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Modern Strategies of Marketing the New Dairy Products in Iran

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Abstract

The dairy industry has a major part in the added value and occupation of agriculture part. The products of this industry have a significant portion in the Iranian family consumption basket by providing the cheapest protein sources in the country. The goal of this study was to identify the relationship between the life cycle of the product (growth and maturity stage) and marketing strategies (the creation and development of new products) through innovation strategy (market and learning orientation). This study was done during March until September in 2018 in the Bazar Gostar Pegah Co. of the region one in the country, which includes the provinces such as Gilan, west Azarbayjan, East Azarbayjan, Qazvin, Zanjan and Ardebil as one of the five regions of the milk industry of Iran (Pegah). The hypotheses were tested using Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings of this study revealed that the product life-cycle and innovation strategy both have a significant and positive effect on marketing strategy (new product creation and development). The findings of this research make a significant contribution to the body of knowledge in this field and should assist scholars and innovation managers to better understand the importance of the relationship between marketing strategy activities and product innovation strategy in the context of the dairy firm.

Keywords:
Marketing strategy; product life-cycle; innovation strategy

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INTRODUCTION

There are four significant types of innovation, including product, process, marketing and organisational (OECD, 2009). Product innovation has been the most commonly cited type. New products add to such momentum. Accordingly, it is acknowledged that concepts like 'new product development' (Chen et al., 2017; Cooper, 2014; Hassanien & Dale, 2012; Visnjic et al., 2016) are also, therefore, argued to be amongst the most significant sources of competitive advantage (Owens, 2007; Schilke, 2014) and capability for firms (Maniak et al., 2014). Ultimately, product innovation leads to improved firm performance through the introduction of superior products (goods/services) to customers, relative to competing products in the market (Sandvik et al., 2011; Zhou et al., 2009).

Companies are demanded to develop new product to satisfy various customer needs and maintain strong market positions (Ulrich & Eppinger, 2008). New product development deal with this demand (Cooper, 2001; Ulrich & Eppinger, 2008).

Tolonen et al. (2015) state that companies ought to make sure the strategic fit and profitability of their development activities. This could be the case regardless of the magnitude of the development project. According to Otto and Wood (2001), a business case is conducted within the early stages of a development project to analyse whether or not ab exact new product initiative may be a possible target of investment or not.

For a successful supply of new products within the market, coming up with an appropriate strategy is essential. A marketing strategy has a very important part in gaining market share and making sustainable growth for the progress of most organizations (Salmani et al., 2014). Hence, it may be summarized that marketing strategies enable firms to attain an improved situation or status than the one prior to the execution of the strategy (Slater et al., 2010).

Varadarajan (2009) defines marketing strategy as "*an organization's integrated pattern of decisions that specify its crucial choices regarding products, markets, marketing activities and marketing resources within the creation, communication and/or delivery of product that supply worth to customers in exchanges with the organization and thereby permits the organization to attain specific objectives*".

Kotler et al. (2013) outline marketing strategy as the marketing judgment; whereby, businesses attemot to achieve marketing goals. Berndt and Tait (2012) state that marketing strategy aims to gratify present customers absolutely and comprehensively and, as a result, they are doing spoken advertising regarding how satisfied they are with the product/service. Marketing strategy aims to demonstrate to the customer that it cares enough regarding this well-served customers the maximum amount as companies do with the new customers and show that customer satisfaction is that the Companies' core business.

The marketing strategy plays a significant role within the function of the organization, it implies that when the organization has a good marketing strategy; can reach a good situation in the competitive environment. Then, it is necessary to design the marketing strategy in a way that helps to develop the organization's performance. The marketing experts should take into account several advanced factors to evaluate the marketing strategies (Hajipour et l., 2011).

There is a few research that had been done on marketing strategies in Iran's dairy industry. There is no enough information relating to marketing strategy contribution towards the success or failure of the Dairy Industry in Iran. Pawan and Pawan (2013) state that marketing strategies serve as the important support of the developed marketing plans to reach the marketing needs and fulfil their market needs.

According to Van Scheers (2011), marketing skills is taken into account one of the most active factors towards the organisations' growth and survival. Lack of marketing skills undesirably impacts the success. In line with Omar and Anas (2014), effective marketing influences the success of any business entity.

Bouazza et al. (2015) assert that "marketing plays a substantial role in the success or failure of a business, it also thought to be the biggest challenge faced in their business processes".

Yan and Chew (2011) state that performance is influenced by the relative marketing strategy, competitive marketing strategy and finally the business environment.

