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Chapter 1

Introduction

1. Research Background: Business strategy in Japan and the world

It is generally undeniable that Japan achieved an economic miracle in the years that followed World War II, and in that the rise was so rapid, it could easily be characterized as a “meteoric” one, in fact¹.

The industrialization of Japan mainly started long before the end of World War II, or at least the core basis of it, namely during the time of Meiji Restoration in the 1860s², a time when Japan was far behind the Western world from a technological standpoint. However, although it did indeed achieve remarkable growth and modernization at that phase, Japan found itself once more being left behind after World War II³.

It was then, when concepts like Statistical Quality Control were introduced (1950s, Deming, Juran, Ishikawa, to name some of the gurus of Quality), concepts which started from practices, became the central quality activity in 1960s – especially in the manufacturing sector – (Total Quality Control) and finally became the base of management philosophies (Total Quality Management) and tools (Quality Function Deployment, etc.)⁴, covering three decades of growth, sustainability, and worldwide establishment of Japan as a leader in many sectors of businesses and in many industries.

Of course it would be very simplistic to imply that the only factor responsible for Japan’s tremendously rapid success was the implementation of these concepts, and to leave out parameters like governmental policies, strategies, micro and macro capital, labor, and technology factors, that of course encouraged Japan towards the same direction⁵. However, a major part of the post-World War II years’ growth is attributed to Japanese managerial techniques – which for the most part were related to or arose from the quality movement of that time, or at least the philosophy of quality (business culture, Kaizen – continuous improvement etc.). After all, it was indeed Total Quality Control techniques and tools that the U.S. learned from Japan and applied in order to catch up with their

¹ Kemp, T. (1983) *Industrialization in the non-western world*, Longman, London, New York

² Cumings, B. (1984) *The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles and Political Consequences*, *International Organization*, Vol. 38, No. 1, 1 – 40

³ Odagiri, H. and Goto, A. (1993) “The Japanese system of Innovation: Past, Present and Future”, in Nelson R.R. (Ed.), *National Innovation Systems: A comparative analysis*, Oxford University Press, New York, 76 - 114

⁴ Akao, Y. (1997) “QFD: Past, Present and Future”, *International Symposium of QFD '97 – Linköping*

⁵ Coats, N. (1988) “Determinants of Japan’s Business Success: some Japanese Executives’ views”, *The Academy of Management Executive*, Vol. 2, No. 1, 69 – 72

Asian counterpart, when the former realized it was being left behind in matters of competitiveness⁶: it was around the 1980s that U.S. companies began to take serious notice of Total Quality, when it was observed that Japan would render the U.S. economically second-place globally⁷.

And then came the “lost decade,”⁸ To be followed by a trend that has proved to be not just a trend, but a discipline: the concept of innovation.

Innovation is indeed as old as the human race: nothing existed, apart from raw materials, until someone invented and theorized not only the final products, but the way to turn raw materials into those final products as well.

That being said, the Father of Innovation was born many thousands of years after mankind was born. Schumpeter was one of the first scholars to bring out innovation and make it a scholarly matter. Similarly, it is only in the last fifteen years that innovation has begun to turn into a major theme among scholars – the number of articles in social sciences with the word “innovation” in their title has increased by 2,000% from 1955 to 2004⁹ – to explain various phenomena in business and economy such as long-run economic changes and to establish a new approach towards strategy, business life, culture, marketing, etc. It has only been in the last few years that innovation has been recognized as a major factor for economic growth and development, be it in business or any other institution.

Innovation is being so much emphasized that in fact today it seems like it has become a sine qua non of being modern and updated, especially when it comes to businesses. For example, companies in Japan are using innovation to build their brands¹⁰. It finally is being recognized as the main force leading to economic development.

It has also been recognized that Japan owes its economic development to innovation. The third phase of industrialization of Japan, which emphasizes the high-technology knowledge industry¹¹, is characterized by creation of organizational knowledge:

“Japanese companies have been successful because of their skills and expertise at ‘organizational knowledge creation’. By organizational knowledge we mean the capability of a company as a whole to create new knowledge, disseminate it throughout the

⁶ Powel, T. C. (1995) “Total Quality Management as Competitive Advantage: A Review and Empirical Study”, *Strategic Management Journal*, Vol. 16, No. 1, 15 – 37

⁷ Hayes, R. and Abernathy W. (1980) “Managing our way to economic decline”, *Harvard Business Review*, Vol. 58, No. 4, 67 – 77

⁸ Hayashi F. and Prescott E.C. (2002) “The 1990s in Japan: A Lost Decade”

⁹ Fagerberg, J. (2005) “Innovation, A guide to Literature”, in Fagerberg J., Mowery D.C. and Nelson R.R. (Eds), *The Oxford Handbook of Innovation*, Oxford University Press, Oxford, 1 – 26

¹⁰ Aaker, D.A. (1996) *Building Strong Brands*, The Free Press, New York

¹¹ Cumings, B. (1984) *ibid*

organization, and embody it in products, services and systems. Organizational knowledge creation is the key to the distinctive ways that Japanese companies innovate. They are especially good at bringing about innovation continuously, incrementally and spirally”¹².

Thus, it is obvious that the turn that has happened the last fifteen years among scholars favors innovation.

Tradition¹³, commonsensically, is a concept viewed as opposite to that of innovation, as will later be explained. Considering the same points of view – economic development, business strategies towards sustainability and growth – it seems scholars in the business studies field consider tradition of no special interest.

Tradition has always been a theme of discussion among scholars of sociology, folklore studies, history, culture, etc. It also seems that it is not so often that tradition is a topic discussed by scholars of management and business strategy, sustainable growth, and so on.

In fact, it seems there is no literature concerned with the combination of tradition and business strategy, whereas innovation and business strategy have been some of the major concepts for scholars and central issues in the studies regarding the sustainability and growth of industries, as mentioned earlier. This may be due to the fact that tradition as a concept is perhaps seen as obsolete or redundant from the innovation-oriented point of view, based on the dichotomy that has been believed and is still perceived, that tradition is the opposite of innovation. Therefore, it is logical to assume that innovation-oriented thinking (especially regarding business strategy) looks down on tradition, as tradition is thought to slow down or even block innovation process¹⁴: why would someone concerned with the sustainability and growth of a firm consider involving tradition, perceived as above mentioned, when it will only slow down or even completely stop one of the most wanted and thus pursued processes for competitive advantage, sustainability and growth, namely, innovation?

¹² Nonaka, I. and Takeuchi, H. (1995) *The Knowledge – creating Company: How Japanese Companies Create the Dynamics of Innovation*, Oxford University Press, New York, 3

¹³ In this dissertation, Tradition refers to the endogenous knowledge, as it is called by Anthropologists (comment added due to the advice of the specialist of Anthropology, Professor of Waseda University, GSAPS, Pr. Kikuchi). To serve the purpose of the reader’s better understanding, who is considered not to be a specialist in Anthropology, the word “tradition” is being used and analyzed.

¹⁴ Shils, E. (1971) “Tradition”, *Comparative Studies in Society and History*, Vol. 13, No. 2, Special Issue on Tradition and Modernity, 122 – 159

2. Research Question

These thoughts led to a process of questioning: why would tradition be excluded from the process of innovation? Why is there no apparent link of tradition to innovation and vice versa, other than the obvious one, that they are opposite concepts? Why is tradition seemingly looked down upon as an obstacle to economic growth and development? Considering that what today is perceived as tradition used to be innovation when it was first created and diffused, and acted as a source of economic – at least to some extent – development, has it really and completely lost all of its characteristics?

Hypothesizing that it does not, namely that tradition – regardless of the time: at any given time in the history of mankind, something is considered to be tradition, which in a previous time was an innovation, and something is considered to be innovation, which, in turn, in a later time might be considered to be a tradition – is possible to retain the attribute it had when it was an innovation, of being a source of economic development, how can this be utilized today, under new conditions (e.g. globalization, commoditization etc.)? Commoditization, one of the central concepts in this research, is defined as the situation when the products or services offered by a firm can be supplied equally well by other firms as well. In other words, it is when product or service specifications between rival firms become homogenous. In this sense, there can be no further value added and no further differentiation of the product or service can occur. Although there is some very interesting and convincing literature regarding the non-existence of commoditization as a durable phenomenon¹⁵, the author of this research focuses on how firms could overcome this state, regardless of whether it is a permanent or temporary situation, regardless of whether it is due to all the factors analyzed later (see Chapter 2) or just due to the inability of entrepreneurs to think of something further to appeal more to potential buyers, taking for granted the situation in which their product or service is the “inevitable” commoditization. However, this is another topic for another discussion. For the research conducted here, the author accepts that commoditization does exist and can occur, even if it occurs for a limited period of time.

How could Japan – and, consequently, countries with rich traditions – make the most out of this tradition to achieve innovation and, thus, economic growth and development, since the main force of current economic growth has been recognized to be innovation? How could tradition lead a company not only to conventionally sustainable competitive advantage, but, in fact, to creating a new market?

¹⁵ Shrage, M. (2007) “The Myth of Commoditization”, MIT Sloan Management Review, Vol. 48, No. 2 (Winter), 9

How can tradition create innovation, especially in a new perspective?

3. Research Significance and Expected Contribution

This research, inspired by the Japanese environment, could help worldwide industries realize how important tradition is to inspire innovation, in the sense that it could initiate innovation. It will be shown that tradition is in fact linked to innovation. Thus, this research could offer new ideas and solutions towards sustainability and continuous profitability improvement to worldwide businesses.

In the author's conclusion, tradition could be a powerful tool for businesses; however, it seems to be neglected by not only scholars but also businesspeople, although there are many successful cases – as it will be shown – where tradition became the key factor for business success.

Furthermore, it will be the first attempt to look at tradition from a business point of view and especially from a strategic business to customer (consumer – based) approach. The author will attempt to describe tradition from this point of view, incorporating the basic elements of definitions that scholars in other fields – considered as more “appropriate” regarding defining tradition, at least from the classical approach – like sociology, folklore studies, culture etc. have given.

The author suggests tradition to be added – or at least considered to be a path – to blue ocean strategy as an alternative, an option towards creating a blue ocean, a way of discovering a possible blue ocean. The concept of Blue Ocean and blue ocean strategy was introduced by W. Chan Kim and R. Mauborgne in 2004, where blue oceans are new, un-crowded market spaces. Adopting a strategy to reach such markets is called Blue Ocean Strategy and requires breaking away from this far familiar – and even successful – pattern of strategy, focusing on reconstructing the value offered, on non-customers, on looking across industry barriers, and thus rendering competition irrelevant (the concept will be thoroughly analyzed in Chapter 2).

To illustrate that, a new framework is presented, combining tradition to elements of the blue ocean strategy and the Resource-Based view, in the sense that tradition is seen as a means to create sustainable barriers to imitation by competitors. In fact, tradition can be seen as a source of competitive advantage under the scope of Resource-Based View – in its conventional sense and meaning¹⁶. The key is the value that tradition adds, but most of all,

¹⁶ for further research, refer to M. A. Peteraf in her article (1993) “The Cornerstones of Competitive Advantage: A Resource-Based View”, *Strategic Management Journal*, Vol. 14, No. 3, 179 – 191

one of its major characteristics (tradition will be analyzed and defined later, in Chapter 3): tradition requires time by definition in order to be formed. This required passing of time, thus making tradition impossible to imitate.

Thus, it is also shown that completely different areas of study can be linked, to improve both areas: a new path towards innovation through an up-to-now clearly cultural concept, tradition, and a new way or a new perspective to observe tradition.

Finally, a question regarding the barriers that prevent imitators from entering a blue ocean, thus turning the blue ocean into a conventional red one, is being raised. As a solution, among identifying patents and intellectual property limitations in general as the strongest barrier, the framework of value visibility is being proposed, in the sense of an invisible – and thus strong – barrier¹⁷.

Any new ideas or insights that would help improving either businesses or researchers regarding business strategies caused as a result of this research, would be considered the utmost contribution by the author. Moreover, should this research be the trigger for discussions linking successfully different areas of knowledge and fields of research – namely tradition and innovation – understandable not only by scholars, but also by people in the business world, or at least of being open to such a chance, even in more “practical” matters, like business strategy, the author would be honored to consider it a contribution.

For this reason, the language used for writing this dissertation is chosen to be in a way understandable by all potential readers.

4. Research Originality

This research looks at tradition from the business perspective. As it will be explained in the next chapter, it seems it is the first time that tradition is seen not from the cultural or ethnological/sociological and related study fields’ point of view, but from a business angle, since no literature in the business field of studies looking at tradition thus has been found. This is very important, as thus the author hopes to open a path: could tradition, a term that in matters of business seems to have mainly historical value, bear innovation, which is the latest discipline for success in industries?

The author is convinced that looking at tradition from a different angle changes the perspective, the same way perspectives changed in geometry and mathematics when Euclidean geometry changed completely by questioning the postulate that two parallel

¹⁷ For a thorough explanation and analysis of what the author means by value visibility and “invisible” as an attribute to this barrier, please refer to Chapter 2.

lines never meet each other¹⁸; it was only in the 19th century, so many centuries after Euclid, during which no one questioned this axiom, that the so called non-Euclidean geometries started appearing – hyperbolic and elliptic geometry, for instance. Of course, questioning the fifth postulate of Euclid does not mean that the value of Euclidean geometry was questioned! On the contrary, many of the theorems of Euclidean geometry have been applied to non-Euclidean ones, with very interesting findings. Therefore, looking at tradition from a different angle does not mean that all other angles are questioned, rather, attributes that tradition has been given from different fields of study will be taken into account and the findings will be presented.

Secondly, linking tradition to innovation (under the scope not to prove the obvious – that as concepts they are generally perceived as opposite ones¹⁹– but to show that nothing is obvious: even “opposite” concepts can have completely different links to join them) seems not to have been attempted the way the author does. As the literature review revealed, the only link is seemingly one of oppositeness. Moreover, the author raises the question of how a blue ocean can remain blue, and argues with counter-examples suggestions from the creators of the term (W. C. Kim and R. Mauborgne). It is the first time that another framework, K. Kusunoki’s value-dimension visibility, is being proposed as a solution towards preventing a blue ocean from becoming red.

Proposing tradition as a means towards making competition irrelevant and towards continuous profitability improvement is also a new approach. In fact, tradition is being proposed as a way for creating a blue ocean, a new market space.

Finally, the Value – Tradition – Innovation framework as a successful business strategy is introduced and tested on a real case study, which is being analyzed under the scope of blue ocean strategy and within the new proposed framework.

5. Research Methodology

The research is mainly divided into two sections. The first section consists of the Literature Review. Here, the main concepts that are necessary for the reader to become somewhat familiar with, in order to be able to follow this research and the thinking behind it, are presented – namely, business strategy within the framework of blue ocean strategy and value innovation. Then, the value-dimension visibility of differentiation framework is

¹⁸ The fifth postulate in Euclid 's Elements states that: if a line segment intersects two straight lines forming two interior angles on the same side that sum to less than two right angles, then the two lines, if extended indefinitely, meet on that side on which the angles sum to less than two right angles

¹⁹ The literature for this will be thoroughly presented in later chapter

explained, as an answer to some questions that the blue ocean strategy leaves unanswered, in the author's point of view (the author thoroughly explains the questions which arise from the barriers for imitators that the creators of the term "blue ocean strategy" suggest to automatically exist by implementing this strategy) in order to establish the main idea.

To continue analyzing the theoretical background of the framework that is later proposed, it is necessary to describe some literature from resources that traditionally have been studying tradition, in order to define it and to identify the elements that tradition possesses.

At this point, the author finds it of critical importance to note that the methodology in this research does not include anthropological methods, and that it does not follow the anthropological/sociological methodology. This is due to the fact that the author's discipline is clearly business strategy. To some extent, however, it is unavoidable to refer to several scholars from different fields of study – as for example to Shils, Kroeber, Duthfield, to name some – since, as mentioned earlier, tradition has only been defined and analysed by scholars of such areas of study like sociology, anthropology, etc. Of course, as it is not the study field of the author, this is also noted at the limitations of this dissertation, at the fifth – and last – chapter.

Following the literature review regarding tradition, literature from Innovation Management resources is presented, in order to describe the typology, classifications and definitions of innovation, since innovation is a concept of major importance in this dissertation.

To illustrate further the findings of the literature review, in regards to the proposed framework, which is derived by the presented literature review, case studies from Japanese and other Asian markets to support and explain aspects and products of the literature review are also presented.

The second section consists of an in depth case study analysis, to support the conclusion of the Literature Review. It provides quantitative and qualitative evidence (the words used the same way as in Management studies) from within the company and its industry, including interviews with top management. The criterion used for the selection of the case study was market success, the significance of this company's results, the uniqueness of its innovation and its outstanding performance which resulted almost exclusively from its innovation strategy in a sector where innovation is less likely to occur, at least compared to computer/electronics, telecommunications, radio/TV/communication equipment manufacturing and other such sectors²⁰.

²⁰ Caloghirou, Y., Kasteli, I. and Tsakanikas, A. (2004) "Internal capabilities and external knowledge sources: complements or substitutes for innovative performance?", *Technovation* Vol. 24, 29 – 39

6. Research Structure

This dissertation can be generally divided into two parts. The first part consists of the Literature Review and the Proposed Framework, the latter being based on the former. Literature Review follows the path of explaining how the fruit of it, namely the framework that is being proposed, can be explained by literature related to every logical step behind the framework.

More specifically, the first chapter of this dissertation consists of an introduction, for the reader to understand the background of the research, the research question and how this was generated, the significance and the expected contribution, the originality of the research, the methodology followed in order to be concluded, and an explanation of the reason for the selection of this particular case study.

The second chapter is dedicated to the Literature Review. The literature on which the main idea is based, which is introduced in the third chapter of the dissertation in the light of the Literature Review, is presented, terms which are used in and necessary to understand the framework in the third chapter are defined.

In chapter three, as mentioned, the main idea of the framework proposed is introduced, based on the findings of the Literature Review in chapter two. All findings are illustrated with case studies mainly from the Japanese market.

The main case study is analyzed and presented in order to support the findings of the previous chapters following in chapter four. It consists of an introduction to the firm that is being analyzed, as well as its financial and strategic analysis under the framework introduced in chapter three.

Finally, the conclusion is presented in the fifth – and last – chapter.

Chapter 2

Literature Review

1. The conventional business strategy

There are many years of research on business, markets, competition, strategy, on how to conquer market space, how to become the leader and make competitors as small as possible, how to gain competitive advantage and how to keep it, strategies of how to gain market share and retain it, and how make it even bigger. There are already so many theories, so many strategies, analyses of ways, of means, of anything, to achieve development and as much economic growth as possible. It also seems easier to achieve when the market is new and emerging; there is – or at least it seems that there is – enough open territory for the first players to “capture”. However, new players are going to make their appearance, and the more profitable the market is, the more new players are going to enter the market, in order to obtain a piece of the new profitable market, as much as possible, to grow even further and turn the situation for not only the market pioneers, but also everyone else, into one without excess profit or gain.

Porter, Prahalad and so many other important scholars have underlined the importance of competition, of having a competitive advantage, of how to outperform rivals and become the One and the Only, if possible.

This blood-stained environment, where tactics, strategy, aggression, espionage, rivals and so many other terms taken directly from military, relate directly to war conditions: the market space is the battlefield, where all players must fight to survive and kill others in order to grow.

This is the red ocean. This is where the applied business strategy has led so far.

Up to now, almost all researchers and scholars were preoccupied with ways to survive and fight, as well as ways to become successful in this kind of field, in this kind of market.

