers of Tex-Mex (current competitors) in Europe to offer services as a supplier but he was turned down. Finally he decided to start by his own and then **step-by-step** to build the assortment. Santa Maria Tex-Mex became the **market leader** of the category and that helped them to address the introduction of private labels as well.

Since the beginning the owner knew that the main driver of the overall business was taste so no matter what they worked on should be aligned with this.

A relevant thing when building the assortment is to have something **new very often** in order to gain **the constant interest of the consumer**. Figure 26 illustrates a suggestion of road map that summarizes the main insights obtained when defining the positioning of a new category, in this case the Tex-Mex category.

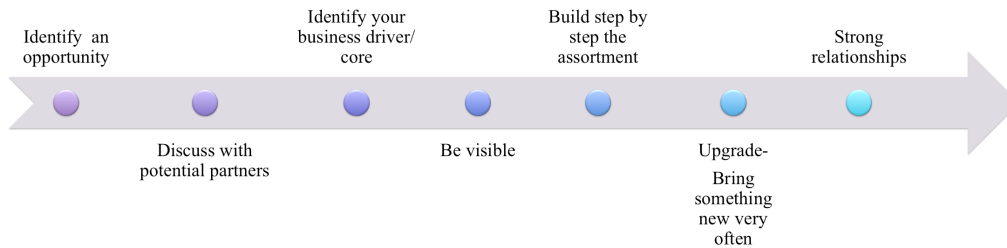


Figure 26. Suggested road map to build a new category - Inspired by insights obtained from Santa Maria when building the Tex-Mex category

b. Oatly Case

Everything starts with a reason, and just like Santa Maria, a *Eureka moment* was necessary to start building what is Oatly now. They **built a solution for a specific need**, e.g. consumers with allergic problems but eventually they wanted to **attract the mainstream** consumers as well. Another element is the **organizational structure** and that is also a natural process, usually companies start with an **entrepreneurial strategy** and once they become bigger, the business needs to change from this strategy to a more corporate one. For Oatly, at the beginning it was multitasking teamwork with **strong communication** and the resources were based on an outsourced **collaboration**. As the company wanted to grow and seek for more opportunities, they decided to **invest**. Another important element is that the company has to have a **high desire to grow and be aware** that

“When you grow, you have to grow even more, and even more when presenting new products, you have to make sure that your production facilities are managed, this is a huge challenge of course to be able to produce more, more products, more analysis, more customers, all these tracks going back and forth”

Basically, the starting point of the company was with a group of researchers trying to **commercialize** an idea without knowing really how to build it.

“ So knowledge, collaboration, support, trust, good timing, hard work and luck will lead to success”

Also, it is important to have an entrepreneurial mindset and to learn from the failures and work continuously, keeping **upgrading** the company and the solutions. **Seek opportunities** all the time, meaning right investments, right partnerships, and right people. Being a **pioneer** could be challenging but it is very satisfactory in the long run. Oatly was a pioneer as it was the first to create an oat drink, meaning that they created a potential blue ocean. And as it was expected, direct and indirect competitors saw the opportunity and start to develop a similar idea. This fact confirmed the opening of a blue ocean (Kim and Mauborgne 2005). Besides, Oatly has the advantage that the process of maintaining β -glucan component even in liquid form is patented, which is a positive differentiator against the competitors. These competitors

can make a similar product but with an inferior quality without the β -glucan. So first challenge was to **communicate** this to the market and also visibility in order to capture the interest of the customers and potential consumers. This has to be based on building a strong identity. It is important to **build reputation** and **being transparent**, those elements are relevant element that has opened new opportunities for the company.

Moreover, to pay attention when you are developing products and which is your **core added value** as sometimes it can be contradictory and can cause confusion in the consumer. For instance, one time Oatly was developing a pancake batter made with oat but the formulation contained eggs, so there was something that did not match to what Oatly wanted to deliver as a final product, this made the company to redefine their objectives and define their next steps. It is so important to be aware of what you do not want to become.