Although various studies are conducted on causes distinguished to the success or failure of a firm, few have studied the dairy industry marketing strategies and also the factors impacting its marketing strategies in Iran. The study observes the utilization of marketing strategies and factors that affect their marketing strategy formulation. The elements of the marketing strategies chosen for the study were new product development and the creation of new product strategies. The two strategies are believed to have lots of impact on the success and failure of companies.

Iran's Dairy Industry Co. (Pegah), despite its branches in 5 regions in Iran, with more than 100 sales branches in different cities of Iran to promote marketing and sales strategies, has the widest distribution system of dairy products in Iran. In line with it, it has the largest share of the market in dairy products in Iran, and with more than 18 manufacturing companies, it has the largest production centres in the country.

In this regard, the biggest issue is focusing on products which are producing for several years and the lack of new products in the market. In addition, due to the high volume of research on new products in the R & D unit of the company, supplying these products to the market and their coordination with the needs of final consumers will be difficult.

All infrastructures in this industry are available due to the high investment, but there is not enough coordination between existing knowledge of market demand and focus on the final consumer's need. Therefore it is a reason that products don't meet market requirements.

Therefore, one of the important issues concerning the short life of production is management and knowing how to enter new products into the market, which is studied in this research.

This study focuses on the product life cycle that helps to address which products are in the growth or saturation stage. Then factory can provide and design an appropriate marketing strategy to take a decision on create new products or develop the current products in the market. Therefore, the purpose of this study is to present a practical model with emphasis on the development of marketing strategies to introduce new dairy products to the consumer market.

In order to address this goal, a critical review of the literature was undertaken in the innovation and marketing strategy domains (Table 1).

A conceptual model was developed (see

Table1
Index and research scopes

Concepts	Dimensions	Research scopes
Product life- cycle	Growth stage- Maturity stage	Katler et al. (2011), Safaeeyan(2001), Ansari (2011), Fered A David (1999), Helen mic et al. (2010), David Aker (2009) and Porter (1980)
Innovation strategy	Market orientation	Olivers et al. (2003), Zayeger et al. (1990), Abi & Desenza (1993), Greenly (1995), Otohen-Gima (1996), Javerski et al. (1996), Gatignene et al. (1997), Horley et al. (1998), Han et al. (1998), Dashpande et al. (2004)
	Learning orientation	Haleat Keskin(2006)and also Karimi (2011)
Marketing strategy	New product creation new product development	Davidson (1997), Kim et al. (1998), Porter (1985), Jaber (2001), Rink et al. (1979), Wilson et al. (1997), Lari (2000), Dayel (1998), bouz et al. (1982), Deramond et al. (2001), Katler et al. (1984), Aker (1998), Morfi(1996).

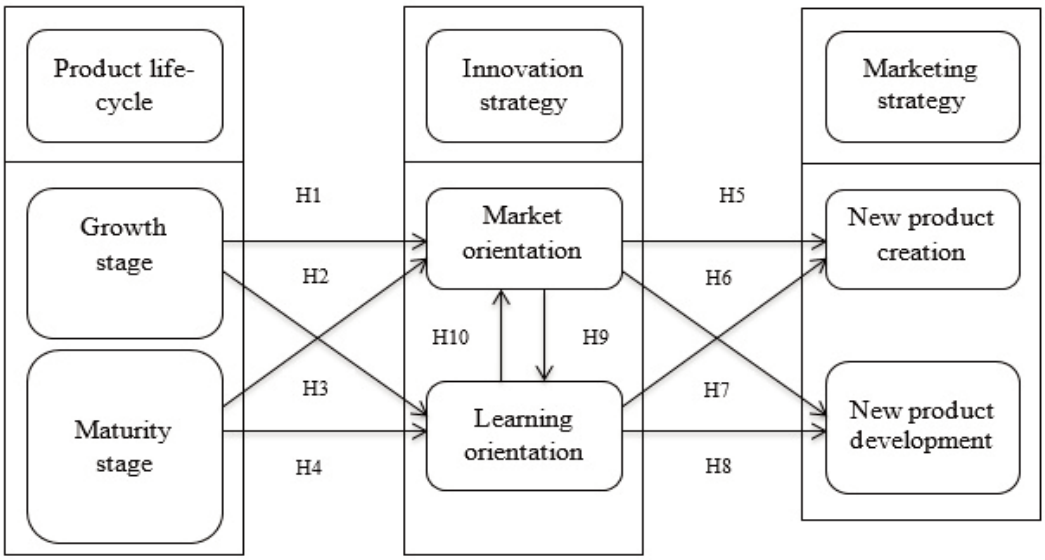

Figure 1. Theoretical Research Model

Figure 1) and the following hypotheses were posited based on this review and synthesis:

Hypothesis 1: Product in the growth stage affects market orientation.