It is true that many companies over the years have proved some of these theories and studies and conclusions to be true and valid and indeed valuable – to some extent. However, with this head-to-head competition increasingly intensifying due to – among other factors – globalization, accelerated commoditization of goods, excessive supply compared to the demand and limited market space²¹, with more and more players entering

²¹ Kim, W. Chan and Mauborgne, R. (1997) “Value Innovation: The Strategic Logic of High Growth”, Harvard Business Review, Vol. 75, No. 1, 103 – 113

a. Kim, W. Chan and Mauborgne, R. (1999) “Creating New Market Space”, Harvard Business Review, Vol. 77, No. 1, 83 – 93

the (battle)field, and with the previously oxygen-rich market becoming thus asphyxiated, it is logical that the tools and the strategy that proved right thus far are possibly not as useful as they once were; when conditions change, there arises the need for existing methods applied this far in this environment to be updated and become more efficient in achieving actual results, or even change completely and offer different paths, new perspectives and new space with fresh air to breathe. In other words, it seems pointless using those tools and approaches leading to a dead-end, as markets instead of giving new opportunities are getting increasingly crowded and instead of blooming, are becoming flat, or – at best conditions – growing slowly.

2. Breaking free: blue is the color

What is blue in business strategy? What is blue ocean strategy? To the author, it is a new path towards sustainability, a completely different approach, a fundamentally new point of view, a start for changing the view and the perspective of business strategy.

The term has been created by W. Chan Kim and R. Mauborgne in order to describe the strategy to create blue oceans, that is, to create all these markets that do not exist at present, as opposed to the red oceans, which are the blood-stained markets described earlier. Most certainly, every market that will be approached in the conventional way, including those that even now do not yet exist (although this will occur when it comes to exist), will become yet another red ocean, since nothing in the approach will have been changed.

The main issue, as W. C. Kim and R. Mauborgne identify it, is competition, or rather, focusing on competition. The pressure to survive and win in such an environment, in such a battlefield – as in every battlefield – is such that firms get trapped in their own will to win. In this sense, competition constrains strategic options, limits points of view and “provides a sticky starting point for strategic thinking”²², as firms focus mainly – if not exclusively – on how to outperform their rivals, thus being “trapped” in conventional thinking and strategies. Consequently, they become unable to think further, unable to find a different way, unable to find their way out of the situation, due to the limited angle and the focusing on numbers and results instead of the big picture: by doing so, they “focus on

b. Kim, W. Chan and Mauborgne, R. (1999) “Strategy, Value Innovation and the Knowledge Economy”, MIT Sloan Management Review, Vol. 40, No. 3, 41 – 54

Kim, W. Chan and Mauborgne, R. (2005) Blue Ocean Strategy: how to create uncontested market space and make the competition irrelevant, Harvard Business School Press, Boston – Massachusetts

²² Kim, W. Chan and Mauborgne, R. (1999) b

matching and beating their rivals, and as a result their strategies tend to converge along the same basic dimensions of competition”²³.

What is the way out? Creating a new space market: a blue ocean. How? By making competition irrelevant.

To illustrate this point, W. Chan Kim and R. Mauborgne studied the business launches of 108 companies, with respect to revenues and profits. Their findings showed that 86 percent of the launches had incremental improvements within the existing market space, that is they were improvements under the line of thinking where they set out to strive to do something better than their competitors. These accounted for only 62 percent of total revenues and 39 percent of the total profits. The remaining 14 percent were launches under the blue ocean way of thinking and accounted for 38 percent of total revenues and 61 percent of total profit. It is noted then that non-conventional thinking leads to success.

To achieve that, as explained, it is necessary to revise strategic thinking and adopt a completely different one: W. Chan Kim and R. Mauborgne reckon⁶³ that it is necessary for strategic thinking A. to shift from outperforming the competition to seeking fundamentally superior value (to make competition irrelevant), B. instead of being focused on retaining existing customers and seeking to better satisfy them, to focus on targeting the majority of buyers by closely following non-customers (the non-customers are the ones that can provide insights into where the market is moving and what could be done fundamentally different: they can give answers to why they are not our customers, what is it that they perceive as desired but not offered value, what is the offered value of the goods and why these goods are lacking in their appeal to the majority of buyers. This shift is necessary even though it might result in losing some existing customers), and C. to shift from reinforcing and extending the company’s current capabilities to a possible fusion with capabilities of other companies (in order to actualize the idea where resources, materials, knowledge etc. are not sufficient).

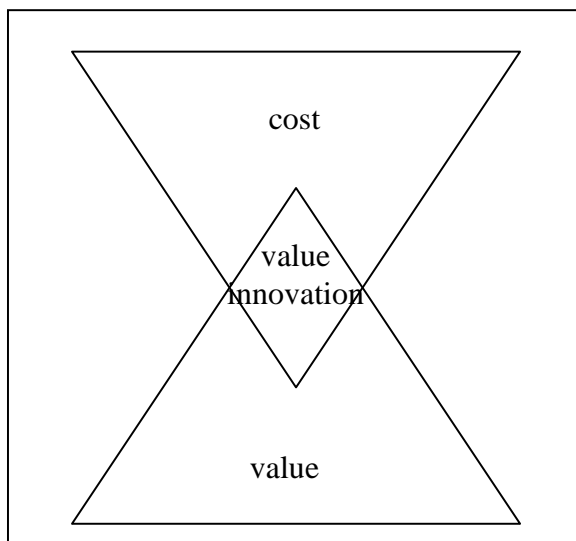
The logic behind this strategy is what Kim and Mauborgne call value innovation: it focuses on creating superior buyers' value at an accessible price for the mass of the target group buyers, under the scope of creatively re-defining customer-related problems and shifting the performance criteria that customers value, by discovering “hidden” demand: the center of this thinking is the buyer and what the buyer values. Thus, new markets can be created, which turns competition irrelevant, since the focus is not on how to gain space from rivals: the need to do so disappears when a new market is created. “A firm need not compete for a share of given demand – it can create new demand”, as the creators of the concept phrase it.

²³ Kim, W. C. and Mauborgne, R. (1998) *ibid*

Furthermore, along with differentiation, low-cost is simultaneously pursued: these two objectives are not mutually excluded from coexisting, as M. Porter suggests²⁴, but can be pursued simultaneously and in fact differentiation can be used to establish a low-cost position, depending on whether firm-level economies of scale within the industry can be realized²⁵. Low cost is a very important aspect, as it gives the firm the opportunity to design strategic pricing: the target is mass buyers, to create economies of scale. In this sense, though, it is not so much low cost that is the most important, but being in such a position to be able to achieve strategic pricing.

“Value innovation is created in the region where a company’s actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made by eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further, as scale economies kick in due to the high sales volumes that superior value generates”²⁶.

Figure 1. Value Innovation related to buyers' value and cost from the firm's standpoint



Source: Kim, W. Chan and Mauborgne, R. (2005)

Blue Ocean strategy, then, is simultaneously pursuing differentiation and low cost.

²⁴ Porter, M. E. (1980) *Competitive Strategy*, Free Press, New York

Porter M.E. (1985) *Competitive Advantage*, Free Press, New York

²⁵ For a very interesting discussion about this topic, refer to Hill, Charles W. L. (1988) “Differentiation Versus Low Cost or Differentiation and Low Cost: A Contingency Framework”, *Academy of Management Review*, Vol. 13, No. 3, 401 - 412

²⁶ Kim, W. C. and Mauborgne, R. (2005) *ibid*

2.1. Strategy Canvas and Value Curve

In order for the firm to monitor the existing competition in its field of business, so as to be able to decide whether it is becoming – or already is – trapped in meaningless – from the value innovation point of view – competition, which offers nothing but a narrow scope and limits the potential that every firm has, in the sense that every firm is supposed to be doing its best to achieve its objectives, and especially its main objective, which of course is profit by definition, Blue Ocean strategy offers the “strategy canvas”. This 2-dimension set of axes, on the horizontal axis of which the factors which the industry is focusing on and is investing in are presented, does not only allow a firm to realize in a snapshot where competition is heading, what the industry thinks and values for the customers and where competition is converging on, but also where it itself stands in its industry and how it is valuing competition, how differentiated it is compared to its rivals, what is it that it offers to its customers and how it is valuing them. This is because the vertical axis represents the level (high – low) on which the factors on the horizontal axis are evaluated. It is not numbers – quantitative information – that are important, which is the reason why there are not any numbers. Rather, it is the difference of how industry values the factors indicated on the horizontal axis, and how the firm is doing so in comparison. So, it is the qualitative information that is important, which this tool focuses on.

All this information is gained from this graph, as the relation of the horizontal and the vertical axis is presented by one spot for every factor that is being evaluated as high or low, and eventually a curve is thus formed: this is the Value Curve.

From the Value Curve the firm can also obtain information regarding what the customers are trained to expect from firms in the specific industry it belongs to, what is already offered to them and – more importantly – what is not offered to them: the latter could most possibly serve as a blue ocean opportunity, while the former offers the opportunity of knowing the market. Thus, the Strategy Canvas and the Value Curve are also tools for leading and encouraging a firm towards action, to its discovering a blue ocean: it is showing clearly where industry is – in regards to buyers and in regards to its competitors–, what the industry lacks, what characteristics and which factors are in the center of competition, what the buyers could prefer, and what value could be offered that currently is not, and thus what the firm could offer, how the firm could differentiate from the other firms, how it could respond to its buyers’ and its potential buyers’ will for something that is not offered, for something new, when the buyers themselves would not even know or realize it, how it could capture more buyers that not even the firm had thought of, in other words what the most appropriate, the most efficient, the most effective way that would lead to profitability and sustainability for the firm could be and how the

firm could design its strategy to meet these goals.

Therefore, the firm can evaluate the whole industry regarding competition and differentiation in the products or services offered, know exactly what the market is and at the same time what the market is not, and then offer something more to the buyers, something they – and not the firms – are valuing.

2.2. Six paths to blue ocean strategy – opportunities for value innovation

How can opportunities to create value innovation be found? Where can they be discovered? The key is perspective. Shifting the boundaries of conventional ways of thinking regarding competition eliminates barriers, changes the whole image, unblocks the company, and allows it to see the whole picture from a broader perspective, rather than concentrating on numbers and ways that are followed by the narrow environment within the same industry, the same strategic group, within the group of its competitors in general.

1. Looking across the industry
2. Looking across the strategic group within the industry
3. Looking across buyer group
4. Looking across the scope of product or service offering
5. Looking across the functional – emotional orientation of the industry
6. Looking across time

In head-to-head competition, the firm focuses on rivals and competitors within its industry. However, this limits the view of the market, since all that is going to be seen – or maybe benchmarked? – is a similar product or service, which might be improved to some extent, to be offered again to the same buyers. This offers nothing new, at least nothing fundamentally new, from the buyers' standpoint. There is no significant value offered. Shifting the perspective to a broader view reveals that competition is not limited to the same industry, but also to the industries around it. It is not only companies that offer substitutes with which a company competes, apart from those offering the same product in the same industry, but also with alternative products and services, despite the fact that the latter could differ in form or in function. For example, when people want to see a movie, they could go to the cinema or rent a DVD. But when people want to enjoy a night out, they could go to the cinema, to the restaurant, or simply a walk. In the former case, the relation can be characterized as substitutional, whereas in the latter, alternative.

To illustrate this, the creators of the Blue Ocean concept give some very interesting examples. Among these, an insight from Japan is the example of NTT DoCoMo and its

success in the Japanese market, launching its i-mode in 1999: “NTT DoCoMo’s insight into creating a blue ocean came by thinking about why people trade-across the alternatives of mobile phones and the internet. With deregulation of the Japanese telecommunications industry, new competitors were entering the market and price competition and technological races were the norm. The result was that costs were rising while the average revenue per user fell. NTT DoCoMo broke out of this red ocean of bloody competition by creating a blue ocean of wireless transmission not only of voice but also of text, data and pictures. NTT DoCoMo asked, “What are the distinctive strengths of the Internet over cell phones, and vice versa?” Although the internet offered endless information and services, the killer apps were e-mail, simple information (such as news, weather forecasts, and a telephone directory), and entertainment (including games, events, and music entertainment). The key downside of the internet was the far higher price of computer hardware, an overload of information, the nuisance of dialing up to go online, and the fear of giving credit card information electronically. On the other hand, the distinctive strengths of mobile phones were their mobility, voice transmission, and ease of use.

NTT DoCoMo broke the trade-off between these two alternatives, not by creating new technology but by focusing on the decisive advantages that the internet has over the cell phone and vice versa. The company eliminated or reduced everything else. Its user-friendly interface has one simple button, the i-mode button (i standing for interactive, internet, information, and the English pronoun I), which users press to give them immediate access to the few killer apps of the internet. Instead of barraging you with infinite information as on the internet, however, the i-mode button acts as a hotel concierge service, connecting only to pre-selected and pre-approved sites for the most popular internet applications. That makes navigation fast and easy. At the same time, even though the i-mode phone is priced 25 percent higher than a regular cell phone, the price of the i-mode phone is dramatically less than that of a PC, and its mobility is high.

Moreover, beyond adding voice, the i-mode uses a simple billing service whereby all the services used on the Web via the i-mode are billed to the user on the same monthly bill. This dramatically reduces the number of bills users receive and eliminates the need to give credit card details, as on the Internet. Also, because the i-mode service is automatically turned on whenever the phone is on, users are always connected and have no need to go through the hassle of logging on.

Neither the standard cell phone nor the PC could compete with i-mode’s divergent value curve. By the end of 2003 the number of i-mode subscribers had reached 40.1 million, and revenues from the transmission of data, pictures, and text increased from 295 million yen (\$2.6 million) in 1999 to 886.3 billion yen (\$8 billion) in 2003. The i-mode service did not simply win customers from competitors. It dramatically grew the market, drawing in

youths and senior citizens and converting voice-only customers to voice and data transmission customers”²⁷.

Another path towards value innovation and blue ocean creation opportunities is “looking across strategic groups within the industry”. In the same sense as looking across substitutes and alternatives, this path also suggests shifting from the narrow perspective of benchmarking and looking closely to competitors even within the more narrow unit of the strategic group they have placed themselves.

It is very often that even if firms are in the same industry, they do not consider themselves competitors, since the strategic group they belong to is different. Consider for example the automobile industry, where Suzuki or Honda do not compete with Mercedes Benz or BMW. They belong to completely different strategic groups, although in the same industry, where the former offers cost-effective and low-price automobiles, and the latter offers luxurious, highly priced cars. It cannot be considered that these two groups, these strategic groups, are competitors, since they target completely different groups of buyers.

However, would it not be an opportunity for a firm to look across this barrier? When a firm is focusing on the competitive position in the industry within the strategic group, is it not the case that it limits its perspectives on gaining more buyers? What is suggested therefore, under this line of thinking, is for firms to consider combining features from different strategic groups, like Toyota did. Toyota, which was in the strategic group of low-cost high-quality cars, looked across the group of luxurious cars, combining some of the features that turned customers towards buying a high-end automobile, with the cost effectiveness of the models that Toyota was manufacturing already. The result was Lexus. Another example given is Ralph Lauren, who combined the features of high-end haute couture (like high quality raw materials) with a simple, all-time wearable style that other fashion designers looked down on.

In this sense, interpreting the reasons why buyers prefer one strategic group from another, and embodying the findings in the current field of activity of the firm can create new market space.

In head-to-head competition, the firm is focusing on better serving the buyers' group. This means that the buyers' group is well defined, so that the company can focus on it. The issue that arises, though, is whether this “detailed defining” narrows the perspective too much. What is more, is that competitors, define the target group of buyers in the same way.

But who is the “buyer”? And who is the “customer”?

²⁷ Kim, W. C. and Mauborgne, R. (2005) *ibid*

For example, in the studies of many scholars, especially related to Total Quality Management, the “internal customer” is also being identified and recognized as a significant factor for the effectiveness of a firm [popularized by Joseph M. Juran, the term, depending on the point of view and the broadness, can include every employee within a firm, who receives an input and delivers an output during the processes of creating and delivering the final good or service, namely the value chain, to the external customer, who is the one to buy the final product or service. From a broader point of view, it does not have to be an employee, as – for instance – suppliers can also be included in the term, as deliverers of an output that serves as input of the process of creation of the final good or service²⁸]. Also, although marketing literature greatly emphasizes market orientation within a firm towards business profitability²⁹, customer orientation literature has focused primarily on external customers³⁰, paying little attention to internal ones³¹.

The question then could be formed into the following one: who of the internal customers in the value chain is the “buyer”? It is very important to define who the subject is, as different parts of the value chain recognize and expect in a different way “value”. In other words, they define value differently. When the firm seeks to offer better value to the buyers, one of the first steps is to realize who the target is and what the target values.

The matter is about what segment of buyers does the firm focus on. Big or small? Businesses or individuals? Influencers, users or purchasers? As W. Chan Kim and R. Mauborgne mention, an industry typically focuses on a single buyer group. The challenge, therefore, is to shift the conventional thinking and look across the chain of buyers, along the value chain. For instance, “Canon copiers created the small desktop copier industry by shifting the target customer of the copier industry from corporate purchasers to users.”

Canon was founded in 1933, in a small apartment in Roppongi, Tokyo, to develop and manufacture a 35mm focal-plane-shutter camera³². It was in the 1960s, when Canon decided to expand its business to other areas as well, in order to achieve further growth and maintain the growth that had already been gained. For this reason, Canon diversified

²⁸ (explanation by the author, based on Total Quality Management literature)

²⁹ Kohli, A. K. and Jaworski, B. J. (1990) “Market Orientation: the construct, research propositions and managerial implications”, *The Journal of Marketing*, Vol. 54, No. 2, 1 – 18

Narver, J. C. and Slater, S. F. (1990) “The Effect of a Market Orientation on Business Profitability”, *The Journal of Marketing*, Vol. 54, No. 4, 20 – 35

³⁰ the final buyers, in other words

³¹ Mohr – Jackson I. (1991) “Broadening the market orientation: an added focus on internal customers”, *Human Resources Management*, Vol. 30, No. 4, 455 – 467

³² Information provided by Canon’s homepage (www.canon.com) and

Nonaka, I. and Kenney, M. (1991) “Towards a new theory of innovation management: A case study comparing Canon, Inc. and Apple Computer, Inc.”, 67 – 83

and entered the market of office machinery, mainly targeting electronic calculators (the first 10-key electronic calculator being launched in 1964) and copying machines (in 1965 Canon entered the copying machine field, introducing the Canofax 1000, while in 1970 Canon launched Japan's first Plain Paper Copy machine [PPC], the NP-1100, that did not violate any of at-that-time more than 600 patents of Xerox). But demand for existing products fell rapidly during the mid 1970s, a time when Canon was facing many problems due to inflexible corporate structure, inefficient management, and lack of solid direction. To overcome this bad period, Canon adopted the Premier Company Plan, a strategy which aimed to turn Canon into "an excellent global company", through verticalizing the business group constitution, and horizontalizing production, development and sales system. Having overcome this crisis, Canon faced another challenge: by 1982 the PPC market had already become mature and office market saturation seemed to be complete. However, Canon did not accept that commoditization had already occurred. By re-conceptualizing the PPC market, Canon shifted its buyer focus from industries and large businesses, who could afford expensive complicated and technologically advanced, high quality copying machines, to individual offices and individuals. This new perspective broadened the aspect of whom to provide with a copying machine: it was not only large firms that needed copying machines, but individuals in their homes, or even employees of large firms which already possessed a PPC, as desk-side machines.

It took Canon a long process to overcome technological obstacles and barriers, as well as cost barriers – since the copying machine that was targeting individuals could not cost or have the same size as the PPC, which was targeting firms – until launching in 1982 the world's first personal copying machine with an all-in-one cartridge system. But by doing so, Canon unlocked a totally new area in the same field of business, making the market appear larger, or rather, creating a new market space .

An additional way towards discovering a blue ocean comes through complementary products and services. Since most products are not used in a vacuum³³, their value is often maximized (or lessened, accordingly) when offered with other, complementary products or services.

In this sense, then, the natural question that comes to ask is: Why not maximize the value of the product or service offered? Why not offer something complementary as well? Why not broaden the aspect? Especially when complementary products' roles and performance affect the firm's effectiveness and thus its profitability, and especially when value offered and value that needs to be offered (in the form of value innovation) is the background of every action – when a firm is actively looking for a blue ocean, it is supposed

³³ Kim, W. C. and Mauborgne, R. (2005) *ibid*

to be thinking under the value innovation way of thinking and be seeking to offer to buyers supreme value – which is assumed here.