Another important element is to **build occasions** for consuming your product. So building the brand, more products, more distribution channels and making a wise promotion. At some point, every “exotic”, “creative” new product will acquire **reputation** and positioning and eventually may become a mainstream, that is a natural behaviour, however the key is to reduce the static period and **revitalize** and **reinvent** the offering so the company can always **stand out** and keep being attractive to different stakeholders. That was the case, since the beginning, for the company: the product attracted the retailers mainly by its intrinsic properties.

Another point is to **interact with people**, be everywhere, with a wise strategy of course. Participate in social media, you have to be available, **be obvious, modern** and always be ahead.

“Trust yourself, trust what you are doing and who you are, be strict and obvious towards the market”.

Also, to **build your identity** and **be motivated** and **self-confident**. There will be challenges all the time, from financial, human, material but you have to **show your potential to people**. Very important to build a **good team** that could drive the company to a **continuous upgrading inside and outside**. Now the main driver is to build solutions to upgrade people’s life, making a contribution to the marketplace, making a difference. In Figure 27 is shown a suggested road map that summarizes the main insights obtained when defining the positioning of a new category, in this case, the *sustainable-health-lifestyle oriented category*. Today, the company is making a transition from just being a non-dairy alternative food to become a lifestyle element that upgrade life.

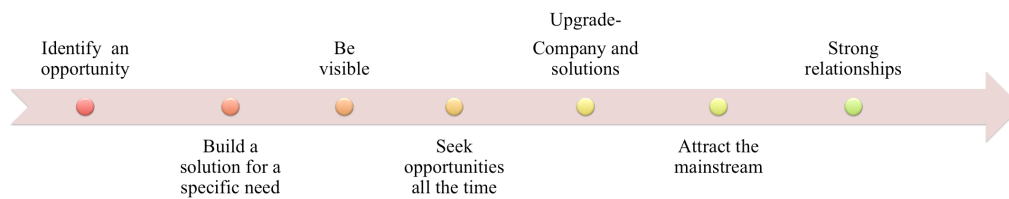


Figure 27. Suggested road map for positioning a new category, inspired by Oatly

4.4. Role or contribution of the stakeholders for the creation of a new food category

Retailers and marketing are more oriented to the interaction between the consumer and the chain. Packaging and food manufacturers are more oriented towards the connection of the product and its elements.

- a. *Market research agencies.* Monitor opportunities and give the service and information to the units that develop the product and service upon request. These research bodies have a clear market overview of the retailer's needs, consumer purchase behaviours, product launches; and could identify when a category is emerging, growing or declining.
- b. *Retailers.* They have most of the power in the value chain. They play a role of shelf space gatekeeper and owner: Also, they decide which products are placed on the shelf and how they are categorized. Moreover, this group has direct contact with the consumers and their shopping behaviour at the stores.
- c. *Food Manufacturers.* They have to persuade the retailer to accept the product so basically supplying what retailers expect. Besides, they are expected to do the product development and innovations. This group is key in the creation of categories as they are the product developers of new market places.
- d. *Packaging Suppliers.* They play a role in the development of alternative products. They could be more than a solution provider. Sometimes they play the role of a solution provider of added-value elements to differentiate a product that could help to start a new range of products or category. Generally a receptor or follower rather than a creator.
- e. *Academia* - Plays a triple role: as an educator, as a research body of new knowledge and as a collaborator with the industry. When collaborating, mostly takes role of receptor rather than developer, which means that provides service upon request, but in some cases, such as in *Oatly*, it can be the starting point of a product development with a business approach.