Hypothesis 2: Product in the growth stage affects learning orientation.

Hypothesis 3: Product in the maturity stage affects market orientation.

Hypothesis 4: Product in the maturity stage affects learning orientation.

Hypothesis 5: Market orientation affects new product creation.

Hypothesis 6: Market orientation affects new product development.

Hypothesis 7: Learning orientation affects new product creation.

Hypothesis 8: Learning orientation affects new product development.

Hypothesis 9: Market orientation affects learning orientation.

Hypothesis 10: Learning orientation affects market orientation.

METHODOLOGY

The purpose of this study was to test hypotheses that specify the relationships between the exogenous variables and therefore the endogenous variables. Thus, it is a theory-testing study.

This study used a survey method to realize research objectives. The main tool for gathering data was a questionnaire.

For the primary pre-test (face validity), the initial drafts of the questionnaire were reviewed and revised many times in meetings with an academic panel. This was done to determine that items needed to be kept or removed (Wang & Netemeyer, 2004) in order to increase the face validity of the questionnaire (Bryman & Bell, 2011; Cavana et al., 2001; Hardesty & Bearden, 2004).

For the second pre-test (i.e. content validity), when the face validity was determined, the content validity pre-testing was conducted in order to test and improve the content validity of the questionnaire (Cavana et al., 2001). Content validity testing was undertaken supported a paper-based version of the questionnaire amongst thirty academics not involved in the research, but with experience in marketing research. The results of this content validity pre-test were used to improve and refine the questionnaire. The reliability assessment of the questionnaire was measured using internal consistency with Cronbach's alpha (0.89).

This study was investigated during March to September in 2018 in the Bazar Gostar Pegah Co. of region one in the country which includes the provinces such as Gilan, west

Azarbayjan, East Azarbayjan, Ghazvin, Zanjan and Ardebil as one of the five regions of the milk industry of Iran (Pegah).

To access first-hand data to answer the main research questions, interviews were selected as the primary source of information. Interviewees were identified based on their extensive first-hand experiences in marketing and strategy management. Valuable experiences were regarded in dimensions of specific knowledge in the fields of, dairy product innovation, dynamics of market competition, strategic knowledge within product positioning and sales strategies. Each interview candidate contributed diverse and valuable insights related to their field of expertise, respectively. The interviews consisted of data gathering from sales managers, strategists and product developers with experience and knowledge in dairy product and development. 145 individuals concerning their role in the company were invited to our survey.

The analysis was conducted using Partial Least Squares Structural Equation Modelling (PLS-SEM) and featured Smart-PLS version 3 (Ringle, Wende, & Becker, 2015).

RESULTS

The profile of the respondents indicated that the split of respondents' gender is 24 percent female and 76 percent male. The age range of respondents was from 20 to 50 years, and respondents were mainly in 30-40 years old. Most respondents had a BSc degree (51%).

In order to evaluate the reflective constructs, the first criterion was assessing the consistency (internal reliability) of the reflective constructs with multiple indicators.

The same as Cronbach's alpha, composite reliability ranges from 0 to 1, where higher values of composite reliability value (ρc) are preferred for the construct (Bollen, 1989). Constructs with $0.7 \geq \rho c \geq 0.9$ are satisfactory for more advanced research, and values of $0.6 \geq \rho c \geq 0.7$ are considered acceptable in exploratory research (Hair et al., 2011). In the current study, the values of composite reliability for Product market in the growth stage, Product market in the maturity/saturation stage, Market tendency, Tendency to learning, Creation of new product and Developing new product are $\rho c = 0.72$, $\rho c = 0.70$, $\rho c = 0.76$, $\rho c = 0.72$, $\rho c = 0.7283$ and $\rho c = 0.88$ respectively. Therefore, we can conclude that the reflective measurements of the constructs were reliable, using composite reliability values (ρc).

The most common criterion for evaluation of the inner model, is the level of R_2, the coefficient of determination, which tests the in-sample predictive accuracy of the model using the calculation of the squared correlation between the actual values of an endogenous construct and its predicted values (Sarstedt et al., 2014). Thus, R_2 represents the amount of validation explained in the dependent variable by the independent variables. The level of R_2 ranges from 0 to 1. Higher R_2 values represent greater predictability of the model (Sarstedt et al., 2014).

While there is not an agreement in the literature, on the cut-off value for R_2, mostly the value of 0.25 is weak, 0.50 is moderate and 0.75 is substantial (Hair, Ringle, et al., 2011; Henseler et al., 2009; Sarstedt et al., 2014).