The most classic example is the movie theaters, where Belgium and more specifically the Bert and Claeys families with the Brussels Kinopolis³⁴ led the way towards changing the entire concept of “going to the movies,” shifting it from the “going to see a movie” concept to the “going out to enjoy, and watch a movie” concept. As we read in “Cinema Technology Magazine”³⁵ in January 1994, “Belgium appears to be leading in strategies to increase cinema – going people by modernizations with increasing numbers of auditoria with improved facilities, wide screens and stereophonic and digital sound. The Bert and Claeys families began this trend with the Brussels Kinopolis in 1998, followed by more multiplex cinemas in Belgium, and also over the boarder in Lille, France.”

In fact, the first multiplex in the world made its appearance in 1988 in Europe: it was Kinopolis Brussels and it was offering twenty-five screens for its customers to have the opportunity to enjoy different movies, without having to go to a different movie theater – to a rival cinema. This was indeed an innovative thought towards keeping cinema-goers instead of just showing them the way out, and in another movie theater: why offer only one movie and let potential buyers leave and go to a competitor, just because the offered movie and the mood at the moment of deciding which movie to go and watch, or the taste of the potential buyer did not align with each other? Why not offer them alternatives, so that the consumer could chose according to their mood and their taste?

This was the first blue ocean that Kinopolis Brussels created, with a great success, since it captured the industry in Belgium, allowing no other player to enter the market due the small size of the market of Belgium and the degree on which Kinopolis established itself in the market.

However, it was not only that Kinopolis changed the perspective by preventing a leak of potential buyers from happening; another blue ocean it created was due to looking across complementary industries.

Going to the movies requires a mood – from the consumer’s perspective – to go out, have fun, maybe have dinner afterward or before watching a movie, which means that not only the theater which plays the movie benefits: a nearby parking garage is also needed, as well as restaurant options – preferably not far away from the selected movie theater –

³⁴ Although it is suggested as an example in W. C. Kim and R. Mauborgne ‘s Blue Ocean Strategy (citation No. 68) information for this presentation of the company and its innovation is obtained mainly by the homepage of the group (www.corporate.kinopolis.com). In all other cases, a new citation is being made. The author notes that the presentation here is completely original, as the analysis in two levels – within the scope of the industry of cinemas and across complementary industries – also is.

³⁵ Wolthuis, J. C. M., (1994) “Developments in Belgium”, Cinema Technology Magazine, Vol. 7, No. 2, 228 – 229

whereas for couples with babies and small children going out seemed much more difficult than singles or couples without children, since the services of babysitters were needed as well, making the whole project even more costly and difficult to achieve: another leak of potential customers, only this time not due to competitors, but due to the non-controllable variables of mood and alignment of additional services which themselves have no connection to the movie theater industry, but which affect the consumption – or not – of the potential customers.

In the aforementioned sense, babysitting, parking, and restaurants are indeed complementary services of going to the movie theater: as complementary products or services do, they too affect the value of the offered product or service, in the case of Kinopolis.

Kinopolis therefore decided to act upon this by offering its potential customers not only parking and restaurant options, but also babysitting services for the customers who needed it. It thus changed once more the concept of going to movies from “I really want to see a movie and for this I am willing to pay much more money and time and effort,” to “I just want to have fun, watch a movie, and spend some nice time tonight.” To achieve that, Kinopolis shifted its perspective first to that of its customers: What is the experience of the customers in going to the movie theater? Analyzing the industry from this perspective, Kinopolis managed to create its own value innovation and offer it to its customers by offering them supreme value.

Unless targeted to do so, conducting a market survey for what consumers want could probably not reveal such a path, since even consumers themselves, who are the final buyers and the one to make the final decision, do not link the different industries, they do not realize the complementary relation that industries can have, in the sense that combined they add value to the final product or service that is offered.

QB, a Japanese new venture explained later in this paragraph, offers a great opportunity to understand another path towards creating a blue ocean: looking across functional or emotional appeal to buyers, where in pursuing functional appeal a firm competes against its rivals on price and utility, whereas in competing on emotional appeal, the competition lies largely in feelings: these are the two possible bases of appeal to buyers, described by W. C. Kim and R. Mauborgne. In many industries, firms have “educated” the customers on what to expect: they expect “more of the same for less.” Functionally oriented industries then become more function-oriented, while emotionally oriented industries become more emotion-oriented. But is this functional – emotional orientation of industries necessary? Not for discovering blue oceans, as suggested by the creators of this term. In

fact, rethinking the functional – emotional orientation is the key; adding a bit of emotion in functionality to stimulate demand, or strip away the many non-functional and simultaneously price-adding emotional touches, to add some practicality for buyers who are looking for it and turn the offered good – product or service – into an affordable one for more buyers and a simpler one, thus opening the market to more customers. Like QB – Quick Beauty – House³⁶.

It was the eagerness to get back to work that Mr. Konishi – a former salesman for a medical equipment company in Tokyo – felt when getting a haircut at a typical Japanese barber-shop, that actually triggered the creation of this blue ocean: why have no choice but to wait for the barber to perform the whole ritual of hot towels, head massage and shoulder rubbing, plus having to pay about 3,000 to 6,000 yen, when all you want is having your hair cut – which is what exactly “haircut” means? Why does it have to be such an investment of money and time, when you do not think it is such a priority?

With this in mind, Mr. Konishi commissioned a market survey, only to discover that 30% of men shared his feelings about the typical Japanese barber shop and did not need all these amenities when having a haircut, but would rather prefer to have their hair cut in 10 minutes and pay 1,000 yen for the service done.

It has been fifteen years that Mr. Konishi started the new concept of giving the best value in “Time Industry,” offering exactly what a large proportion of people questioned would prefer: a “10 minutes Just Cut” for only 1,000 yen since 1995.

QB House's challenge was to be able to perform the haircut within 10 minutes and the complementary processes within a time limit: it starts from the paying process, for which QB House has a vending machine system, where the customer inserts the 1,000-yen-bill before entering, while change cannot be provided, to avoid wasting time on giving change. Thus, the need for exchanging money was overcome. Furthermore, QB House takes no reservations, therefore there is no need for a phone and no time is spent on keeping and scheduling the reservations. The strict 10-minute-time limit for haircuts allows no shampooing; therefore, a revolutionary “air wash” vacuum system was created and installed, as there was no need for sinks that were traditionally installed in barbershops. Instead, QB House barbers pull down a hose from overhead to vacuum the customer clean. While for customers to know how much waiting time is needed before the 10-minute-haircut, QB Signals – a green, yellow, red light signpost – are installed in front of each QB Shop: sensors under the seats in the waiting area convey signals, so that the

³⁶ Similarly to citation No. 52, information and data obtained by the homepage of QB House (www.qbhouse.com, www.qbhouse.co.jp), or from articles indicated in new citations. The presentation of the company here is original.

Hawe, J. (2003) “World Business (a special report); A new Style: QB Net had an Idea: fast, cheap haircuts; The response spoke volumes about Japanese consumers”, Wall Street Journal (Eastern edition), Sep. 22 2003, R 3

color of the signpost changes accordingly – green light for an immediate haircut, yellow light for a 5-to-10-minute waiting time and red light for waiting time over 15 minutes.

At the same time, traffic is being monitored in real time, due to sensors under each barber chair and the ticketing-vending machines. Thus, when traffic volume exceeds an average point, QB Net starts considering a new QB Station nearby.

The success of the concept in Japan allowed for launching abroad as well: in 2002 the first QB House in Singapore was opened at Changi Airport. Currently the company is expanding its establishments not only in Singapore but also in Hong Kong, with a new kind of outlet, the QB Shell, which is a compact station of only 3.3 sq. m. area, that includes all necessary equipment for a perfect QB House station; they are one-man units meant to be installed in areas of high volume foot traffic, like in corners of department stores or train stations.

In the words of Mr. Konishi, “I think we will eventually be the 7 – 11 of the barber industry”³⁷. And it seems it is going this way, as numbers suggest: in 1997 QB House had 4 outlets and 57,000 customers, while in 2000 the outlets were 57 and the number of customers had reached 1,398,000. In the next few years these numbers multiplied, and QB House in 2005 possessed 291 outlets and 8,034,000 customers, 2,000 of which were in the first 4 outlets abroad. Last year, QB House had already expanded to 395 outlets – 44 of which in Singapore and Hong Kong – serving annually 12,034,000 customers – 1,032,000 of which were abroad. The plan that is being targeted is to expand to at least 1,000 outlets in Asia by 2013.

QB Net managed to strip away all the extras that were not adding functionality, rather, they were adding emotional touches, which however were not needed. It offers an alternative way in hair cutting, without amenities, but offering the value of Time – this is the reason why QB House places itself in the “Time Industry”. By shifting from a clearly emotional industry – hair cutting – to a highly functional one, QB House was able to lower operating costs per outlet (spaces can be very small, lower staff costs), while even when retaining the price at 1,000 yen each QB barber can produce 6,000 yen per hour, raising significantly the hourly revenues per barber.

This blue ocean was created by recognizing the opportunity that existed there: “Imagine yourself as the end user and then look for how the end user is inconvenienced”, said Mr. Konishi. “Look for areas of dissatisfaction, and here you will find your business opportunity”⁷⁹.

³⁷ From an interview of Mr. Konishi given in 2003, as mentioned in the following suggested article.

For further details of the interview, see Hawe, J. (2003) “World Business (a special report); A new Style: QB Net had an Idea: fast, cheap haircuts; The response spoke volumes about Japanese consumers”, Wall Street Journal (Eastern edition), Sep. 22 2003, R 3

The sixth path towards discovering a blue ocean is looking across time. What the creators of the term explain is that instead of following the trend it is necessary to create the trend. Instead of being uncertain about what will happen over time, to be determined to project and see the picture that appears over time. In other words, instead of competing within time and adapt to current external trends, to be able to create across time and shape external trends.

This means looking to the value that could be offered, the value that could be delivered to buyers in the future. It is not about predicting the future, but about observing and finding insights in trends today. Even when it is impossible to see its direction, a trend that is strongly affecting the firm and the industry, a trend of extreme strategic importance – making it impossible to return to the previous conditions – and one with a clearly curved path to follow. This kind of trend could be something missing in technology, for example, like Apple’s iTunes online music store (launched in 2003)³⁸.

2.3. The main framework of Blue Ocean Strategy

The main framework W. Chan Kim and R. Mauborgne have developed for firms to identify buyer value elements and to break the trade-off between differentiation and low-cost consists of the “four actions framework”.

The idea is for firms to answer four questions:

1. Which of the factors that the industry takes for granted should be eliminated?
– Eliminate
2. Which factors should be reduced well below the industry standard? – Reduce
3. Which factors should be raised well above the industry standard? – Raise
4. Which factors should be created that the industry has never offered? – Create

By following this framework, by answering these questions, the firm becomes able to identify and act upon old values that are taken for granted although they do not represent buyers' values anymore, upon over-serving customers and offering values that buyers are not willing to pay for, upon lower-standard values that industries force customers to accept, and upon new sources of value for buyers, respectively.

Every company mentioned in this research has eliminated factors which buyers were educated to take for granted, were expecting and thought they were the rule, has reduced

³⁸ For a presentation of Apple’s value innovation in iTunes online music store and how it managed to create a new blue ocean, see W. C. Kim and R. Mauborgne’s “BlueOcean Strategy”, p. 76 – 78 (citation No. 19).

and raised factors to offer supreme value to their buyers and has created new value for them. In other words, every value innovator follows this framework, as it will be shown for the main case study in the second part of this dissertation.

3. Remarks on Blue Ocean strategy – the issue of the sustainability of a blue ocean

Blue Ocean strategy as a concept is completely fascinating, in this author's opinion. It gives an alternative point of view that was missing, a new way to scholarly research. It is not only the new perspective that is offered with this framework that is important; it is also the fact that there is a new perspective, one that challenges the dominant perspective of competitiveness and the almost fixed way of thinking that indeed causes firms to be trapped. This is very important, because it means that other alternatives are also possible. There is not a "right" way to do things, but if one way cannot be applied because of conditions changing, namely commoditization, increasingly severe competition, and market asphyxiation, then there must be another way to overcome that kind of situation. In other words, the most important part of blue ocean strategy in this author's opinion, is the rising of a new perspective on which research can be built, other tools could emerge, or even other perspectives could be formed. It seems as if knowledge moves on towards a different direction.

What the author concludes though, after studying Blue Ocean strategy, is that some elements seem to be missing. For example, how can a firm that has indeed adopted blue ocean strategy and value innovation be assured that the blue ocean it created will not be turned sooner or later into a red one?

Kim and Mauborgne give many examples of firms, like NTT DoCoMo 's i-mode, that actually created new market space. But is this blue ocean still a blue ocean? In many occasions the blue color has turned to red, like Canon's blue ocean of personal copying machines.

What Kim and Mauborgne suggest, in an interview they gave at *Strategy & Leadership Journal*³⁹. is that:

"Strategy & Leadership: How durable is the advantage associated with a blue ocean strategy and what is the process for defending it?"

Kim and Mauborgne: Once a company successfully creates a blue ocean, sooner or later imitators appear on the horizon. However, a blue ocean strategy brings with it

³⁹ Leavy, B. (2005) "Value-pioneering – how to discover your own "blue ocean": Interview with W. Chan Kim and Renée Mauborgne", *Strategy and Leadership Journal*, Vol. 33, No. 6, 13 – 20

considerable barriers to imitation.

The first barrier is often cognitive. Competitors are often blocked from imitating because of brand image conflicts, or the blue ocean strategy just does not fit conventional strategic logic. For example, established players in the telecom industry initially mocked CNN by calling it “chicken noodle news.”

The second barrier is organizational. Because imitation often requires companies to make substantial changes to their existing business practices, politics often kick in, delaying for years a company's commitment to imitate a blue ocean strategy.

The third barrier arises from the economic forces of blue oceans. The high volume generated by a value innovation leads to rapidly increasing economies, placing potential imitators at an ongoing cost disadvantage.

Once a company has created a blue ocean, the key is to sail as far as possible in it by lengthening, widening, and deepening the revenue and profit streams via geographic expansion, operational improvements, and refining your offering. This further makes imitation difficult.

Overall, our research indicates that a blue ocean strategy will more typically go without credible challenge for ten to fifteen years. Eventually, as other companies' strategies converge with your own, history shows you need to create new market space again and break away. Examples of companies that have created repeated blue oceans include IBM in the computer industry and AMC in the cinema industry”.

In addition to these barriers, W. C. Kim and R. Mauborgne suggest also⁴⁰ the size of the market and the blocking of imitation due to natural monopolies, when the market cannot support another player, patents, network externalities, and loyalty earned in the marketplace due to the “brand buzz” that value innovation creates.

To the author's understanding, though, the most effective barrier a company can raise to imitator companies is the certification of patents, trademarks, copyrights and intellectual property in general.

All the other barriers mentioned by the two authors do not seem like barriers, rather like difficulties in implementing value innovation and blue ocean strategy: difficulties due to marketing and branding status of the initiator – but what about the “me too” or a copy-cat strategy⁴¹, for example? Why would branding be a barrier to imitators, since there are already ways to act parasitically and gain profit out of the brand-awareness of another brand?

⁴⁰ *ibid* (2005)

⁴¹ Aaker, D.A. (1996) *Building Strong Brands*, The Free Press, New York

Or the natural monopoly that blocks imitation, namely when the whole market space is already taken by one, who can control – of course – the whole market. But is it not that this would be a barrier even if it were not a blue ocean, but another red one? Is it not obvious that of course there cannot be any more players, when there is not space any more?

And what about the barrier of being perceived as “not making sense” and thus being ‘left alone’, as implied. Shortly after the launch of the blue ocean and the realization by the other players of the new market and its ability to create profit for the players, they will stop accusing the value innovation move as a “ridiculous” - in the words of Kim and Mauborgne – one and start imitating. Or not?

As explained by the authors – to support the fact that huge economies of scale are generated when value innovation takes place – the high volume of sales leads to rapid cost reduction, which places imitators at a disadvantageous position regarding their cost reduction. But what if the imitators do exactly the same? Would it be not that they too would achieve such economies of scale? What would prevent the economies of scale from happening and thus the reduction in cost as well? Could it be not that the imitator would just imitate and lessen the volume of sales of the initiator, gaining a small piece of the market as well?

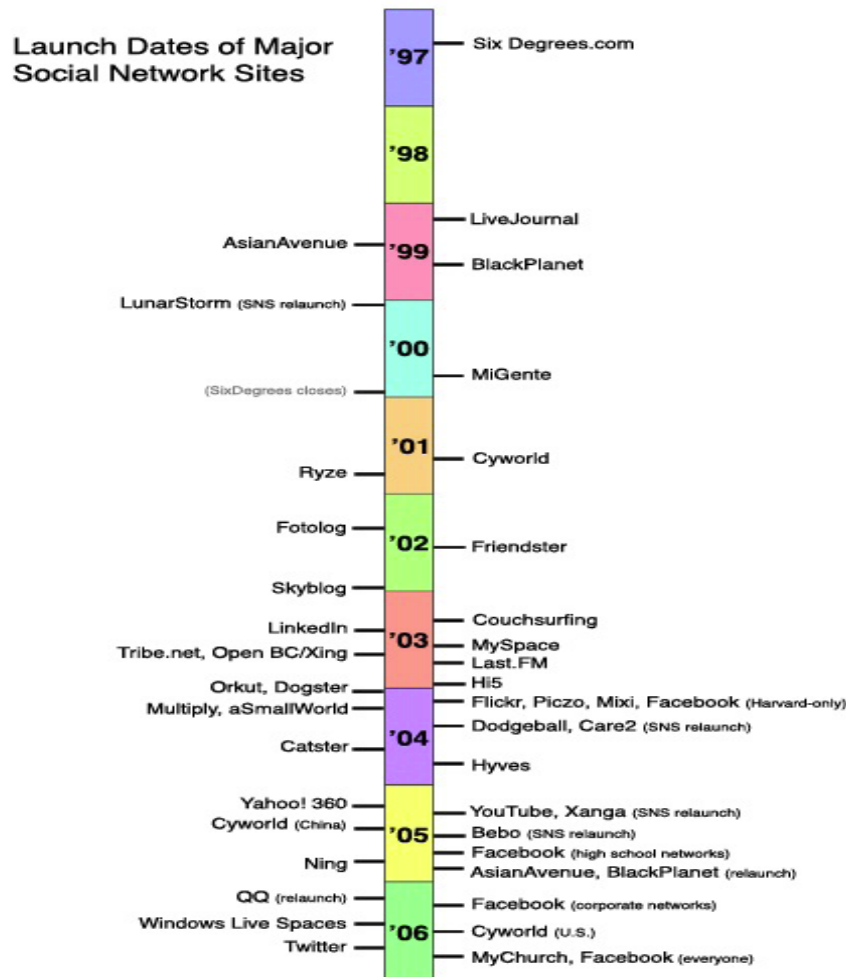
Network externalities; even if does sound like a stronger barrier, it is not profound that even this value innovation can not be imitated. W. C. Kim and R. Mauborgne give eBay and the network externality that is caused: the more customers are online, the more competitive the auction becomes. And the more competitive the auctions, the more prices of bids are pushed up. This is a fact. But is it not the same with Yahoo auctions, for instance? Or any other internet-based auction site? What about the web-based social network services, where network externalities are present too? One look at a time-line of the launching of social network sites and their re-launching with features of SNSs embodied, [figure 2]⁴², proves who the initiator was and who the imitators. While personal experience of the readers can indicate whether network externalities are – in the end – a barrier for imitators or not.

The response of W. Chan Kim and R. Mauborgne seems not to take into account the fact that imitators can also imitate the strategy. What happens if a newcomer adopts the same guidelines? What happens if the newcomer overcomes the barriers aforementioned by the interviewees? Simply by following the same way of thinking, namely by shifting from conventional head-to-head competition to the blue ocean perspective, could it be not that the newcomer will be in a similar position as the founder of the blue ocean? Could it be

⁴² Boyd, D. M. and Ellison, N. D. (2007) “Social Network Sites: Definition, History and Scholarship”, *Journal of Computer – Mediated Communication*, Vol. 13, No. 1, article 11

not that the newcomer will also achieve economies of scale? Low cost as well as differentiation? And in the end, what is it that could prevent a new-comer from implementing conventional strategies regarding competition and competitive advantage in the new, blue ocean environment?