4.5. Overall discussion

According to Deschamps (2008), innovation consists of two broad phases “*A creative front end, where ideas and technologies are generated and turned into validated concepts; and a disciplined back end, where the focus is on turning a concept into a finished product or service and going to market*”, it seems that when a company is starting, the type of innovation is more of creative front end and after a while it turns into a disciplined back end, which means that the focus is on turning a concept into a finished product and going to the market. On the other hand, for Oatly during its first steps, the innovation was more a creative front end, where ideas and technologies are generated and turned into validated concepts. An equilibrium between these two fronts could lead to more opportunities of solutions to deliver.

The “new” category can actually be a cross-category. In the case of Santa Maria, everything is mainly together as a whole category. Oatly is organized in different parts of the supermarket and in other distribution channels. As the main retailer said,

“ It is quite important to launch products with an open mind.”

- ICA 2015-

This point is of importance, as it is never known what will happen at the marketplace. Just keep in mind the money minimizing risk.

Moreover, it was interesting to see that companies can be transparent and interactive without compromising their integrity and know-how such as Oatly has done it.

According to the first principle of the BOS (Kim and Mauborgne 2005), it is important to consider the know-how of creating a blue ocean. In the case of trends, instead of focusing on adapting to external trends as they occur, it is a must that the companies should participate in shaping external trends over time. Another important point is to redefine the functional-emotional orientation of the industry. What about the scope of product or service offering? Looking across to complementary products or service offerings. *Targeting the untargeted* is related to one point of the first principle of BOS (Kim and Mauborgne 2005), which says, “*to look beyond the current buyer group and redefine it*”. To maximize the size of the blue ocean (market space), companies need to concentrate on noncustomers too, such as the case of both Oatly and Santa Maria. It seems that looking across tiers is more convenient than just focusing on one specific and the result could lead to capture more customers throughout creation of new categories covering different needs.

Two main thoughts from both companies when asking about recommendations to companies when creating new categories:

“ Trust yourself and trust in what you are doing. Be strict and obvious towards the market and the consumer. Be aware of your identity. See yourself in the product as a contribution, contribute with something to the market and with this, belief that is possible that you will be making a difference. Do not copy others, deliver your own quality” – Oatly-

“Have some kind of innovation advantage, look for something that fills a consumer need and if you have both you are safe. As well, take care of the money and invest wisely. Very important to have skilled human resources and a open communication inside and outside the corporation – Santa Maria -

Finally, creating new market opportunities is not a static process but a dynamic one. This is a clear example of what happened to Santa Maria and what Oatly is facing for the moment. At the end, as a normal process, the blue ocean will start to become purple and then red. Important to monitor the value curve proposed by Kim and Mauborgne (2005), it will tell if it is time to switch to create a new blue ocean or if it is still a profit to collect at the current blue ocean.

As this strategy says, the objective is once in the blue ocean, the important is to dominate it over the imitators as long as possible meaning to stand-out and continuously upgrade the offering and monitor the performance. Finally, it is important to keep in mind that the creation of a new category takes time and it is build step by step.

5. Conclusions and Future Research

This chapter presents the overview of the findings, insights gained and suggestions for future research on the topic

5.1. Conclusions

After reviewing and discussing the findings and insights from the research in the previous chapter, the author's answer to the research question: "*How is a new food category successfully created?*" is represented in Figure 28 and explained shortly. But first, the answer to objective 1 (meaning and relevance of a new category) is given below.

Insights about meaning and relevance of a new category (Objective 1)

The topic of creating a new category in the food market is mainly a starting point of discussion of how a business unit in the food domain behaves and can bring new ideas and ways to address future challenges.

The definition of a category could be mainly useful as a reference point of management in a particular business unit for retailers in order to organize and monitor the shelf space. For manufacturers it could be a way of positioning their product in their market place; and for marketing research agencies as a reference point of categorizing and analysing the market. In the case of packaging, the definition is a secondary term, comparing with the rest of the stakeholders, as they are more focused on market segments, however this could be an opportunity for them as a starting point of creating new blue oceans from their side.