Table2
The Composite reliability of the model struc

Variable	Composite reliability (CR>0.7)
Growth stage	0.722
Maturity stage	0.702
Market orientation	0.764
Learning orientation	0.720
New product creation	0.834
New product development	0.882

Table 3

Level of R^2

Construct	R^2
Variable	-
Growth stage	-
Maturity stage	0.765
Market orientation	0.754
Learning orientation	0.783
New product creation	0.706

Table 4

The Results of Hypotheses Testing

	Hypothesis	Path coefficients	t-value	*p*-value	Results
1	Product in the growth stage affects market orientation.	0.252	3.932	0.000***	Accepted
2	Product in the growth stage affects learning orientation.	0.175	1.952	0.044*	Accepted
3	Product in the maturity stage affects market orientation.	0.638	10.863	0.001***	Accepted
4	Product in the maturity stage affects learning orientation.	0.30	205%	0.000***	Accepted
5	Market orientation affects new product creation.	0.518	11.026	0.042*	Accepted
6	Market orientation affects new product development.	0.410	6.438	0.001***	Accepted
7	Learning orientation affects new product creation.	0.396	7.445	0.001***	Accepted
8	Learning orientation affects new product development.	0.496	6.462	0.041*	Accepted
9	Market orientation affects learning orientation.	0.329	2.235	0.001***	Accepted
10	Learning orientation affects market orientation.	0.128	2.142	0.000***	Accepted

* $p<0.05$. **$p<0.01$, ***$p<0.001$ (2-tailed test).

The results are presented in Table 3 which shows that all R_2 values are large in magnitude.

To test the hypotheses, the power of the relationships (path coefficients) and their significance (*p*-values) was calculated by means that PLS algorithm.

Path coefficients (β) are standardized and vary from -1 to +1. The values nearest to absolute one reflects the strongest paths, whereas values closest to zero reflect the weakest paths (Sarstedt et al., 2014). In current research, the critical values for significance of standardized β were determined via two-tailed test using a significance level of 0.05. To establish the significance of paths in the model, the *p*-values must be ≤0.05 or t-values should be larger than 1.96, which represent a probability of error less than 5 percent (Hair et al., 2017). Moreover, the research hypotheses were evaluated by means that of a two-tailed t-test for significance. The path-coefficient results and therefore the path significance of all constructs is conferred in Table 4.

As can be seen in Table 4, all hypothesis are supported. For instance, Hypothesis 1 proposed that Product in the growth stage affects market orientation.. As can be seen in Table 4, the analysis showed that growth stage has a positive and significant influence on market orientation (β =0.252, $p<0.001$). Therefore, Hypothesis 1 is supported. Hypothesis 2 proposed that Product in the growth stage affects learning orientation. Analysis showed that growth stage has a positive and significant influence on the learning orientation (β = 0.175, $p<0.05$). Therefore, Hypothesis 2 is supported (Table 4). The re-

sults show that all hypothesis are accepted in this study.

CONCLUSION

The results show that for being successful in designing marketing strategy, the company should consider the life cycle of products which is very short in dairy products and consider the innovation strategy for introducing new products to the market.

It is recommended that Dairy firm try to meet customer needs through the development of various new products that match customer requirements. It will assess customer needs by analyzing factors such as what they buy, who they are, and why they buy it (Ramees & Safeena 2016). Camilleri (2018) states that firms ought to continuously do market research to induce to know their customers' needs and desires, this ends up in building customer loyalty with increased satisfaction. Al-Shatanawi, Osman and Halim (2014) state that companies should conduct marketing research because it provides the firm with relevant data to assist in determining marketing challenges experienced and it also serves as the basis for business planning. Marketing research if properly followed helps in processing the primary and secondary data concerning customers' attitudes and products demands. Moreover, every business wants progressive and dynamic managers to reach in today's highly competitive business environment. Crook et al. (2011) articulate those companies should try to train managers to be competent as there is a positive relationship between managerial competencies and success. Competent managers provide the basis for consistent, reliable, and positive performance standards (Veliu & Manxhari 2017).

The current study confirmed the impact of considering the product life cycle and innovation strategy on marketing strategy success. Therefore, it is recommended that the company should continue introducing new products as it positively impacts its performance. The study further revealed that there is a major relationship between the product strategy and the performance of the company. The findings are backed by Cant et al. (2015) who found that product quality, as part of product strategy, acts as a push factor for the success of the company since repeat purchase depends on the product quality and be innovative in supplying new products. It is recommended the company continue managing their relationships with customers profitably.

Therefore, it is suggested that company produce product of high quality, use attractive packaging for the product, continue to produce different product varieties, charge competitive price, and supply other distinctive product benefits to consumers.

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