Figure 2. Timeline of SNS Launching and Re-launching



Source: Boyd, D. M. and Ellison, N. D. (2007)

Logically, this is very possible to happen, as the author concludes it has happened to many of blue oceans that were created, if not to all. In the words of W. Chan Kim and R. Mauborgne, when they explain what a blue ocean is and how this is not a new concept as a concept, but a new word – or better yet, the creation of a term – for an old concept:

“Although the term blue ocean is new, their existence is not. They are a feature of business life, past and present. Look back one hundred years and ask yourself, How many of today's industries were then unknown? The answer: Many industries as basic as automobiles, music recording, aviation, petrochemicals, health care, and management

consulting were unheard of or had just begun to emerge at that time. Now turn the clock back only thirty years. Again, a plethora of multibillion-dollar-industries jumps out – mutual funds, cell phones, gas-fired electricity plants, biotechnology, ..., to name just a few. Just three decades ago, none of these industries existed in a meaningful way. Now put the clock forward twenty years – or perhaps fifty years – and ask yourself how many now unknown industries will likely exist then. If history is any predictor of the future, again the answer is many of them”.

Even in these words that provide readers with the essence of what the term “blue ocean” describes, it is stated that all markets that did not exist and emerged are (or were) blue oceans.

But is it not that all these blue oceans that were created thirty or fifty or one hundred years ago, all – or at least the vast majority of them – turned into red oceans? Is it not that all the strategies, which in the framework of Blue Ocean strategy are “condemned”, were built on what once were blue oceans?

Can a firm just rely on political barriers that could save some time, or tools and methods that can indeed be effective, but accessible by any other firm – in the sense that any other firm can achieve the same or similar results by imitating not only the product, but also the strategy?

What the author suggests is not that Blue Ocean strategy is not effective as a concept. On the contrary, as mentioned earlier, it is a fascinating concept, well structured, well defined, and well based on evidence of research. Obviously, the research done proves the effectiveness of this new approach. The issue raised, then, is how a blue ocean can remain blue and not turn into a conventional red ocean, as so many have. In other words, how a firm can ensure that there will not be any imitators, or, even if some imitators appear, how can the firm create a new blue ocean, while the imitators fight for a market share, having turned the first blue ocean into red.

Are the barriers mentioned by W. Chan Kim and R. Mauborgne enough? Are they strong enough to prevent the so far seemingly unavoidable redding of the emerged blue oceans? When even the authors mention that “Eventually, however, almost every blue ocean strategy will be imitated”⁴³? They suggest that the firm which initiated the blue ocean should always monitor itself, so that it does not become trapped in the same situation it went out of, when creating the blue ocean in the first place, namely, the situation of head-to-head competition. Of course, this point is very important, in order to avoid returning to the start and avoid having to do the whole process of recognizing a new

⁴³ Kim, W. Chan and Mauborgne, R. (2005) *Blue Ocean Strategy: how to create uncontested market space and make the competition irrelevant*, Harvard Business School Press, Boston – Massachusetts

opportunity from the beginning, aiming at creating yet another blue ocean, only for it to become a red one as well. Even if a firm is determined to do that, to create new blue oceans, could this happen endlessly? Could one initiator firm always escape the redding of the blue oceans that it has created by forming new blue oceans?

Besides, this is what the first of the two sides can do – the initiator of the new market space – so that it does not get trapped in a new shifting of the way of thinking, turning back to the conventional one, what the initiator can do in order to prevent itself from getting trapped. But what about the other side, the imitator? What could the initiator do in order to keep the blue ocean blue not by always creating one, but by preventing imitators from entering?

To that, a possible answer – to the author’s conclusion – comes with a new question: Why not combining an approach coming from Japan⁴⁴ that takes into account the buyer and what the buyer values, also from the firm's perspective, a framework that explains how firms can overcome the barrier of the conventional competitive advantage, by rendering differentiation impossible to imitate, thus forming a strong barrier to imitators? Instead of waiting for barriers to raise, why not make barriers exist from within the firm? Why not offering value at a strategic price by offering a product or service that cannot be imitated?

3. Value – dimension visibility

It is undeniable that competition is getting increasingly intense, pressing firmly the profit margins of firms. Since profit involves two variables only, it must depend on them. In other words, in order to change the amount of profit in absolute terms, it is enough to change one of the two variables or both of them: either revenues or cost. However, with that severe of competition, it is becoming more and more difficult to retain and even more difficult to increase profit.

Therefore, following K. Kusunoki⁴⁵'s very logical steps of thought, the only options a firm has in order to increase profits are either to reduce costs or to increase its revenue,

⁴⁴ referring to “Value-dimension Visibility”, that is being analyzed in the following paragraph

⁴⁵ Kusunoki, K. (2003) “見えない次元ーイノベーションの新しいパラダイム”, 研究技術計画, Vol. 18, No. 3 – 4, 127 – 148

Kusunoki, K. (2004) “Value Differentiation: Organizing Know – What For Product Concept Innovation”, Hitotsubashi on Knowledge Management, John Wiley and Sons, Singapore

Kusunoki, K. (2006) “Invisible Dimensions of Differentiation: Japanese Electronics Companies”, Japan Moving Towards More Advanced Knowledge Economy, Vol. 2, 51 – 65

which is equivalent to increasing the customers' willingness to pay; when the customers are willing to pay for a good, they will most probably purchase it, resulting in an increase in revenues for the firm. Consequently, when the revenues of a firm are increasing, it is because its product – in its broad meaning, which includes services – is being purchased by customers, who obviously are willing to pay for it.

Up to now, there have been various practices, tools, researches, findings etc. to retain and improve profitability. However, like in the case of competitiveness, discussed in the previous paragraph (Blue Ocean strategy), the point of view of the approach seems to always be the same: in the center of the focus there is only the variable of cost.

For example, tools and practices like outsourcing, business process re-engineering, information-technology-driven supply chain management, and so many others, are aiming towards cost reduction, which of course are indeed very important and have proven to be effective towards improving profitability: it is a matter of simple mathematics after all.

Nevertheless, however important it is, cost-based competition (or price-based competition) is not able to ensure continuous success in terms of profitability improvement, simply because of its being physically limited: cost and price cannot be infinitely reduced. There is a minimum, since the objective of the firm is by definition the profit: the physical limit of the price of goods to be sold is the cost of the final product – again, in the product's broadened meaning.

Furthermore, the rapidly increasing pace of commoditization of goods offered forces firms to concentrate on price-competition, since after commoditization occurs, the only differentiation lies in price⁴⁶.

What about the other variable of profit? What about revenues? Why not thinking of shifting the focus from cost reduction to increasing revenues? It could be argued that in some aspects innovation focuses on that point, namely boosting the willingness to pay; when something new is launched in the market, the customers are willing to pay – and are indeed paying in most of the cases – to get the latest version of something, for a variety of reasons. Or, it could be argued that quality serves as competitive advantage, trying to boost the willingness to pay. However, does this assure that customers will not prefer to get in hand an improved version, or an qualitatively equal product? If firm A launches product X, which is innovative and qualitative, when firm B launches product Y that is slightly better in either or both ways, then surely customers can shift towards the new product. Moreover, if firm A needed an α investment to – let us say – conduct research and development in order to invent and be able to commercialize product X, which of course is to some extent reflected in the price of the product, and firm B needed ten times more to

⁴⁶ Kusunoki, K. (2003, 2004, 2006) *ibid*

invest to create something more advanced technologically, resulting into the price of product Y being much higher than X, how can it be assured that customers will be willing to pay as much as firm B will suggest by the pricing of Y, to get product Y? Obviously, there is a limit, in the sense that it is not necessary for customers to always be willing to pay for something extremely (technologically) advanced at the price that justifies the investment in technological innovation for creating it. In the end, therefore, it is again what happens when commoditization occurs: the limitation of price and price-based competition.

Therefore, the choice that can provide continuous increase in profitability, as it has no such limits as price and cost, like technological barriers and even customer limitation, is the increase of customers' willingness to pay.

But if it is not even technological innovation, or other forms of innovation, that could ensure continuous improvement in profitability for a firm, since this too would end up in commoditization due to competition and the maturing of the product and the market, what could it be? It seems that something is missing, an element that could achieve this – if there is any.

The missing element is changing the way of thinking, changing the way of innovating. For this matter, K. Kusunoki introduces the concept of “value-dimension visibility”.

To explain the concept, K. Kusunoki suggests that competition and differentiation can occur “along visible dimensions” or “along non-visible dimensions,” in other words that competition and differentiation can “progress along clearly defined measures of value”⁴⁷ or along not clearly definable measures of value respectively. The former consist of concepts that are measurable, definable, clearly seen, heard, or felt. Of course they vary depending on the industry, some examples being the number of pixels or the size and weight of a photographic camera or the RAM capacity and functionality of a PC – giving examples from the Japanese electronics industry –. The latter consists of abstract concepts that cannot actually be measured, or defined, but can be felt. An example is the feeling of “being able to listen to music everywhere” in the case of the Sony Walkman.

Therefore, when firms are competing in outperforming each other – mainly in terms of how much more technologically advanced they can be, or how much more innovative, or qualitative (within measurable features, for example the life expectancy of a product) compared to their rivals – and base the differentiation of their offered goods on measurable characteristics of the product or the service, then competition and differentiation are moving along visible dimensions. Whereas, when differentiation goes beyond measurable features and attributes of the offered good, when its competitive advantage becomes abstract, emotional maybe, then it is moving along non-visible dimensions.

⁴⁷ Kusunoki, K. (2006) *ibid*

In this sense, if we see commoditization from the value-dimension visibility point of view, it is the state of an offered good, where competition and differentiation move along only one dimension: price⁸⁰; indeed, commoditization occurs when no improvement can be added to an offered good, no other value for the buyer. There can be no other differentiation to a commoditized good than price. As such, in order to offer a better price, the competitors squeeze out the cost. However, as explained earlier, this process is physically limited since it is impossible from some point and, to lower further the cost, even if other features – like quality – are sacrificed, in which case the value for the buyer lessens.

When this occurs, the path towards continuously increasing profitability inevitably becomes that of taking into account boosting the buyers' willingness to pay. And since there is no other way to add measurable value to a commoditized good, the only way that remains there for firms, is decommoditizing via non-dimensional differentiation, which focuses on creating willingness to pay.

In fact, it is the only way to prevent a good from becoming commoditized in the first place; the decommoditization strategy does not need to be applied after commoditization has occurred, it can also be applied beforehand, so that commoditization does not happen at all. After all, when differentiation is designed along visible dimensions, sooner or later commoditization will occur, as measurable dimensions are of course not always easy, but nonetheless easier than the non-measurable ones to imitate and supersede. For instance, consider how much is invested by companies in research and development departments to emerge new technological innovations, in order to overcome and supersede competitors' similar innovations. It is not easy, but it is not impossible to overcome a given technology, as the history of technology has shown and proved thus far. It might take a tremendous amount of investment in time, manpower, effort, money, and resources in general, but it is very likely – or even certain – that technological barriers can be and will be overcome, as they endlessly have for so many times up to the present. In this sense, it is easier to imitate something when you know what it is than trying to imitate something when you do not exactly know what it is and cannot even measure, to know if you overcame it or not! It is a matter of time until competitors will come to have the same, similar, or even better resources to compete and outperform the initiator.

But in the case of non-dimensional differentiation, how can a rival compete against something that has no dimensions, no measurable features, something invisible?

4. The need to shift

From the literature presented thus far, the author identifies the forces that drive

current firms which have adopted the conventional way of thinking of competition and differentiation, when designing their strategy to be A. the increasingly demanding customers, B. the slow-growth industries and the limited market space, C. the more and more severe competition, and D. the focus on the visible dimensions of differentiation:

Advanced technology and technological developments, globalization and knowledge exchange, lowering of trade and investment barriers, advances in telecommunication and transportation technologies etc. are all factors that enforce each other, factors that have helped markets to open and grow, new ideas to be developed and circulated, alternatives to appear, new firms to be established, new products to be developed etc.

But these same factors are those that have caused the acceleration of commoditization of goods offered, by allowing a plethora of products and services to be available to increasingly more, bigger markets and potential buyers⁴⁸, who are being bombarded with information, with new products and services, new specifications, more and more advanced innovations, thus being “educated” to demand even more, for less – if possible⁴⁹: if the industry always advances and innovates – at least from the buyers’ point of view – then not doing so is perceived from potential buyers as not being able to do so. And when buyers are trained to always expect something new, something more advanced, then normally the firm that cannot offer this is left behind. “New” attracts buyers. But, as explained earlier, there are physical limits to such advances, like cost.

From the firms’ standpoint, this increasing demand from the buyers acts like an accelerator of the competition: no firm wants to be left behind, as they all pursue profit. The buyer must be satisfied⁵⁰. Customer-orientation is the most basic element for success, since the one to decide what to buy is obviously the buyer. Therefore it is assumed that firms are to some extent customer-oriented. The buyer is the center. After all, the final choice lies always on the buyer. If the competitors are able to offer something new, then we must do so too, to gain the lost market space, or at least to retain our market share.

By doing so, firms engage themselves into an ongoing and rampant competition; they must outperform their rivals. But when industries are already slow-growth and the market space is physically limited – no market space can be infinite! – and more players are entering this already full market space, struggling to gain a piece too, it is impossible for everyone in this limited space to get the most, and thus, competition becomes even more severe.

This, in turn, makes firms focus on visible dimensions of differentiation to supersede competition – even innovation-oriented firms. In fact, it seems a vast majority of companies that have been focusing on technology and innovative improvements tend to

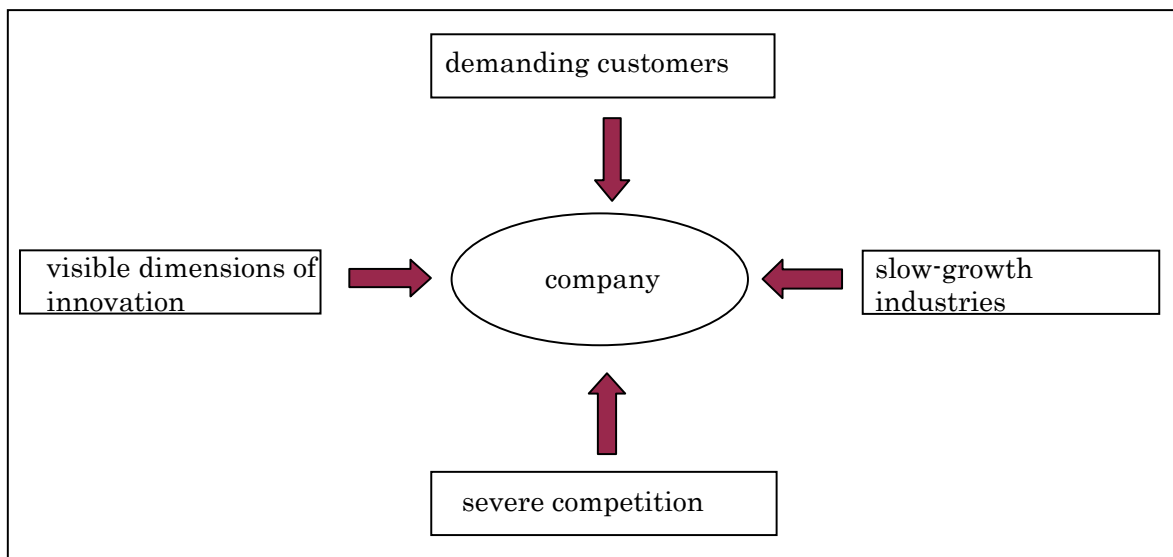
⁴⁸ For example, the opening of the market of China, a market of billions of new potential buyers.

⁴⁹ Buyers are mostly interested in purchasing products and services with the lowest available cost (Kotler)

⁵⁰ Concluded by former studies in Total Quality Management of the author

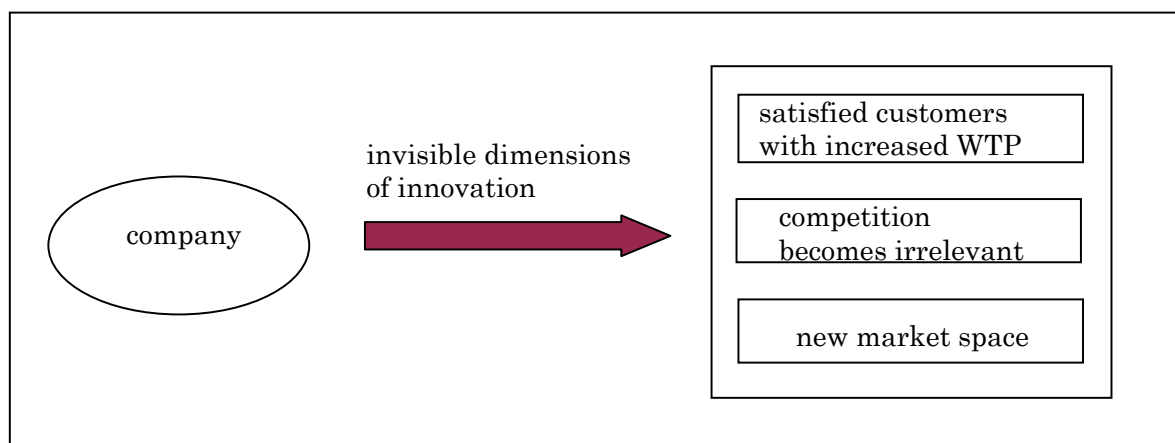
focus almost solely on measurable features in order to differentiate and outperform competition, as suggested earlier – thus blocking and getting themselves trapped into designing conventional strategies, the main target being how to retain the existing and gain more market share, which ultimately becomes a vicious circle; in the limited existing market space, the more companies struggle to meet the customers' needs, the more they focus on visible dimensions of differentiation (even through innovation), trapped in the conventional thinking of outperforming competition, thus creating for themselves even more severe competition. And the more they focus in outperforming this visible-dimensioned competition, the more they accelerate commoditization, thus making consumers even more demanding.

Figure 3. The blocking forces that drive companies to conventional strategy (author's original creation)



It is clear, therefore, that in order to overcome this vicious circle, a shift is needed. The way to overcome these forces is to stop considering them as blocking forces. With the strategic thinking of creating blue oceans and by focusing on the invisible dimensions of differentiation as a barrier for imitators, the firm can satisfy its buyers and boost their willingness to pay (WTP), new market space can be created and competition becomes irrelevant, as earlier analyzed.

Figure 4. The shift that is needed (author's original creation)



Especially now, innovation is approached by firms – and firms are encouraged by consulting companies like Bloomberg⁵¹ to do so – as a necessary tool to overcome recession. If approached positively, the current global financial recession could serve as a source of innovation, since new or improved products and services should be figured out in order to make them more appealing to buyers during difficult times, while cost-effective processes are prioritized in order to reduce cost. Creative thinking becomes essential, possibilities of discovering new markets raise, and many companies are already encouraging their executives as well as their employees to think from this perspective, like MasterCard and Disney (as Jana R. and Joseph D. from the innovation dept. of Businessweek mention in their special report “Keeping employees creative in a downturn – Despite the recession, or because of it, MasterCard, Disney and others are asking all employees to brainstorm”⁵²).

And it is not only until the end of 2010 that this global recession will last, despite the signs from the market that it is starting to pick up – for example, Apple’s quarterly profits show a 15% raise (according to Jana R.’s special report on Bloomberg Businessweek “Recession: the mother of Innovation?”⁵³), which makes it even more essential for firms to look towards innovation to overcome their difficulty in reducing their operational and other costs.