Evolution of the positioning of a new food category (Objective 2)

Overall, the creation of a new category is not a one-moment event but a process that needs evolution. Figure 28 represents a summary of the findings obtained from all the stakeholders' insights. An explanation of Figure 28 is given below:

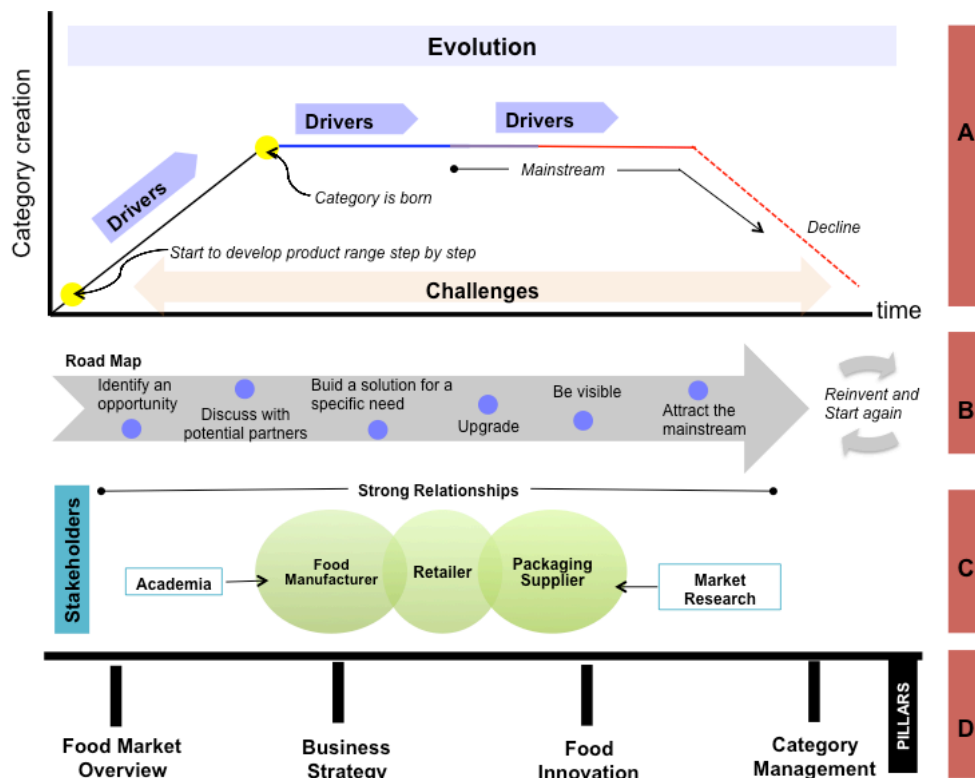


Figure 28. Overview of how a new food category could be created

Section A. represents a general life cycle curve of a [food] category where drivers and challenges exist throughout all the cycle. The first section of the curve corresponds to the start up of a potential category and this could be with the introduction of one innovative product. Usually there is a pioneer or group of pioneers that start developing products out of the mainstream. Once a group of products share common targets and/or characteristics, a category is born . This could illustrate the creation of a new market space (“blue ocean”). Then, the category starts to grow until it becomes mainstream and its time frame will be shaped according to market needs.

Section B. Considering the insights obtained from the case studies, *Oatly* and *Santa Maria*, a general road map is shown. This follows a chronological progress, which is related to the life cycle curve. The road map can be reinvented by constantly seeking new opportunities in the market place. These steps can be followed together with the

drivers and challenges already mentioned in the previous chapter. Drivers such as following long term trends, targeting the untargeted, assertiveness and communication just to mention some of them. And for challenges, being aware of the competitive landscape, market penetration and placement at retailers' shelf space.

It was relevant to compare two cases which life cycles are quite different but share common behaviours to develop new blue oceans.

It was inferred that coincidence and chance might play an important role. Thus, a possible key is to seek constantly opportunities and screen not only within a specific industry but also across industries.

Section C. Corresponds to the role of stakeholders and the interaction among them. One key driver is to maintain strong relationships.