At the same time, innovative and creative thinking can lead to different paths regarding the market: it is not only firms that go through the recession when it happens, it is mostly buyers who face difficulties in spending their funds. This means that firms could take recession as an opportunity to think of new ways and new markets, which they could

⁵¹ Observations on data obtained by Bloomberg Businessweek (www.businessweek.com)

⁵² Jana R. and Joseph D. (2009) “Keeping employees creative in a downturn – Despite the recession, or because of it, MasterCard, Disney and others are asking all employees to brainstorm”, Bloomberg BusinessWeek, Special Report, 22 July 2009

⁵³ Jana R. (2009) “Recession: the mother of Innovation?”, Bloomberg BusinessWeek, Special Report, 22 July 2009

utilize also when the current global financial recession is past gone.

After all, in the middle of difficulty lies opportunity, as Albert Einstein said. And as Winston Churchill said, “a pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.” Similarly, the current recession can be seen from an optimistic standpoint, as a source of innovation. As such, creative thinking could also lead to a blue ocean that could serve the firm even after the recession, when global economy picks up and starts going forward.

Therefore, the shift analyzed earlier that needs to take place is even more essential to take place now, when recession could become a force of help towards thinking in new perspectives in order for it to be overcome.

5. Simultaneously...

Up to now, the literature review has focused solely on the business point of view, which is the main focus of this dissertation. It has focused on the need to change the way of thinking regarding business strategy, on what the forces that press modern businesses are and on new tools focusing on how to create demand and how to sustain it.

However, the point of view of consumers, of the buyers, is also important for the framework to be proposed in the next chapter. This is very important, because what the proposed framework attempts to do, is in fact the changing of the concept of what the business offers, in order to change the perception of consumers.

This is possible especially now, because of the change in the consumers' minds regarding their needs and their wants. To illustrate this, the following literature review attempts to explain why this change occurs now, and what this change is in the first place, which businesses can benefit from if they follow the proposed framework of the next chapter.

Since the approach now will start from a more psychological-related aspect, the framework by Maslow has been selected as a start for the sequence of thoughts presented. Later, though, the business approach is again brought forward, and the business – customer point of view is being adopted, to conclude that the shift in the consumers' needs in developed countries, especially nowadays, results in facilitating the adoption of the framework presented in the next chapter by the modern businesses.

5.1. Maslow and the pyramid

Although argued that it has not been thoroughly tested or based on vast evidence to support it, Abraham H. Maslow's hierarchy of needs and his theory of human motivation [in A. Maslow's "Motivation and Personality", 1954⁵⁴, where the theory was formally presented, while in A. Maslow's 1943 article "Preface to Motivation Theory" in *Psychosomatic Medicine*⁵⁵, a preface of the motivation theory, where the first attempt to formulate the framework based on human needs to describe the mechanism of human motivation was made] has enjoyed recognition since its conceptualization and introduction to scholars and is still widely accepted and often cited, as mentioned in M. A. Wahba and L. G. Bridwell's "Maslow reconsidered: A Review of Research on the Need Hierarchy Theory"⁵⁶. Its recognition is such, that the theory is present to every introduction regarding psychology, as M. R. Hagerty writes⁵⁷.

A. Maslow, attempting to synthesize a large amount of findings from his research on human motivation, describes the function of motivation for individuals with his theory of hierarchy of human needs. There, he classifies human needs in five categories, which he describes in a pyramid; before a need is addressed to be satisfied, the previous need must be fulfilled. Otherwise, the individual does not move on to fulfilling the next level of needs, since their priority lies on completing the satisfaction of current needs.

The first group of needs, ordered from lower-order to higher-order, which Maslow names as the "physiological needs," includes the need of air, of nutrition and water, namely the biological needs. All these are basic needs for an individual to survive, to continue living, where everything starts from; the precondition of having a happy life is to have a life to start from, which is exactly the function of the pyramid of human needs discussed here; if the individual has not secured more basic needs, they cannot pursue the fulfilling of the more advanced ones. For example, one is not likely to be concerned with how the world started when they are starving; most probably they are going to be concerned with how to survive and feed themselves.

When the physiological needs are met, there comes the need to satisfy the next level of needs, the safety and security needs that arise: safety from being assaulted, from being murdered, from finding oneself in chaotic conditions, in other words, the need of being out

⁵⁴ Maslow, A (1954) *Motivation and Personality*, Harper, New York

⁵⁵ Maslow, A. (1943) "Preface to Motivation Theory", *Psychosomatic Medicine: Journal of Biobehavioral Medicine*, Vol. 5, No. 1, 85 – 92

⁵⁶ Wahba and L. Bridgewell' (1976) "Maslow reconsidered: A Review of research on the need hierarchy theory", *Organizational Behavior and Human Performance Journal*, Vol. 15, 212 – 240

⁵⁷ Hagerty, M. R. (1999) "Testing Maslow's Hierarchy of Needs: National Quality of Life across Time", *Social Indicators Research*, Vol. 46, 249 – 271

of danger. The third set of needs consists of “belongingness” and love, or social needs; the individual seeks to belong somewhere, to have friends, to be a member of a team, either broad (like a nation, for instance) or narrow (for example, a family), or any other community, which will make them feel that they have roots, that they affiliate with others, that they accept others and – most importantly – that they are being accepted.

Once having fulfilled this need, the fourth need that arises is esteem; this need is described as the need of achieving something, of being recognized, of contributing, it is the need for the individual to have confidence in themselves. Then, in the initial pyramid of A. Maslow, there comes the highest rank regarding needs that are pursued to be fulfilled: self-actualization, where “the full use and exploitation of talents, capacities, potentialities etc” (ibid, 1954: p. 150) takes place. According to A. Maslow in his final book “The farther reaches of human nature” in 1971⁵⁸, this can occur via concentration, growth choices (where risk takes a role), self-awareness, honesty, judgment, self-development, peak experiences and lack of ego defenses⁵⁹. Thus, the individual can fulfill the need for creativity, integrity, self-fulfillment, etc.

The effort for fulfilling each level of needs is allocated to the next level of needs, once the preceded level of needs, in the sequence described in the previous paragraphs, is nearing to be satisfied: only after the individual has secured food and water will they pursue security, and only when security is nearing fulfillment the individual will pursue love and belongingness, then esteem and – ideally – self-actualization.

Moreover, when the needs in a level are not fulfilled, the individual is fixated in the state of attempting to fulfill the specific level of needs, without proceeding to the next level. This indicates growth: growth is the moving from lower-order needs to higher-order needs, the main goal being self-actualization and – in the end – happiness.

5.2. Needs added in the pyramid

It was later, as it can be found in A. Maslow and Lowery's “Toward a psychology of being”⁶⁰ that A. Maslow recognized the need of the individual to know and to understand, as well as the need to find and achieve beauty, symmetry, and order. He placed them between the level of the esteem needs [the need for achieving and being recognized for something] and the self-actualization need, thus recognizing their level being just the one before the highest level needs.

⁵⁸ Maslow, A. (1971) *The Farther Reaches of Human Nature*, The Viking Press, New York

⁵⁹ for further discussion on how individuals can accomplish self-actualization, refer to the fore mentioned bibliography of A. Maslow, 1971, citation No 58.

⁶⁰ Maslow, A. and Lowery, R. (Eds) (1998) *Toward a psychology of being*”, 3rd Edition, Wiley & Sons

However, in 1971⁶¹, he identified a last need, which he placed over self-actualization needs: it is the need for connecting to something which is beyond oneself, beyond one's ego, the need for helping others fulfilling their need for self-actualization. This last, highest level of needs is called the self-transcendence need.

5.3. Theory of human motivation: Individuals, Societies and Societal Institutions

Although Maslow's concern was focusing on the individual's motivation, there has been research and there is literature to show that it is not only individuals that follow the hierarchy of needs that Maslow proposed, but also groups and even nations and societies; the inquiry that is natural to arise is exactly that of whether this theory of motivation can be expanded to groups as broad as nations, societies – or any group – or not.

For this, while Michael R. Hagerty has contributed with his research [refer to his work “Testing Maslow's hierarchy of needs: National quality-of-life across time”⁶², where he collects data from 88 nations over a long period of time to support his hypotheses], he identifies M. Joseph Sirgy to be the first to suggest that the mechanism of how quality of life develops among communities and nations – namely, among groups that share some characteristics, as the author observes – could be described by Maslow's theory, in other words that societies and groups are motivated in the same way as individuals, following the motivation theory of Maslow.

In his article in the *American Journal of Economics and Sociology*⁶³, M. J. Sirgy discusses his hypotheses and links quality of life of whole societies to the hierarchical needs' framework of A. Maslow. Moreover, he discusses how quality of life and happiness of societies can be achieved in regards to social institutions that have a strong influence on society and how these social institutions are functioning within the society to improve its quality of life [the author notes at this point that defining the concept of quality of life is going to be discussed later in this chapter; what concerns the author at this point is to link A. Maslow's model to the group that functions within a society and is related to consumption, namely the consumers, the buyers].

To explain this, he underlines the roles of different kinds of institutions within a society and how they function in order to achieve the goal of improving the quality of life of the societies they function in. He also presents this function in developed societies

⁶¹ in his book “The father reaches of human nature, mentioned in the bibliography, citation No 58.

⁶² *ibid* (1999)

⁶³ Sirgy, M. J. (1986) “A Quality-of-Life Theory derived from Maslow's developmental perspective: 'Quality' is related to progressive satisfaction of a hierarchy of needs, lower order and higher”, *American Journal of Economics and Sociology*, Vol. 45, No. 3, 329 – 342

compared to that in developing societies. For that, Sirgy mentions, “societal institutions that serve human needs include productive, maintenance, managerial/ political and adaptive institutions. Each of these types of societal institutions involve a hierarchical dimension. It is argued that progressive increases in quality of life are accompanied with hierarchical changes of these societal institutions” (ibid, 1986). Therefore, it is not only that A. Maslow's theory can be applied to societies, but also that it can be applied to institutions that affect the quality of life of societies, thus the prioritization of these institutions changes along with the prioritization of needs of the societies, since they are designed to serve human developmental needs: “There are institutions that serve biological needs (e.g., water works, utilities, agriculture); safety needs (e.g., health services, police, emergency facilities, judicial system); social needs (e.g., leisure, recreation facilities, social products and services); esteem needs (e.g., employment services, intra-organizational services), and self-actualization needs (e.g., arts, theory, aesthetics),” as he mentions (ibid, 1986).

The classification of the societal institutions into the aforementioned four categories is attributed to D. Katz and R. L. Kahn⁶⁴, where they define productive institutions to be the societal institutions that “are concerned with the production of wealth, the manufacture of goods and the provision of services for specific segments of the general public” (ibid, 1986). Maintenance institutions are the ones “involved in the socialization and training resources for organizational roles in the context of the society as a whole,” (ibid, 1986) for example schools, churches etc, while “adaptive societal subsystems are involved in the creation and application of knowledge to societal problem solving,” such as universities and research organizations. Finally, managerial/ political institutions “are viewed as mostly concerned with the coordination of societal components and subsystems in such a way as to insure stability, maintenance and growth of the society and segments of the society (e.g., state political system, pressure groups, labor unions, professional associations, penal institutions)” (ibid, 1986).

It becomes clear, therefore, that in order for a society to achieve better quality of life for its members, the roles and priorities of the institutions that fundamentally influence the society and are functioning towards improving the social quality of life are changing according to those of the society members. Moreover, these institutions' function can shape (develop or fixate at some specific level) the pursuit of needs of the society members, depending on their hierarchies.

In this paper, the concern of the proposed framework lies in what D. Katz and R. L. Kahn define as “productive institutions”, thus the author focuses on this aspect and the testing of A. Maslow's model on this type of societal institutions and their subjects of

⁶⁴ for further discussion on this classification, refer to Katz, D. and Kahn, R. L. (1978) *The Psychology of Organizations*, John Wiley & Sons, New York

concern, which are the consumers.

5.4. Hierarchy in productivity institutions

Following this logic, that A. Maslow's hierarchy of needs' model can be implemented in societies and in social institutions, as well as in groups and communities, it is safe to assume that consumers too, since they are a group that functions within a society and are the concern of the productive institutions, are subject to the model that Maslow proposed as well. And it is not only consumers, but also the productive institutions that are subject to Maslow's theory: in his book "Marketing Management: Analysis, Planning and Control,"⁶⁵ Philip Kotler notes that marketing thought – namely, productivity institutions' way of thinking and orientation – has evolved from a production-orientation, to a product-orientation, to a selling orientation, to a market-orientation and finally to a quality-of-life orientation. Sirgy et al also agree to this aspect, as shown in Sirgy's work with H. Lee Meadow and A. Coskun Samli "Past, Present and Future: an overview of Quality-of-Life research in Marketing,"⁶⁶ or in Sirgy's work with M. Morris, "The growth of the Marketing discipline in relation to quality of life: a general systems perspective." (1986)⁶⁷

As Sirgy writes in his "A Quality-of-Life Theory derived from A. Maslow's developmental perspective: 'Quality' is related to progressive satisfaction of a hierarchy of needs, lower order and higher" article:

"Productive institutions with structures reflecting a production orientation are those organizations that are designed to produce a product irrespective of market demand and constraints. Those with structures reflecting a selling-orientation emphasize the selling/promotion component of the organization, to get rid of existing inventories. Consequently, those organizations with this type of orientation tend to organize themselves in ways that would allow them to "hard sell." A marketing-orientation, on the other hand, involves structures that emphasize consumer wants, preferences, satisfaction, and loyalty, i. e., emphasize customer needs. Those institutions with a marketing-orientation have structural components that serve to research the market and, with strategies based on market findings, guide the institutions to accommodate target

⁶⁵ Kotler, P. (1994) *Marketing Management: Analysis, Planning and Control*, 8th edition, Prentice Hall, Englewood Cliffs, New Jersey

⁶⁶ Sirgy, M. J., Meadow H. L. and Samli A. C. (1995) "Past, Present and Future: an overview of Quality-of-Life research in Marketing", in Sirgy, M. J. and Samli A. C. (Eds) *New Dimensions in Marketing/ Quality-of-Life Research*, Greenwood Press, Westport, CT

⁶⁷ Sirgy, N. J. and Morris, M. (1986) "The growth of the Marketing discipline in relation to quality of life: a general systems perspective" in Samli A. C. (Ed) *Quality of Life/ Marketing Interface*, Greenwood Press, Westport, CT

consumers. Finally, institutions with a societal-marketing orientation are those who have the design of organization that is not only sensitive to the needs of target consumers but also sensitive to the needs of the general public. That is, those organizations with a societal-marketing-orientation usually make a concerted attempt to reduce the social costs associated with the products they manufacture” (ibid, 1986).

Based on Kotler's historical evolution of marketing from production-orientation to societal-marketing-orientation, that was mentioned earlier, Sirgy concludes that “this progression is accompanied with societal development. That is, developing countries (LDCs) seem to have their productive institutions structured in ways reflecting a 'production-orientation.' As LDCs develop further, the structure of their productive institutions change in the direction of 'selling,' through 'marketing,' to 'societal marketing.’” And he proposes that “productive societal structures that reflect a production and/or selling-orientation (and to a lesser extent marketing-orientation) produce moderate QOL for communities/societies in which most of its members are preoccupied in satisfying lower-order needs. Conversely, productive societal structures that reflect a societal marketing-orientation produce high QOL for communities/ societies in which most of its members are preoccupied in satisfying higher- order needs” (ibid, 1986).

Later, Sirgy notes: “to improve QOL for a LDC, productive institutions have to be structured in such a way as to mobilize the production machinery to establish the foundation of an industrialized society. The emphasis of the productive institutions should be in the direction of high level production and sales. LDCs cannot afford to adopt the philosophy of the marketing concept and societal marketing and structure their production institutions accordingly. This can be done after a production foundation is established in these societies, to meet the lower-order (and more important) needs of the aggregate of that society. Therefore, matching the lower-order need satisfaction societies with structural lower-order productive institutions is seen as providing moderate QOL for that society. Given that the lower-order needs of that society are mostly met, then the society can afford to change its productive structures to adopt a marketing orientation (and in due time, to adopt a societal-marketing orientation). Adopting a higher-order productive structure is considered appropriate to helping satisfy higher-order needs of the aggregate” (ibid, “A Quality-of-Life Theory derived from A. Maslow's developmental perspective: 'Quality' is related to progressive satisfaction of a hierarchy of needs, lower order and higher”, 1986).

Besides, Kotler also reckons that “the societal marketing concept holds that organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors, in a way that preserves or enhances the consumer's and the society's well-being” (ibid, 1994).

Thus, the role of firms in shaping and in responding to consumers' needs, which are moving towards growth as described in the motivation model of A. Maslow has been

explained and shown in the existing literature.

Moreover, having in mind that the concept of Maslow's pyramid of needs has also been applied to the consumer-behavior field – as already shown – to understand consumers' motives in order for firms to act accordingly, it is safe to derive that the needs from the consumer's point of view also shift from level to level.

In the business field, where consumers have a significant role, what makes consumers fulfill their consumer-driven needs is their ability to pay for what they need -or what they perceive as needed. For instance, if the need is “a bag to carry papers”, the basic level of needs would be to have the simplest plastic bag. However, as the ability to spend money increases, the need shifts from having the simplest means to fulfill this need, to having a beautiful, modern bag, or -depending again on the ability to spend money- a more valuable bag made from leather or a brand name bag: the need shifts from the physiological, basic level to the self-achievement and esteem level.

Therefore, supporting what the literature has also concluded, as presented in this paper, the more affluent the consumers become, the higher the level of the hierarchy of needs they seek to meet, since they already have the power to pay for goods that provide fulfillment of the lowest level needs, and they are moving towards fulfilling higher needs. If the affluence of developed societies, which has increased and is still increasing (especially in countries like China, where the rhythm of development is rapid and ongoing and the size of the market is remarkable) is considered, it is logically derived that consumers' needs shift along with the development of societies and the increase in the spending ability and the purchasing power of their members towards higher-level needs. What more has been derived from the presented literature is that productive institutes, which include firms and companies – the point of interest of the author for the framework that is to be presented later – also shift in tandem with the needs of consumers, in order to satisfy the buyers.

Thus, it is safe to conclude that as societies become more developed, the values of consumers shift too, along with the needs that are pursued to be fulfilled. For example, the value from the consumers' point of view shifts from low-price to high-quality, along with the society's development and – consequently – affluence. And regarding their living, it can be derived from the above mentioned and analyzed sequence of thoughts and literature that consumers' values shift from low-cost living to high-quality living: in other words, improving their quality of life, their well-being, a need that especially in current times – as it will be presented later in this chapter – becomes almost mandatory to fulfill.

5.5. Defining Quality of Life – the consumer-related point of view

But what is Quality of Life? There have been many attempts to define the concept, which seems easy to define, but in fact is not. This might be because such a term is usually described by factors that lead to its existence, or its absence. Or maybe this is so, due to the dual essence of the term, as one can sense its meaning; it holds both a subjective and an objective meaning, which do not seem easy to separate. This has led to the many approaches that have been attempted, according to the author's literature review, in order to find definitions and indexes to approach the term, including economic aspects, social indicators, and subjective well-being measures.

Very interesting on this issue is the work of E. Diener and E. Suh, which appears in *Social Indicators Research*⁶⁸. In their article, based on their literature review, they identify three major philosophical approaches for defining Quality of Life (mentioned by Brock in 1993, as cited by the authors⁶⁹).

The first approach follows the normative claims that are dictated by religious, philosophical or other such systems. For instance, one might believe that helping others is a characteristic of good life, because it is dictated so by their religion, or one might believe that a good life indicator is not smoking. In any case, this approach includes all attempts that describe good life in terms of “what should be done” in order to achieve one. Therefore, they do not take into account what people’s wishes are – nor their fulfillment – nor what the subjective experience of people is: it consists of rules that people should obey in order to reach their goal, a good life.

The second approach comes from a more realistic point of view: it is taking into account a subjective aspect, where people's aim is towards enhancing their lives by making what they consider to be the best choices, within a finite and limited amount of resources. This approach of defining quality of life is based on subjective desires' satisfaction. In that sense, the variables of the definition consist not only of what are people's wants and needs, but also what society can offer people, what resources it possesses and with what choices it can provide its members. Therefore, it is the approach which is closer to modern economic thinking.