Role/contribution of the stakeholders involved towards the positioning of a new food category (Objective 3)

Each stakeholder plays an important role in the creation of a food category. Retailer and food manufacturer could start a new category, but also the market (i.e. consumers) could start or at least be a key element to look at. The marketing research body is mainly monitoring opportunities and giving the service and information to the units that develops the product and service. On the other hand, packaging suppliers play a role in the development of alternative products as a solution provider of added-value elements to differentiate a product that could help to start a new range of products or category. Lastly, academia plays a triple role, one as an educator of principles, also as a research body of new knowledge and as a collaborator with the industry.

Section D. Overall, the pillars (*Food market, food innovation, business strategy and category management*) represent the basis to build up new growth opportunities such as the creation of a category. Hence, building up a strategy considering innovation principles to develop alternative and unique food solutions. Besides, having solid knowledge of the market behaviour from different angles (retailer, manufacturer and supplier) and to be up to date about the dynamics of categories can bring new opportunities as well.

All in all, topics such as innovation and strategy are sensitive and sometimes the information obtained could have been basic and not very on detail. This could be a barrier to arrive with more accurate results. Another important point to consider is to interview the right people within the companies. It is relevant being aware that the structure changes from industry to industry, for instance getting someone from

purchasing from a retailer would not be the same as someone from the same department within a food manufacturer or packaging supplier for example. The right people means to get someone from a strategic department, position and experience. The wider the business spectrum knowledge the person has, the easier to discuss about drivers, challenges and evolution.

5.2. Future Research

- The food value chain has different stakeholders and some of them were considered in this research but not all. The consumer approach, suppliers and regulatory bodies would be interesting to consider for future research. Also, considering more respondents of food industries and possible start-ups could be interesting for future research.
- When studying the behaviour of positioning a category, it is recommended to interview and study different companies under the same category or alternative categories (that could indirectly compete) to obtain more insights and arrive to a more accurate understanding of the creation of a category.
- Some drivers and challenges were identified, however future research in depth of those elements is recommended in order to define road maps of successful positioning of categories.
- Also, other distribution channels can be explored besides retailing, this in combination in the service and logistics such as e-commerce.

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Appendices

Appendix I. Guidelines of interviews

Table I(a). Questionnaire Structure – Academia – Business and Management (Lund University)

Section	Topic
Definition	Definition of a category
	Category management
	Building a category
	Examples of cases
Marketing	Market Overview
	Trends
Business and Innovation	Business Strategy
	Relevance of innovation in food business
	Dynamic segments/areas (innovation)

Table I (b). Questionnaire Structure – Marketing Research (GFK Sweden)

Section	Topic
Definition	Definition of a category
	Category management
	Building a category
	Examples of pioneers, cases
Marketing	Market Overview
	Trends
Business	Key Performance indicators
Innovation	Relevance of innovation in food business (Swedish context)
	Dynamic segments/areas (innovation)
Others	Packaging role and importance and food business

Table I (c). Questionnaire Structure – Retailers Group

Section	Topic	Axfood	Coop	ICA
Definition	Definition of a category	✓	✓	✓
	Examples of pioneers, cases	✓	✓	✓
	Category management	✓	✓	
Market, Business And Innovation	Dynamic segments/areas	✓	✓	✓
	Challenges in creating a category	✓	✓	✓
	Trends	✓		✓
	Relevance of innovation in food business	✓	✓	✓
	Packaging role and importance and challenges in your business	✓		✓

Appendix I. Guidelines of interviews

Table I(d). Questionnaire Structure – Food Manufacturer (Orkla Sweden - Paulúns Case)	
Section	Topic
Company Overview	Portfolio, market presence
	Paulúns Brand Overview
Marketing and Business Strategy	Category management
	Market trends
	Challenges at the market place
Innovation	Category innovation
	Interaction of consumer within the product development process
	Open innovation experience and point of view
Packaging	Packaging role and importance and challenges in your business

Table I (e). Questionnaire Structure: Case Studies (Oatly and Santa Maria)	
Section	Topic
Company Overview	Concept ideation
	Key events/milestones
	Type of organization
	Evolution of portfolio
Marketing	Target Market Profile
	Competition
	Customer Relationship
Innovation	Challenges to innovate in your business
	Interaction of consumer within the product development process
	Innovation in workplace
	Open innovation experience and point of view
	Innovation drivers
Business Strategy	Value creation
	Learnings from the market place
	Learnings from other markets
	Challenges at the market place with consumers, retailers and suppliers
	Recommendations for positioning a category on the market
Others	Packaging role and importance and challenges in your business
	Relevance and potential of hi-tech and social media in your business

Appendix I. Guidelines of interviews

Table I (f). Questionnaire Structure – Packaging Group					
Section	Topic	Flextrus	Tetra Pak	Micvac	Packbridge
Company Overview	Business description, Portfolio, market presence, target market	✓	✓	✓	✓
Marketing	Market Overview	✓		✓	✓
	Market/Industry Trends	✓	✓	✓	✓
Definition	Defining a new category	✓		✓	
	Examples of pioneers, cases				✓
Business	Relationship with customers	✓		✓	✓
	Challenges in the market place	✓	✓	✓	✓
	Recommendations for positioning a category on the market		✓	✓	
Innovation	Dynamic segments (Innovation)	✓			✓
	Importance of Innovation in the business	✓	✓	✓	✓
	Flow of innovation	✓		✓	✓
	Open Innovation experience and point of view	✓			✓
	Interaction of consumer within the product development process	✓	✓		✓
Others	Relevance and potential of hi-tech and social media in your business		✓		✓

Appendix II. List of Interviewees

Table II. List of Interviewees				
Name	Company	Position	Stakeholder	Nature of Interview
Angie Triantafyllou	Oatly	Head of Research	Food Manufacturer	Face-to-Face
PB	Santa Maria	Head of Innovation Strategy / past Head of R&D	Food Manufacturer	Face-to-Face
IL	Orkla Foods Sweden	Innovation Director	Food Manufacturer	Phone
CK	ICA Sweden	Senior Health Manager	Retailer	Face-to-Face
JN	Axfood Sweden	Head of Private Label	Retailer	Face-to-Face
FT	Coop Sweden	Head of Consumer and Shopper Insight	Retailer	Phone
BE	GFK Sweden	Business Development Manager	Marketing Research	Face-to-Face
AM	GFK Sweden	Marketing Scientist	Marketing Research	Face-to Face
Johan Anselmsson	Lund University	Associate Professor School of Economics and Management	Academia Economics	Phone
Christina Skjöldebrand	Lund University	Associate Professor LTH	Academia Food Engineering	Face-to-face
Annika Olsson	Lund University	Professor- Packaging Logistics Division	Academia Food and Packaging	E-mail
VS	Lund University/ Tetra Pak	Researcher- Packaging Logistics Department	Academia and Packaging	Face-to-Face
Ronny Gimble	Flextrus	Business Development Manager	Packaging	Face-to-Face
Christina Frohm-Kramer	Micvac	Sales and Marketing Director	Packaging	Phone
PSG	Packbridge	CEO	Packaging	Face-to-Face

Appendix III. Products/Companies mentioned by the stakeholders as pioneers of a new category on the Swedish market

Table III. Products/Companies suggested by the stakeholders that could have open a NFC		
Name	What	Why
Oatly	Brand/Company	New concept
Proviva (<i>Skånemejerier</i>)	Product	Probiotic
Otto's Babyfood	Brand/Company	New solution + ecommerce
Pauluns (<i>Orkla Foods</i>)	Brand/Company	New concept
Kvarg	Product	Alternative functionality
Renée Voltaire	Brand/Company	New cross-category concept
Innocent drinks	Brand/Company	New concept
Nespresso (<i>Nestlé</i>)	Brand/Company	New concept-business model
Gooh! (<i>Lantmännen and Operakällaren</i>)	Brand/Company	New packaging solution
Rissifrutti (<i>Orkla Foods</i>)	Product	New packaging and solution
Insects/Bugs	Product	New ingredient Future
Santa Maria- Tex Mex	Brand/Company	Once a new category, now a mainstream