A third approach is the one that focuses explicitly on subjective standards: it is described in terms of the individual's experiences and perceptions. “If a person experiences her life as good and desirable, it is assumed to be so,” as E. Diener and E. Suh note (*ibid* 1997).

⁶⁸ Diener, E. and Suh, E. (1997) “Measuring Quality of Life: economic, social and subjective indicators”, *Social Indicators Research*, Vol. 40 No. 1 – 2, 189 – 216

⁶⁹ for further study, refer to Brock, D. (1993) “Quality of life in health care and medical ethics”, 95 – 132, in Nussbaum, M. and Sen, A. (Eds) *The Quality of Life*, Clarendon Press, Oxford

Other attempts to define quality of life include clearly economic perspectives, where quality of life is defined in terms of “total income.”⁷⁰ Fox explains that the choices made by individuals in their behavioral settings are translated into monetary values, thus, individuals – who are pursuing their maximum total utility – allocate their time accordingly, considering also the opportunity costs that occur due to non-participation in various behavior settings. Consequently, he presents quality of life as the total income concept. As the author observes, this perspective is taking into account the desires and wishes of individuals – or groups, as explained earlier in this chapter – as well as the available resources. However, E. Diener et al argue that defining quality of life solely in terms of economics and the ability of individuals/groups to acquire products and services does not cover other important aspects: firstly, they argue, economic progress can not ensure for example safety, and similar important factors like the ability of having leisure time, or a healthy working environment. Secondly, he argues that what people want and what people like may be inconsistent, thus, people's choices are not certain to lead people to happiness: “wanting things may not be an accurate predictor of whether those things will increase subjective well-being” [ibid, Diener, E. and Suh, E. (1997)].

From the marketing perspective, E. Diener et al argue that the analyses of a good society only in terms of market factors, not only does not include, but in fact “clearly deemphasizes” essential factors for determining the “goodness” of life, factors like sentiments, love, etc. However, M. Sirgy, A. C. Samli and H. L. Meadow⁷¹ and Sirgy and Morris [ibid 1995, see previous citation and reference] propose an approach of quality of life in terms of long-term life satisfaction and argue that “the relative 'goodness' of a marketing program can be assessed in terms of its relationship with long-term satisfaction. Thus, quality of life provides “value” for marketing”.

Based on the last observation of the literature review, one could argue that this last approach of M. Sirgy et al, although made from the marketing perspective, which is supposed to be concentrated to market and market factors, does indeed include to some extent feelings of the individuals/groups, as well as the element of subjectivity, since satisfaction – and especially long-term satisfaction, which is much more difficult to achieve and sustain, since it requires further understanding, and not just recognizing and temporarily meeting the wants and needs – differs from individual to individual and can include feelings.

However, most scholars agree that the term “quality” has the meaning of “grade,” and

⁷⁰ for further discussion refer to Fox, K. S. (1974) *Social Indicators and Social theory: Elements of an Operational system*, John Wiley, Chichester

⁷¹ Sirgy, M. Joseph, A. C. Samli, and H. Lee Meadow (1982) "Interface Between Quality of Life and Marketing: A Theoretical Framework," *Journal of Marketing and Public Policy*, (now *Journal of Public Policy and Marketing*), 1, 69-84.

as such, it can range from high to low and from better to worse, as K. F. Schuessler and G. A. Fisher indicate in their research regarding the quality of life and its presence in literature in Canada and the United States of America⁷². Nevertheless, they note that there has been less agreement on the meaning of the word “life:” as they reckon, its dominant meaning is the “mental” life. Regarding mental life they mention that usually it is taken narrowly, its meaning being satisfaction and a sense of well-being: the individual’s sense of satisfaction (or dissatisfaction) with their lives, the happiness or unhappiness [as cited from Dalkey and Rourke’s work⁷³]. They continue that the state of quality of life also includes the feelings of love, self-realization, perception of the worth and value of life [as A. C. Michalos states in his “Satisfaction and Happiness”⁷⁴].

They further explain the different meanings the word “life” could have; however, the author here does not have the intention to further analyze this kind of discussion. The meaning of quality of life from the marketing point, namely the “value” in marketing and the more general perception of quality of life being the grade of satisfaction and the grade of the wellness of mental life, as described above, is enough for the discussion attempted in this paper. It is important to note, though, that this meaning that the author accepts is consistent to the consumer-based approach that the author is attempting, whereas it includes all of the aspects of A. Maslow’s model of hierarchy, thus creating the link between quality of life and the hierarchy of needs.

To this point, all the necessary steps from A. Maslow’s pyramid to how it is linked to quality of life have been explained and analyzed and how quality of life will be used in this paper is presented – among other definitions that have been presented but will not be used in this paper because they do not reflect the perspective of consumers, which is the author’s concern.

To end the discussion of the disputes regarding the term “quality of life”, since this is not the main objective of this paper, one last clarification regarding the dispute over the use of the term that appears in the related literature will be presented, in order to clearly define the use of the terms “quality of life” and “well-being” in this paper.

As Schuessler K. F. and Fisher G. A. (1985) mention, “quality of life” and “well-being” have been used interchangeably at some point, indicating that the terms refer to somewhat different concepts; according to the Organization of Economic Cooperation and Development, the term “well-being” is preferred to the term “quality of life,” only because it

⁷² Schuessler K. F. and Fisher G. A. (1985) “Quality of Life research and Sociology”, *Annual Review of Sociology*, Vol. 11, 129 – 149

⁷³ Dalkey N. C. and Rourke, D. L. (1973) “The Delphi procedure and rating Quality of Life factors”, 209 – 221, in *The Quality of Life Concept*, US Environmental Protection Agency, USGRO, Washington DC

⁷⁴ Michalos, A. C. (1980) “Satisfaction and Happiness”, *Social Indicators Index*, Vol. 8, No. 4, 385 – 422

“has fewer roots in any particular scientific discipline.”⁷⁵ The Organization of Economic Cooperation and Development, attempting to establish a terminology to be uniformly used, recommends the following: the term “social well-being” refers to the aggregate well-being of a group of individuals and “societal well-being” is used in regards to the evaluation of the institutional structures of the society [OECD, *ibid*, 1976].

In this paper, the author follows the mainly accepted interchange of the terms, while when mentioning either of them, the author refers to what OECD names “social well-being”, unless stated otherwise. This is so because the definitions that are used in this paper are all under the scope of the business field of studies, neither the ethical, nor religious, nor sociological.

5.6. The current need for Well-being and Quality of Life

One of the needs customers are lately increasingly concerned with and pursue to fulfill is wellness, “human-beingness” and -in the end- a new approach to quality of life, a new approach to well-being, or a different one than that of earlier times. As stated earlier, the more developed the society, the higher the needs consumers – and productive institutions – are seeking to fulfill. In earlier times, quality of life was being improved when buying a refrigerator or an electric stove, to satisfy the need of cooking easier and better and the need of preserving what had been cooked, a car, or – even earlier – a horse to satisfy the need of transportation and so on. Productive institutions too are shifting their hierarchies accordingly, in order to satisfy the buyers.

In current times, technological development seems to have little limitation – at least to the consumers, who discover every day even more advanced technology within reach – and buyers in developed countries and societies have gained the affluence to afford to buy most – if not all – of what is offered.

However, quality of life as perceived by social groups, and as argued earlier, is not only a matter of monetary income. “Money does not bring happiness” after all, although no one can deny the fact that it helps towards reaching happiness.

Especially in current times, the matter that has been raised regarding the quality of life is not the technological aspect and how technological development can help improving the everyday life of consumers – this is almost taken for granted.

Rather, in the late years the issue that has risen – partly, or mainly one would argue, because of the technological development that does not take into account the other aspects of life itself and happiness and becomes inconsiderate of the impact which such

⁷⁵ Organization for Economic Cooperation and Development Indicator Development Programme (1976) “Measuring social well-being: a progress report on the development of social indicators”, OECD, Paris

developments have, even as they are being developed, to areas of life such as health for example – is the right of being human, of enjoying other attributes of well being, like health, safety and of having a lifestyle that supports and provides these values. The fulfilling of this need is pursued by increasingly more consumers, as safety about even basic things like the air people are breathing, the food they are eating, et cetera is questioned. And the author here is not referring to developing societies, but rather to developed and advanced societies.

Societal institutions are also becoming preoccupied with this matter; people more and more become – and are encouraged to become – concerned with their health, their environment, their being well: in the late years there has been a rapid increase in magazines of such thematic nature, in products and services that aim to improve well-being, institutions and organizations take action upon improving it (many companies have gyms in their establishments or offer services to their employees aiming towards the same goal, there have been such measures in governmental level, for instance anti-smoking campaigns and so on).

Moreover, it is undeniable that environmental issues are now being considered more and more, becoming the center of consideration not only for companies, but mainly for consumers, “green” arises at every field and level in order to protect what is left of nature and to help it recover, its importance in well-being being appreciated; consider all the negative effects that raping nature and abuse in the name of productivity has had in human life and – consequently – in its quality.

However, it is not the intention of the author to discuss the reasons why modern society faces this need. The focus here is the fact that such a concern is growing, both seen from the aspect of consumers and of the aspect of societal institutions.

This movement, from the consumers’ point of view, was first seen as a trend, as will be further explained later. However, the persistence of the need – which means that the need has not been satisfied – and its growing, instead of nearing satisfaction, have turned this ‘trend’ into a social movement of long duration, into a phenomenon; it has been named the “wellness revolution.”⁷⁶

Here, the author notes that for this paper, the “wellness revolution” is seen not from the narrow perspective P. Zane Pilzer sees it. The author does not only mean business opportunity in matters of money and monetary value. Of course, this is a very important aspect of it, since it determines sustainability of the firm, viability, feasibility, and in the end the existence of the firm; after all, the objective of a firm is profit, which is translated into monetary value.

The author’s intention, however, is to give the term a deeper value, a human

⁷⁶ Pilzer, P. Z. (2007) *The new Wellness Revolution*, John Wiley and Sons Inc., Hoboken – New Jersey

perspective, a quality. “Wellness revolution” in this paper includes the concern of human beings to live as human beings. It includes the concern of people regarding their environment, the air they are breathing, the water they are drinking, the modern civilization that abuses environment in the name of development, without being concerned about who is going to receive the fruits of this development: people. And the more civilization advances, the more egoistic it seems to become. Consider for example that all the forests that are gone, for people to enjoy some goods. Consider all the impact in quality of life that is derived from the opportunity “costs,” when cost is not measured in monetary value, but in quality of the environment – not only the natural, the physical, but also the spiritual, the mental – wherein human beings act and live their lives.

5.7. Raising the issue

As technologies were advancing and firms were looking for more profitable solutions to improve their financial outcomes, it seems that the element of real and deep respect towards the buyer, the consumer, was being left behind: nature was – and no one can argue regarding that it still is – being abused in the name of development, and so many issues and organizations for the protection of animals, plants, the environment and nature in general have been established to actually act upon the protection of nature.

The environmental issues that arise because of the attempt to improve well being and quality of life are not new topics. In R. E. Dunlap “Trends in Public Opinion Toward Environmental Issues: 1965 – 1990”⁷⁷, it is clearly shown that such issues were already a public concern in the 1960s. According to his research and his findings, “Environmental concern developed dramatically in the late 1960s and reached a peak with the first Earth Day in 1970” [ibid, Dunlap, 1991]. And although, as he concludes, in the early 1970s there was a decline in the concern about these issues, which was reduced even further during the decade, there was a significant increase noted in the next decade (1980s) not only in public awareness and concern of the grade of the seriousness of such issues and their impact on human quality of life – and life itself –, but also in the support for the protection of the environment. As he continues, the result was that “by the twentieth anniversary of Earth Day in 1990, public concern for environmental quality reached unprecedented levels. This supportive public opinion provides a valuable resource for the environmental movement, and the future of the movement will depend heavily on the degree to which environmentalists can effectively mobilize this support” [ibid, Dunlap, 1991].

Environmental issues require a very broad discussion and the intention of this paper

⁷⁷ Dunlap, R. E. (1991) “Trends in Public Opinion Toward Environmental Issues: 1965 – 1990”, *Society and Natural Resources*, Vol. 4, No. 3

is neither to approach them, nor to raise ethical or other issues over them. The approach of this paper towards environmental issues is A. to observe that they exist, B. to show that the public, which from the business point of view consists of the buyers and the consumers, is concerned, C. that this concern increases as years pass, D. the response of the firms towards this concern and E. that these issues raise uncertainty and feelings of a lack of safety, and thus, the need for consumers to be what they really are: human beings.

One example to show that all this concern did not end, regardless of the development of Environmental Management Systems (EMSs), of Total Quality Management (TQM), the International Organization of Standardization standards (ISO), the Hazard Analysis Critical Control Point (HACCP), regarding environmental and quality assurance issues – which is one aspect of the firms’ response towards the consumers’ concerns for such matters, another being the huge chapter of discussion of the emerging green energy and all products, cars, vehicles, washing machines etc. that work in respect to nature, with regards of natural resource availability, while one other aspect is the research and development of alternative energy resources etc. –, is the food industry.

The reasons why the food industry was selected in this paper to show the above mentioned, are twofold: firstly, the author wants to present that no matter how developed the society, the first needs to be satisfied are physiological, according to A. Maslow’s pyramid of human needs, with food being one of them; growth, therefore, as analyzed earlier, starts from there, from the fulfillment of basic needs. Consequently, one would expect advanced societies and developed countries to have at least fulfilled these needs, in regard to quality of life of the consumers. However, is it really so? To what extent are consumers in developed societies satisfied or concerned with the options productive institutions offer for fulfilling this basic need? The second reason is the fact that food is identified to be a critical contributor to physical well-being⁷⁸, which is also a very basic standard for quality of life to start from: according to A. Maslow, even when lower-oriented needs are fulfilled and higher-oriented needs are pursued, when something occurs to disturb the lower-oriented needs from continuing being satisfied, individuals – hence, as analyzed earlier, social groups as well – change their priorities, they freeze the pursuit of higher-oriented needs and seek to satisfy the lower-oriented needs that are not fulfilled. For instance, health. If health is disturbed, individuals will most probably and logically stop having other concerns about their self-actualization, and they will seek to improve and balance their new set objective to be healthy.

To name some of these issues that have occurred in advanced and developed societies, consider Bovine Spongiform Encephalopathy (BSE, or mad cow disease) that first broke

⁷⁸ Wilcock, A., Pun, M., Khanona, J. and Aung, M. (2004) “Consumer attitudes, knowledge and behaviour: a review of food safety issues”, *Trends in Food Science and Technology*, Vol. 15, No. 2, 56 – 66

out in the UK in the late 80's, peaked in 1992 and its new form (nvCJD) in 1996⁷⁹.

According to the World Health Organization, “Bovine Spongiform Encephalopathy (BSE) is a transmissible, neurodegenerative, fatal brain disease of cattle. The disease has a long incubation period of four to five years, but ultimately is fatal for cattle within weeks to months of its onset. BSE first came to the attention of the scientific community in November 1986 with the appearance of cattle with a newly-recognized form of neurological disease in the United Kingdom (UK).”⁸⁰ Studies conducted in the United Kingdom indicated that Bovine Spongiform Encephalopathy occurred as a result of cattle consuming cattle feed which contained bovine tissues – for example brain and spinal cord – that was contaminated by the disease's agent. As to what caused the appearance of this agent, the World Health Organization notes that the disease's appearance has ranged from spontaneous occurrence in cattle and the entry of the contaminated carcasses of such cattle in the cattle food chain, to the entry of carcasses contaminated with a similar disease – named scrapie – , again into the cattle's food chain. The contaminated cattle thus entered the human food chain, causing spongy degeneration of the brain with severe and fatal neurological signs and symptoms. According to Richard Kimberlin⁸¹, citing Wilesmith, Ryan and Atkinson and Wilesmith and Wells, though, only the outbreak was probably caused by scrapie infection of cattle: “the subsequent course of the epidemic was driven by the recycling of infected cattle material within the cattle population (Wilesmith, Ryan and Atkinson, 1991; Wilesmith and Wells, 1991)”.

To note the degree of concern that this issue raised globally, there were 181,376 cases of Bovine Spongiform Encephalopathy confirmed during the period between November 1986 and November 2002 in the United Kingdom. In total, 3,286 cases have been reported abroad – since the first time the disease was reported outside the UK, in 1989 – in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Spain, and Switzerland, 206 cases of which were in France, Germany, Ireland, Portugal, Spain and Switzerland. Since the introduction of monitoring programs to detect the disease in dead and slaughtered cattle, twelve countries have found their first native case, not only in Europe, but in Asia and especially as far from Europe as in Japan and Canada: Austria, Czech Republic, Finland, Germany, Greece, Israel, Italy, Japan, Poland, Slovakia, Slovenia, Spain; also in Canada, the Falkland Islands (Islas Malvinas) and Oman there have been reported small numbers of cases, however only in animals imported from the UK [for further study on these case, refer to The International Office for Epizootic Diseases

⁷⁹ Spengos, K. (2002) “Spongiform Encephalopathies, a short literature review” (in Greek), *Encephalos Journal*, Vol. 39, No. 1

⁸⁰ World Health Organization, <http://www.who.int/mediacentre/factsheets/fs113/en/>, accessed on June 19th, 2010

⁸¹ Kimberlin, R. H. (1993)

(OIE) reports, www.oie.int] [ibid, World Health Organization].

The reaction of organizations and firms towards protecting consumers and decreasing concern included the banning of the use of ruminant proteins of animal feed in July 1988 in the UK, the banning of the use of bovine offal in the food chain – as it was considered that it could cause potential risk to humans – in 1989 in the UK, while continuous revision as further information was becoming available, the list of such banned offal was being expanded. The EU in 1994 banned mammalian MBM to ruminants – the time of implementation of which varied from country to country – and in 2001 the EU decided a total feed ban (e.g. ban on feeding any farm animal with MBM). Bans prevented the sales of food and food products containing beef from the UK, while other products that were derived from bovine tissues were also prohibited from sale from the UK, starting from 1996. However in 1999 the European Union lifted the ban on beef and cattle that met specific requirements: “for example, de-boned beef from animals from farms where there have been no cases of BSE and where the animals are less than 30 months of age at slaughter” [ibid, World Health Organization]. Furthermore, quoting the same report, “Cattle are continuously monitored for BSE and BSE is decreasing in the UK. The number of reports of BSE in the UK began to decline in 1992 and has continuously declined year by year since then. New monitoring programs using newly developed tests for the diagnosis of BSE in dead and slaughtered cattle have been introduced throughout the EU. Use of these tests led to the first cases of BSE being detected in 12 countries.”

The measures taken, therefore, seemed to be enough to decrease the public concern on the matter. However, as Matthews H. B. notes⁸², “Repeated claims that British beef is entirely safe to eat are very probably true and largely supported by the opinion of the Southwood committee; but such claims are scarcely scientific when the question has not been tested and is, perhaps, untestable.”

The issue raised, then, is: can consumers be sure of this danger being away?