Appendix IV. Drivers to position a new category on the market - Insights from stakeholders

Table IV. Drivers- Insights from Stakeholders

DRIVERS	Retail	Marketing Research*	Packaging	Food Manufacturer (Orkla)	Oatly	Santa Maria
Communication	✓	✓	✓	✓	✓	✓
Trends	✓	✓	✓	✓	✓	✓
Collaboration	✓		✓	✓	✓	✓
Alternative of use/functionality	✓	✓	✓		✓	
Packaging	✓	✓	✓			✓
Quality		✓	✓		✓	✓
Targeting the untargeted	✓	✓			✓	✓
Uniqueness	✓	✓	✓		✓	
Motivation to grow	✓	✓			✓	✓
Attractiveness			✓		✓	✓
Consumer Awareness	✓		✓		✓	
Consumer attitudes and values		✓	✓		✓	
Consumer demand	✓	✓	✓			
Consumer participation in NPD (Life Cycle)			✓	✓		✓
Explore: See beyond the demand			✓		✓	✓
Investment		✓			✓	✓
New concept building	✓				✓	✓
Organization structure and culture				✓	✓	✓
Visibility			✓		✓	✓
Market Leadership		✓		✓		✓
Assertiveness					✓	✓
Bandwagon effect		✓	✓			
Build trust			✓		✓	
Consumer's power of acquisition		✓	✓			
Cross-Merchandising	✓					✓
Entrepreneurial culture					✓	✓
Intuitive solutions	✓		✓			
Legislation	✓				✓	
Perseverance		✓				✓
Reinventing with powerful differentiator	✓					✓
Transparency	✓				✓	
Upgrade					✓	✓
Autonomy					✓	
Be available					✓	
Be update						✓
Build reputation					✓	
Build your identity					✓	
Commitment					✓	
Find a common interest with stakeholders					✓	
Consumer need						✓
Education					✓	
Fair business			✓			
Focus					✓	
Hi-technology			✓			
Inspiration						✓
Make a contribution					✓	
Market Multiculturalization	✓					
Positive market environment					✓	
Reaching the mainstream consumer					✓	
Tailor-made solutions		✓				

Appendix V. Challenges to position a new category on the market - Insights from stakeholders

Table V. Challenges- Insights from Stakeholders						
CHALLENGES	Retail	Marketing Research*	Packaging	Food Manufacturer (Orkla)	Oatly	Santa Maria
Market Penetration		✓	✓		✓	✓
Packaging	✓		✓	✓	✓	
Shelf space	✓	✓	✓		✓	
Communication			✓		✓	✓
Nature of the market	✓	✓	✓			
Resources		✓	✓		✓	
Company boundaries	✓	✓		✓		
Overlapped interests	✓		✓		✓	
Consumer Awareness	✓	✓				
Market size		✓			✓	
Over-explanation	✓				✓	
Decision power		✓	✓			
Price	✓	✓				
Competitive landscape			✓	✓		
Collaboration in marketplace					✓	✓
Cannibalization	✓					
Access to the market place			✓			
Expansion					✓	
Entrepreneurial vs Corporate Strategy						✓
Geographic challenges matching consumption behaviour						✓
Tailor-made solutions			✓			
Consumer demand	✓					
Legislation	✓					
Hyperchoice		✓				
Building Trust			✓			
Trends				✓		
Category management				✓		
Mass appealness					✓	
Innovation in-house						✓
Avoid confusion (to consumer)		✓				