Another example to illustrate the author's point is the recent food safety incident of Chinese powdered milk products (mainly infant formula) found with universally banned protein melamine (2008)⁸³: it was since spring of 2008 that pediatricians in Gansu, Hebei, and Beijing, as well as in other cities and provinces in China detected an unusual increase of urinary tract stones in infants and young children, followed by an epidemic of urinary tract stones in infants and young children observed in more than ten provinces on the Chinese mainland. After the investigation into the matter, in September 2008 the cause of

⁸² Matthews, H. B. (1990) “Bovine Spongiform Encephalopathy: the Safety of beef has not yet been tested and may not be testable”, *British Medical Journal*, Vol. 300, No. 1 – 4 , February 1990, 412 – 413

⁸³ Times on line, www.timesonline.co.uk/tol/news/world/asia/article4800458.ece

Chen, J-S. (2009) “A worldwide food-safety concern in 2008 – melamine-contaminated infant formula in China caused urinary tract stone in 290,000 children in China”, *Chinese Medical Journal*, Vol. 22, No. 3, 243 – 244

this unusual epidemic was identified as the illegal use of “protein essence” which in fact was melamine in raw milk which was used for the production of infant formula. Melamine is an industrial chemical used primarily as plastics stabilizer and fire retardant⁸⁴. As Zhang et al note, “As a white crystalline substance, one of the heterocyclic organic compounds, it is used principally as a starting material for the manufacture of synthetic resins. Usually formulated with fillers and pigments, melamine is molded into dishes, containers, utensils, handles, and the like or used a laminating agent or coating material for wood, paper, and textiles [ibid, Zhang et al (2009)]. Adding melamine in raw milk falsely increases its protein content, thus artificially inflating the reading for protein levels, after its dilution with water: a typical case of milk adulteration. Due to melamine’s very low solubility, it formed crystals or stones in the urinary tract of infants and young children, as a result of its high concentration in the formula produced for infants. Legal investigation proved that twenty two firms had tainted the offered infant formula with melamine, and the names of these firms were immediately released to the public by the State Council of China. The firm identified as “the one most seriously violating the law” was Sanlu, which is part-owned by New Zealand’s Fonterra Cooperative, other firms being China Mengniu Dairy Co., Inner Mongolia Yili Industrial Group, for their milk powder⁸⁵. By the end of November 2008, 294,000 infants and young children had been diagnosed with having urinary tract stone, according to the report of the Ministry of Health of the People’s Republic of China [ibid, Chen (2009)]. And “although most patients have no symptoms and signs, acute renal failure did occur in a small proportion of patients. According to the World Health organization, more than 50,000 infants have been hospitalized, and six deaths have been confirmed,” as Chen also notes [ibid, Chen (2009)].

But the most concerning fact, is that “formula milk was not until now tested for melamine, because regulators did not suspect this ingredient might be added;”⁸⁶ this multiplies the concern: what can be next? If all the rules that are already set and followed – or not, but let it be assumed that they are – are not able to even detect the danger, how can they prevent it?

At this point, one could argue about the author’s argument regarding the level of society: the author’s unit of analysis is the developed and not the developing societies. Due to the lack of knowledge of the author in this field, but mostly due to the different objective of this paper, which is not to argue whether China is a developed or a developing country [however the author does not consider China as a developing society, rather as a developed, based on its GDP and economic figures], the reader is encouraged to consider the fact that

⁸⁴ Zhang, L., Wu, L.-L., Wang, Y.-P., Liu, A.-M., Zou C.-C., and Zhao, Z.-Y. (2009) “Melamine Contaminated milk products induced urinary tract calculi in children”, *World Journal of Pediatrics*, Vol. 5, No. 1, 31 – 35

⁸⁵ <http://www.sciencebase.com/science-blog/melamine-in-milk.html>, accessed in June 18, 2010.

⁸⁶ *ibid*, <http://www.sciencebase.com/science-blog/melamine-in-milk.html>, accessed in June 18, 2010.

Starbucks also used milk contaminated with melanine. Thus, it becomes clear that such issues are not even limited to one country; as the author suggested in previous chapters, globalization offers unique opportunities for everything to spread all over the globe, both good and bad.

Thus, in such a background it becomes more than clear that the fulfillment of the need of wellness and being human becomes almost mandatory to modern consumers, regardless of the development of the society they are living in.

6. Productive Institutions: The conventional approach vs the sustainable-growth approach

This shift of the customers' needs towards quality of life and the appreciation of tradition as a means to fulfill the new, emerging, and growing need of human-beingness can be – and is suggested to be – recognized as a business opportunity; productive institutions should respond to this need – and are already responding to, to some extent – in order to promote society's growth, according to A. Maslow's hierarchy of needs, as analyzed in the first part of this chapter.

In order to approach this market, rather, in order for firms to decide their strategy of how to approach this market, there are two options available: the first one is the conventional way, the strategy followed by the majority of firms. In this strategy, the center of designing what policies will be followed is formed in accordance to the objective of the firm: creating competitive advantage in order to gain market share – in the case of entering the market – or increase the existing one, in the case of already having presence in the market space that has been created, by outperforming competitors, by offering something that buyers will prefer over an existing good that other firms offer. Although this emerging market could be considered as a blue ocean on its own, in the sense that it is indeed a new market space being created, if the companies that recognize it as such approach this opportunity with the conventional strategic thinking, namely, the visible dimension of differentiation, inevitably at some point they will reach the dead-end of one-dimension-differentiation and commoditization will occur.

To illustrate this, the author encourages the reader to consider the health market, which could be a major market regarding well-being, as health could be considered as one of the most priceless values – if not the most priceless value – that affects quality of life. For example, consider soft drinks that are advertised to boost energy, energy drinks; in Japan, the energy drinks market was launched in 1962 by Taishou Pharmaceutical, who launched the first bottled energy drink to be marketed, “Lipovitan-D” [Asahi Shinbun, 2001⁸⁷]. Of course, this was a new product, creating a new market in Japan. It was followed

⁸⁷ Asahi Shinbun (2001) “Fight Ippatsu”で 1 兆 5000 億円”, June 28

by Otsuka Pharmaceutical Co., Ltd's 'Oronamin-C' three years later⁸⁸ and Sato Pharmaceutical Co., Ltd's 'Yunker' in 1968⁸⁹. It was the first of the three booms in the market of "genki" drinks⁹⁰ and was consistent with the conditions of Japan at that time; it was the middle of the period of Japan's economic miracle, when workers were required to work for especially long hours. According to Asahi Shinbun (ibid, 1996), the second boom occurred in the late 1980's, when Sankyo Co. Ltd.'s 'Regain' appeared in 1988⁹¹, while the third boom in this market began in 1992, when the Japanese Government decided the relaxation of related regulations, thus opening the door for companies to enter the energy drink market, which resulted in a rapid expansion of the products and the brands offered. Nowadays, there are more than 150 different types of energy drinks, sold in bottles that resemble medicines – glass or can. Their prices range from under 150 yen to more than 4000 yen⁹². The recession slowed the growth of market during the 1990's, however total sales in 1996 exceeded 200 billion yen (Asahi Shinbun, 1997⁹³). Taishou Pharmaceutical Co., Ltd.'s 'Lipovitan-D' accounts for approximately one third of the energy market [Asahi Shinbun, ibid 2001], while total volume sales in the market amounted to ten bottles per person per year in the late 1990's [Asahi Shinbun, ibid, 1997].

Many of the products are based on innovations – however, there does not seem to be an invisible dimension. Energy drinks target the same groups, be it sports people or "salary" people, people who work long hours and people who need to have energy. The innovations are in regards to the contents of the drink rather than the effect, the image, the concept, something to differentiate a product; consumers do not seem to clearly distinguish products. Moreover, as B. Johnson mentions in his Marketing Week article "Has the energy drinks market lost its fizz?", "the functional energy market is beginning to flag – its rate of growth by volume has halved year on the year. The functional energy drinks sector may still be growing, but the buyers say it should look over its shoulder at the trends towards healthier lifestyles..." [as of 2002⁹⁴]. This means that the firms in the sector of energy drinks miss to appeal to their buyers, thus creating another red ocean, as earlier analyzed.

Therefore, in order to utilize this opportunity of new space in the market, in order to actually create it, blue ocean strategies and non-visible dimensions of differentiation approach are necessary.

⁸⁸ www.otsuka.co.jp

⁸⁹ www.sato-seiyaku.co.jp

⁹⁰ Asahi Shinbun (1996) "ドリンク材市場に"第三次ブーム"?" May 22

⁹¹ www.sankyo.co.jp

⁹² Roberson, J. (2005) "Fight!! Ippatsu!!: "Genki Energy Drinks and the Marketing of Masculine Ideology in Japan", *Men and Masculinities*, Vol. 7, No. 4, 365 – 384

⁹³ Asahi Shinbun (1997) "ドリンク財って高いほど聞くの?", November 26

⁹⁴ Johnson, B. (2002) "Has the Energy Drinks Market lost its Fizz?", *Marketing Week*, August 29, 18

With the approach of blue ocean strategy and differentiation moving along non-visible dimensions, the objective is not offering yet another product that could improve the quality of life. The objective shifts from the product to buyers' perceived value.

Chapter 3

A new strategy framework – and some case studies

1. Can Tradition be the answer?

The hypothesis, as presented in the first chapter, is that it can. To support it, it is necessary first to define tradition, and then analyze its characteristics, which render it possible for tradition to be an answer, serving as a non-visible dimension of differentiation for businesses.

1.2. Defining Tradition

What is tradition? What is it that makes something traditional? Which are those properties or characteristics that will render something as “traditional?”

Although there have been discussions – which seem endless – among scholars for this matter (e.g. Ed. Shils⁹⁵; R. Handler and J. Linnekin⁹⁶), definitions vary and differ to some extent, as they all attempt to clarify the concept of tradition adequately – which is, indeed, the main purpose of definitions.

However, it seems that there is no specific and adequate definition of tradition – even the need for such a definition has been questioned. It is Dan Ben-Amos, who admits that the meaning of the term tradition – at least in American folklore studies – is often taken for granted, while he says that in that field of studies, tradition “has been a term to think with, not to think about.”⁹⁷ In his opinion, as long as definition is concerned, tradition “simply does not need one,” since the actual meaning of the term is neither more nor less than precisely the meaning of the word; etymologically, “tradition” stems from “traditio”, which in Latin means delivery, or handing over (from traditus, pp. of tradere "deliver, hand over," from “trans-“ which means "over" and “+dare” which means "to give"). According to Ben-Amos, any further explanation is just superfluous. At this point, it is

⁹⁵ Shils, E. (1971) *ibid*,

Shils, E. (1981) “Tradition”, University of Chicago Press, Chicago

⁹⁶ Handler, R. and Linnekin, J. (1984) “Tradition, Genuine or Spurious”, *The Journal of American Folklore*, Vol. 97, No. 385, 273 – 290

⁹⁷ Ben – Amos, D. (1984) “The Seven Strands of Tradition: Varieties in its Meaning in American Folklore Studies”, *Journal of Folklore Research*, Vol.21, No. 2/3, Culture, Tradition, Identity Conference, March 26 – 28 1984 (May – De. 1984), 97 – 131

interesting also to note that it is not only in Romance languages⁹⁸ that this term has this meaning etymologically: in Greek, the word “tradition” is “παράδοση” (paradosi), and is derived from the verb “παράδιδω” (paradido), which has exactly the same meaning as “tradere”, namely “to deliver”, “to hand”.

The issue he raises is that this term, as used in the American folklore literature, has different meanings among scholars. In his article “The Seven Strands of Tradition: Varieties in its Meaning in American Folklore Studies” he identifies the different meanings used in his field of study alone. As the title of his article suggests, he resumes the different attributes given to “tradition” in seven strands: lore, cultural canon, process, mass, culture, langue, and performance. It is not the author's intention to analyze these – or other, if any – strands of tradition, as the study field is completely different and the author is not familiar enough to enter such a discussion. For further discussion, the author suggests studying the cited article. However, what the author would like to point out is that within this term there can be many meanings.

Nevertheless, there is a fundamental consensus as to the transmission and the stability, or, in other words, the givenness and the boundedness. According to Ed. Shils,

“the terms “tradition” and “traditional” are used to describe and explain the recurrence in approximately identical form of structures of conduct and patterns of belief over several generations of membership or over a long time within single societies (with a more or less delimited territory and a genetically continuous population) and within extend across several bounded territorial discrete societies which are unified to the extent of sharing in some measure a common culture – which means common traditions”⁹⁹.

By this definition one can easily track the stability (“recurrence in approximately identical form”) and the transmission (“over several generations of membership or over a long time”). A.L. Kroeber defies tradition as “the internal handing on through time,”¹⁰⁰ where again both of the aforementioned characteristics are present; in fact, this definition also reflects the commonsense meaning of tradition, where tradition refers to an inherited body of customs and believes¹⁰¹. Etymology – that was analyzed also supports this commonsense perception, in the sense of both givenness and boundedness; the verb “to hand” has the meaning “to put something into someone's hand from your own hand,”¹⁰²

⁹⁸ “The Romance languages[...] share a common source: their development in each case may be traced back to Latin” (Harris, M. (1988) “The Roman Languages”, in Harris, M. and Vincent, N. (Eds) (1988) *The Roman Languages*, Oxford University Press, New York, 1 – 25

⁹⁹ Shils, E. (1971) *ibid*

¹⁰⁰ Kroeber, A. L. (1948) *Anthropology: race, language, culture, psychology, prehistory*, Harcourt, Brace, New York

¹⁰¹ Discussed in Handler, R. and Linnekin, J. (1984), *ibid*

¹⁰² Cambridge Advanced Learner's Dictionary (http://dictionary.cambridge.org/dictionary/british/hand_11)

which obviously embodies the meaning of givenness, the transmission, but also suggests the stability of what is given and received: no actual change or transformation of the “something” in transmission is implied.

Nonetheless, it is not to be assumed that tradition itself is strictly fixed and does not change. On the contrary, tradition has been characterized as “resilient,”¹⁰³ a term taken from theoretical ecology. “Resilience” was introduced to literature in 1973 by the theoretical ecologist C.S. Holling to help understanding the non-linear dynamics in ecosystems. Ecological resilience “was defined as the amount of disturbance that an ecosystem could withstand without changing self-organized processes and structures (defined as alternative stable states).”¹⁰⁴ In the words of C.S. Holling, regarding the behavior of ecological systems he suggests:

“It is useful to distinguish two kinds of behavior. One can be termed stability, which represents the ability of a system to return to an equilibrium state after a temporary disturbance; the more rapidly it returns and the less it fluctuates, the more stable it would be. But there is another property, termed resilience that is a measure of the persistence of systems and of their ability to absorb change and disturbance and still maintain the same relationships between populations or state variables”¹⁰⁵.

In this sense, tradition is considered to be a system that is subject to changes from its environment; it is able to absorb change and disturbance, but still maintain its variables.

Thus, tradition transforms itself in the same way living organisms do, in order to maintain themselves in an ecosystem. Even this approach, though, implies the stability of tradition, since it is not a fundamental change scholars discuss about, but rather small, incremental changes that do not spoil the core essence of a tradition. In other words, if we accept the term “resilience” for tradition, then we accept the concept of its stability, in the sense that it remains recognizable and objectively definable. In fact, Ed. Shils, who embraces the opinion that tradition does change, states that the “essential elements” of tradition “persist in combination with other elements which change, but what makes it a tradition is that what are thought to be the essential elements are recognizable...as being approximately identical at successive steps.”¹⁰⁶

The core characteristics then of tradition, are that A. it takes a long time for it to be tested and formed, B. it is resilient, and C. its basic elements remain recognizable.

¹⁰³ Van der Leeuw, S. E. and Papousek, D. A. (1992), “Tradition and Innovation”

¹⁰⁴ Hunderson, L. H. (2000) “Ecological Resilience – In Theory and Application”, *Annual Review of Ecology and Systematics*, Vol. 31, 425 – 439

¹⁰⁵ Holling, C. S. (1973) “Resilience and Stability of Ecological Systems”, *Annual Review of Ecology and Systematics*, Vol. 4, 1 – 23

¹⁰⁶ Shils, E. (1981), *ibid*

1.3. Traditional Knowledge and Consumers' perception of Tradition

By definition, then, tradition is something old, something existing and being practiced for at least some generations. There can be no doubt that these years of practice and testing of techniques for generations has led – and still is leading – to accumulation of knowledge. This could be described as “Traditional Knowledge.”

However, in the related literature it is difficult for a definition of Traditional Knowledge to emerge: Dutfield [in his article regarding aspects of Traditional Knowledge, 2001¹⁰⁷] recognizes this difficulty, raising the issue of even the existence of such a term, due to the existing argument that Traditional Knowledge cannot be distinguishable from knowledge, or other kinds of knowledge – for instance, scientific knowledge. He suggests that avoiding a specific definition could be a way to deal with this difficulty, since the diversity of such knowledge makes it rather impossible to actually define it, while proposing a general approach should serve better: “Traditional Knowledge is the knowledge held by traditional peoples and communities” [ibid, Dutfield (2001)]. Nevertheless, he recognizes that it does exist, although he finds it incorrect to define it as an entirely discrete category of knowledge [ibid, Dutfield (2001)]. The sources of this kind of knowledge are difficult to trace, he explains, because of the sharing of knowledge between two or more peoples or communities and because of the non-claiming of the knowledge by any individual; some of it is considered to be attributed not to humans, but to a deity.

In any case, though, Traditional Knowledge, as the author has already suggested, has a large impact in the global economy. This is because in a commercial environment, consumers' perception of tradition is that it is something authentic, something long lasting, already tested for many years, that has depth and is not something ephemeral, namely, that it holds value on its own. In fact, this attitude is one of the main characteristics of consumers in Japan, where consumers are tradition-driven, in the sense that they deeply appreciate exactly this value: trust in the depth of the product¹⁰⁸, trust in the Traditional Knowledge, which – in a global environment – has the chance to be diffused not only to the community where it originates, but to consumers globally, thus offering its benefits to a wide range of people willing to accept it.

The economic value of Traditional Knowledge worldwide is not easy to accurately define either, due to the diversity of such knowledge, due to the fact that such knowledge can be an essential part of the development of other products – non-identifiable – and due

¹⁰⁷ Dutfield, G. (2001) “TRIPS – Related Aspects of Traditional Knowledge”, *Case Western Reserve Journal of International Law*, Vol. 33, No. 2, 233 – 276

¹⁰⁸ from interview with Folli Follie Japan top manager, 2008

to the non-entrance of many such products to markets. Dutfield [ibid, Dutfield (2001)] provides some figures to indicate the growth of the market; in the pharmaceutical industry, estimations of market value attributable to plant-made medicines sold in countries-members of OECD only in 1990 – which is before such medicines increase vastly in popularity and acceptance – is US\$ 61 mill., while in agriculture, a study of Robert Evenson on the use and value of traditional crop varieties for rice breeding in India concluded that rice landraces acquired from India and overseas contributed annually US\$ 6.1 mill. to India's rice yields [mentioned ibid, Dutfield (2001)], approximately US\$ 400 per year, if projected to global contribution. And although there cannot be accurate economic value data, other than that Traditional knowledge's contribution is exceptional and still growing, the spiritual and cultural value of it that cannot be translated into monetary value is indisputable.

Nonetheless, the author notes that it is not only agriculture or pharmaceuticals that should be considered under the Traditional Knowledge scope. As it will be shown later in this chapter with the evidence of case studies, Traditional Knowledge covers many aspects of culture, all of which can be applied to the modern perception of life – like fashion design, for instance.

Under this scope, consumers re-evaluate tradition as a means towards achieving well being. For example, consider organic food, which is how food was when pesticides, chemicals etc. did not exist, only with mechanical support. The organic food industry has grown extremely rapidly and still grows. Or, the turn of consumers seeking well being in traditional methods of meditation, like yoga, tai chi and others; consumers are changing their philosophy towards well being. And it is undeniable that this value of well being, of being healthy, of feeling safe, is priceless. This is exactly what is suggested in this paper for firms to utilize through tradition and Traditional Knowledge, in order to create new market space. The author does not mean only health, although health is one of the main, the most basic aspects of well being. Rather, a philosophy of life, based on the right of human being to be such: human beings.

1.4. Tradition and businesses: the utilizable attributes

In light of the so far presented literature review, it can be suggested that indeed tradition's attributes can be of valuable importance to businesses, serving as a non-visible dimension of differentiation and competition: tradition, by definition, requires time to be established as such. The longer time a tradition – as defined in traditional knowledge – is being practiced, the more knowledge accumulates, and the more trust it receives.

This makes tradition a non-imitable good, at least in regards to the business-life-cycle;

if for example a tradition has been practiced and tested for 3,000 years, imitating it at a level which would raise the same trust would take another 3,000 years.

Therefore, the attribute that businesses could utilize, in the landscape described in the above literature review, namely when businesses aim at creating new demand and offering supreme buyer value, and at the same time moving along non-visible dimensions of differentiation, which would act as a barrier towards turning the ocean red, is the time needed for tradition to be established as such, and thus the inability to imitate it – at least in the short run. This thinking could be especially useful for countries with long tradition, like for example Japan, China, Greece, and so many others.

It could be argued that tradition, viewed from the business aspect, is obsolete; something that only serves as a memory, or as a part of history, showing what ancestors were doing with much more effort, compared to what today can be done with much less. And it is true that tradition could be described as obsolete.

However, it is undeniable that some businesses have taken this “obsolete” practice, tool, method, knowledge in general, and have turned it into not only something completely new, but in fact into a blue ocean, creating new demand.

For example, consider the Japanese company Wakamatsu, a Kyoto-based Japanese company that manufactures and sells socks, shoes, and every day clothes under the brand name SOU SOU.

Wakamatsu Company was founded in 2002 and its concept is – by the words of the company – “creating modern design based on Japanese tradition.”¹⁰⁹ What the company did was to take the tradition of *jika tabi*, the traditional Japanese split-toe canvas shoes with rubber soles (and socks, *tabi*) and embody it in modern everyday life. How? By giving *jika tabi* a modern touch.

The split-toe socks (*tabi*) are traditionally worn when wearing a kimono in Japan, while *jika tabi* (the split-toe shoes) are traditionally worn by construction workers, gardeners, farmers, painters, road workers etc, although in the West they are tightly bound to the image of ninja and the eastern martial arts. *Jika tabi* have a much shorter history than plain *tabi* (socks); they have been worn since the late Meiji period, around 1912, unlike the socks, which have been the footwear of traditional kimono for centuries before that. *Jika tabi* are worn even today – besides the aforementioned construction workers – during festivals in Japan, by musicians of traditional instruments like *taiko* and by participants.

The designers of the Sou Sou *jika tabi* recognized the functionality of the shape of the split-toe shoe for the movement of the body and its balance, and decided to offer this value

¹⁰⁹ Information and data obtained from the home page of the company (www.sousou.co.jp).

“日本の伝統の軸線上にあるモダンデザイン”

to Japanese and Asian buyers: “The separation gives you a better grip. Therefore, the toes are just as important as thumb and fingers. Imagine clinging to a horizontal bar. It is a lot different whether your thumb is above together with the other fingers or alone below the bar. The same goes for jikatabi’s separated toe. It will let you have the best performance both spontaneously and continuously. Additionally, due to the light sole, you can feel the unevenness of the ground and this gives you a good massage effect”, according to Sou Sou designer Maki Hashimoto (Kyoto)¹¹⁰.

This functionality is exactly the reason why construction workers in Japan have been using jika tabi for so long and continue using them today, despite the technological improvements even in the area of shoes and their functionality. As Mr. Hashimoto says, “It is not unusual that articles that once have been work wear are turned into fashion items. Just think of jeans, military clothes, even jeeps... They all exceeded their original purpose to be adapted as everyday life products. Jika tabi are a very ‘noble’ footwear, because they combine three factors: a unique look, high functionality and the representation of traditional Japanese footwear.”

One more touch that the Sou Sou brand embodies in order to offer more value to its buyers, based on tradition, is the local characteristics of the accumulated knowledge; the company has established manufacturing in Kurume (Fukuoka Prefecture), Takasago (Hyogo Prefecture), Okayama (Okayama Prefecture) and Gyouda (Saitama Prefecture), all of which have long tradition in Japan for jika tabi making, thus having created their own style of manufacturing, their own schools. This accumulated knowledge is reflected on the items, that are hand-made, using equipment that seem from another epoch, from another century. The “local flavor” of the “special manufacturing skills” inherited from one generation to the next led to the creation and development of different styles of jika tabi that the company offers.

Tradition in the Sou Sou jika tabi is not only the item itself, nor the equipment used for its production. It is also the pattern of the fabric: “There are many wonderful things that survived from times long passed. I think especially in Japan these bear an amazing sense of taste: Taking the essence of the traditional ideas and adding our own interpretation – that’s what we believe is tradition: connecting old and new,” in the words of Mr. Hashimoto.

The first establishment of the firm in Tokyo was opened in February 2003, offering 2,300 pairs of jika tabi. In the following years the company opened more establishments in Kyoto and Tokyo, and at present its presence has reached San Francisco. Furthermore,

¹¹⁰ From interview of the designer of Sou Sou brand Mr. Hashimoto Maki published to the “Ping Mag, the Tokyo – based magazine about design and making things” ([http:// pingmag.jp](http://pingmag.jp)), Archive, 24 August 2007

after collaborating with the sportswear company Le coq sportiff in 2007, the brand's name is spread all over Asia – the products are distributed to more than ten countries.

What Sou Sou offers its buyers is not only tradition. It infuses modern elements with something so traditional as jika tabi and tabi. The modern colors – although the patterns are traditional – and the turning of the jika tabi into modern sneakers with fresh and fun touches and vividness, but at the same time retaining the functionality and quality of the traditional shaping, even with its production methods, was the key to success for this company: offering supreme value via tradition. This is exactly what the author proposes for tradition to be in regards to blue ocean creating, a seventh path, a seventh way to look at things in a different way, in order to discover an opportunity to create new market space¹¹¹.

From the above presented case study, it is already clear to the reader the intention of the author to add tradition to the six paths towards creating blue oceans. The reasons why tradition could be considered as such a path are thoroughly explained in the next chapter.

Tradition, however, as presented earlier in this chapter, holds a value of its own, which could be offered within a new environment to consumers of modern days.

The author is not talking about transforming tradition in a new way, but applying tradition as it is, in order to create supreme value to offer to buyers, like the modern jika tabi of the Wakamatsu company. Tradition, therefore, can be a vehicle by which business strategy can turn to innovation.

2. Innovation: where Tradition leads

Although Joseph A. Schumpeter (8 February 1883 – 8 January 1950) is considered to be the father of innovation, the theory of innovation was present already in early studies of the capital system. Francis Bacon, who is considered to be arguably the ideological father of modern western science, suggested a utopia created by the works of a scientific institution¹¹² – the way knowledge was transferred resembles the way today's institutions (Universities, Research Institutes etc.) transfer knowledge to society –, emphasizing the role of developments in science and the impact of technology on society. Desmond Bernal, on the other hand, favored not the creation of new developments and discoveries, but rather the use of them towards creating social wealth.

¹¹¹ Of course, this is a case study that illustrates the main idea. However a much more thorough approach is explained further at Chapter 4, where the main case study is presented.

¹¹² In his utopian novel "New Atlantis", published initially in Latin in 1624 and in English in 1627

In the 18th century, Adam Smith pointed out the importance of technological change and its role towards the industrial production development. Thus, again, it is clear that a link between society and technological development – which is indeed a major part of the whole concept of innovation – is being implied or even suggested, which is exactly what the essence of the Schumpeterian concept of innovation is; not only to create something new, but to diffuse it, for society to be benefited.

In fact, as stated in M. Meier and E. R. Baldwin 's “Economic Development: Theory, History, Policy,”¹¹³ Smith was the first classical economist to study in depth technical change and the impact it has on economic growth. Believing that economical development is a gradual and self-perpetuating process, he built his theory on the eighteenth-century belief of natural law. He suggests that each member of the society is free to pursue his self-interest, within the control of the natural legal system, resulting in a harmonious economic order that benefits its members. Development tends to accumulate, resulting in the increase of saved capital: the “Capital Accumulation.” This is fundamental for economic development and for extension of the market and will eventually result in the increase of national income and growth of population.

2.1. Defining Innovation

Innovation etymologically extends from a derivation of the Medieval Latin word “novus” (15th century), meaning “new.” The American Heritage Dictionary informs the readers that innovation comes from the French 'innover,' which derives from Old French, originally from the Latin verb innovare, innovat–, with the meaning “to renew.” As the dictionary notes, in– , intensive pref. in– + novare, to make new (from novus, new, newo– in Indi-European roots)¹¹⁴.

There are many definitions regarding innovation, but the one given by the father of innovation studies, Schumpeter, is the following: innovation is the carrying out of new combinations, which can take several forms: the introduction of a new good or standard of quality, the introduction of a novel method of production, the opening of a new market, the acquisition of a new source of new materials, and the carrying out of a new organization in any industry.

¹¹³ Meier, M. and Baldwin, E. R. (1957) *Economic Development: Theory, History, Policy*, John Wiley & Sons Inc., New York

¹¹⁴ *The American Heritage Dictionary of the English Language* (2000) Fourth Edition, Houghton Mifflin Company, United States

Innovation as a concept has been seen from many different angles and many types and classifications have been already identified. Especially the last fifteen years, innovation has been a major subject of study; it has been analyzed and thought about from many standpoints and fields. From management to ecology, politics, and sociology and from marketing to various processes, within businesses, institutions, or other organizations, innovation has been thoroughly “processed” and defined.

However, as much as all these definitions differ regarding their broadness or narrowness, the field where they apply and can be found, or the difference of the concept under which they have been formed, they all recognize that innovation is strictly connected to something new – when something new is not involved, there can be no innovation –, that it is a process and that it is different from invention; innovation means the commercialization of invention¹¹⁵. After all, like tradition, the word itself represents its meaning.

The fact that there is not one single definition does not mean that there are “better” or “worse” definitions, at least regarding the definitions that have been studied, examined, tested, and “approved” by academic circles and scholars.

According to James M. Utterback, innovation “refers to an invention which has reached market introduction in the case of a new product, or first use in the production process, in the case of a process innovation.”¹¹⁶ Furthermore, he clarifies that for the main idea, which is the “first use” concept, two things are not necessary: A) the idea to be entirely new – as long as it is new in a particular market or application and B) to give a measure of the economic impact or significance of an innovation – but to have one begin is required. Similar to this view regarding the “newness” of the idea is the definition that Zaltman et al. give: “an idea, practice or a material artifact perceived to be new by the relevant unit of adoption.”¹¹⁷

For D. Leonard and W. Swap, innovation is the end result of the creative process, which consists of five sequential steps: preparation, innovation opportunity, divergence (generating options), incubation, and convergence (selecting options). They define creativity as “a process of developing and expressing novel ideas that are likely to be useful.” In that sense, they define innovation as “the embodiment, combination, and/or

¹¹⁵ Schumpeter, J. A. 1934 (1983) *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest and the Business Cycle*, Transaction books, New Brunswick – New Jersey

¹¹⁶ Utterback, J. M. (1971) “The Process of Technological Innovation within the Firm”, *The Academy of Management Journal*, Vol. 14, No. 1, 75 – 88

¹¹⁷ Zaltman, G., Duncan, R and Holbek, J. (1973) *Innovations in Organizations*, Wiley – Interscience Publication, New York

synthesis of knowledge in novel, relevant, valued new products, processes or services.”¹¹⁸

In all these definitions, the common word, the common meaning, is the word 'new', or 'novel'. The concept of newness is by definition linked to innovation, as explained earlier.

Furthermore, there is a link between innovation and its impact to society; the economic impact, the value etc. imply exactly that innovation is something more than just a novel idea. This is precisely the difference between innovation and invention; Tidd et al. recognize invention to be “only the first step in a long process of bringing a good idea to widespread and effective use,”¹¹⁹ while “innovation is more than simply coming up with new ideas; it is the process of growing them into practical use” (ibid). They illustrate this by giving vivid examples of these completely different concepts:

“In fact, some of the most famous inventions of the nineteenth century were invented by men whose names are forgotten; the names, which we associate with them, are of the entrepreneurs who brought them into commercial use. For example, the vacuum cleaner was invented by one J. Murray Spengler and originally called an 'electric suction sweeper'. He approached a leather goods maker in the town who knew nothing about vacuum cleaners, but had a good idea of how to market and sell them – one W. H. Hoover” (ibid).

Furthermore, Van de Ven¹²⁰ argues that even if others may look on an idea as mere imitation, if the idea is new to the people involved (or the environment, the author suggests), it must be treated as innovation.

2.2. Typology and classification of Innovation

The range of fields and types of innovation is very wide. Various types and classifications are attributed to innovation, depending on the field of its implementation, the nature of the change it results in, or the impact it has in its environment.

Thus, R. Cyert and J. March introduced programmed and non-programmed innovation¹²¹ – the former being innovation that is planned through research and development, while the latter occurring when there is a slack in the organization in the

¹¹⁸ Leonard, D. A. and Swap, W. C., (1999) *When sparkles fly: igniting creativity in groups*, Harvard Business School Press, Boston, Massachusetts

¹¹⁹ Tidd, J., Bessant, J. and Pavitt, K. (2001) *Managing Innovation: Integrating Technological, Market and Organizational Change*, Second Edition, John Wiley & Sons Ltd., West Sussex, England

¹²⁰ Van de Ven, A. H. (1986) “Central problems in the management of innovation”, *Management Sci.*, Vol.14, 75 – 88

¹²¹ Cyert, R. M. and March, J. G. (1963) *A Behavioral theory of the Firm*, Prentice – Hall, Englewood Cliffs – New Jersey

form of more resources than are presently needed, which are then used for innovation purposes –, W. Abernathy and J. Utterbach define incremental – which represents minor improvements or simple adjustments in current technology – and radical innovation¹²² – fundamental changes that represent revolutionary changes in technology, while twenty years later C. M. Christensen introduced disruptive innovation – referring to technological innovation, product or service that eventually overturns the existing dominant technology or status quo product in the market – and sustaining innovation¹²³ – by contrast to disruptive innovation, it refers to innovation that improves product performance of already established products.

In addition, there is social innovation (M. Young¹²⁴), referring either to innovations which aim to meet a social need, or to the social processes that are used in order for an innovation to be developed, organizational innovation (R. Daft¹²⁵), which means the creation or adoption of an idea or alteration of business structures, practices or behavior, new to the organization, financial innovation (M. Miller¹²⁶), that regards creating and popularizing new financial instruments and new financial technologies, institutions and markets, architectural innovation (R. Henderson and K. Clark¹²⁷), a type of technological shift that changes the linkages between components in a system, marketing innovation (T. Levitt¹²⁸), strategic innovation (M. Tushman and P. Anderson¹²⁹) and so many others.

2.3. Process and Product Innovation

From the many types and classifications of innovation, some of which have been presented by the author as found in the literature that has been reviewed, this paper will

¹²² Abernathy, W. J. and Utterback, J. M. (1978) “Patterns of Innovation in Industry”, *Technology Review*, Vol. 80, No. 7, 40 – 47

¹²³ Christensen, C. M. (1997) *The innovator's dilemma: when new technologies cause great firms to fail*, Harvard Business School Press, Boston – Massachusetts

¹²⁴ Young, M. (1967) “Innovation and Research in Education”, *International Review of Education*, Vol. 13, No. 3, 374 – 376

¹²⁵ Daft, R. L. (1978) “A Dual-Core Model of Organizational Innovation”, *Academy of Management Review*, Vol. 21, 193 – 210

¹²⁶ Miller, M. H. (1986) “Financial Innovation: The last twenty years and the next”, *Journal of Financial and Quantitative Analysis*, Vol. 21, No. 4, 459 – 471

¹²⁷ Henderson, R. and Clark, K. (1990) “Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms”, *Administrative Science Quarterly*, Vol. 35, 9 – 30

¹²⁸ Levitt, T. (1962) *Innovation in Marketing: New Perspectives for Profit and Growth*, McGraw – Hill, New York

¹²⁹ Tushman, M. L. and Anderson, P. (2004) *Managing Strategic Innovation and Change: A Collection of Readings*, Oxford University Press, Oxford, United Kingdom

elaborate on product and process innovation.

Like innovation, there are many definitions regarding product and process innovation. As stated previously, it is not that some are “superior” than others in any case. It is clear, though, that the concept is not fully understood and developed, since many definitions have emerged – even in very recent years –, attempting to give an adequate explanation of the concept.

In his theory, the different “types” of innovation that Schumpeter includes in his definition of innovation comprise the two main categories of innovation: 1. Process Innovation and 2. Product Innovation. The former category consists of A. a new method of production and B. a new source of supply of raw material or semi-finished goods, whereas product innovation consists of a new good, a new quality of good or opening of a new market, and a new industry structure as the creation or destruction of a monopoly condition¹³⁰.

Knight¹³¹ defines product innovation in terms of any new product introduced by the organization, whereas Utterback and Abernathy¹³² suggest that product innovation is any emerging technology or combination of emerging technologies. Furthermore, they assert that it is “a new technology or combination of technologies introduced commercially to meet a user or a market need.”³⁹

Regarding process innovation, Collins et al.¹³³ define it as “any operations technology that is new to the adopting organization,” while Tushman and Nadler¹³⁴ as “a change in the way products are made or delivered” and Knight¹³⁵ as the “introduction of new elements in the organization’s task, decision and information system or its physical production or service operations.”

Also the Organization for Economic Cooperation and Development (OECD) in its proposed guidelines for collecting and interpreting technological innovation data (the so-called Oslo Manual) in 1992¹³⁶ classifies innovation in process and product, while

¹³⁰ Meier, M. and Baldwin, E. R. (1957) *Economic Development: Theory, History, Policy*, John Wiley & Sons Inc., New York (citation No. 39)

¹³¹ Knight, K. (1967) “A Descriptive Model of Intra-Firm Innovation Process”, *The Journal of Business*, Vol. 40, No. 4, 478 – 496

¹³² Utterback, J. M. and Abernathy, W. J. (1975) “A Dynamic Model of Process and Product Innovation”, *OMEGA - The International Journal of Management Science*, Vol. 3, No. 6, 639 – 656

¹³³ Collins, P. D., Hage, J. and Hull, F. M. (1988) “Organizational and Technological Predictors of Change in Automaticity”, *Academy of Management Journal*, Vol. 31, No. 3, 512 – 536

¹³⁴ Tushman, M. and Nadler, D. (1986) “Organizing for Innovation”, *California Management Review*, Vol. 28, No. 3, 74 – 92

¹³⁵ Knight, K. (1967), *ibid*

¹³⁶ OECD (1992) *The measurement of scientific and technological activities, guidelines for collecting and*

distinguishing a third category of innovation, the “technological innovation,” which is either process or product. However, in OECD's Manual, 1997 revision, Technological product and process (TPP) innovation is being focused on. Technological product innovation is defined as follows: “A technologically new product is a product whose technological characteristics or intended uses differ significantly from those of previously produced products. Such innovations can involve radically new technologies, can be based on combining existing technologies in new uses, or can be derived from the use of new knowledge,” or “the implementation/commercialization of a product with improved performance characteristics such as to deliver objectively new or improved services to the consumer,” whereas technological process innovation “is the implementation/adoption of new or significantly improved production or delivery methods. It may involve changes in equipment, human resources, working methods or a combination of these” and “the adoption of technologically new or significantly improved production methods, including methods of product delivery. These methods may involve changes in equipment, or production organization, or a combination of these changes, and may be derived from the use of new knowledge. The methods may be intended to produce or deliver technologically new or improved products, which cannot be produced or delivered using conventional production methods, or essentially to increase the production or delivery efficiency of existing products. “Technological innovations comprise new products and processes and significant technological changes of products and processes. An innovation has been implemented if it has been introduced on the market (product innovation)”. “Major product innovation describes a product whose intended use, performance characteristics, attributes, design properties or use of materials and components differ significantly compared with previously manufactured products. Such innovations can involve radically new technologies or can be based on combining existing technologies in new uses”. “Incremental product innovation concerns an existing product whose performance has been significantly enhanced or upgraded. This again can take two forms. A simple product may be improved (in terms of improved performance or lower cost) through use of higher performance components or materials, or a complex product which consists of a number of integrated technical subsystems may be improved by partial changes to one of the subsystems (OECD, 1992).” “Process innovation is the adoption of new significantly improved production methods. These methods may involve changes in equipment or production organization or both. The methods may be intended to produce new or improved products which cannot be produced using conventional plants or production methods or to increase the production efficiency of existing products.” (OECD, 1992)

2.4. On Process and Product Innovation – the consumer perspective

There have been numerous discussions among scholars in this field of research, on the accuracy of the definitions of product and process innovation, the strategic importance of which has been considerably emphasized in management literature.

According to S. Bhoovaraghaven et al., there is a major weakness to the various definitions that have been attributed to these two types of innovation: “the definitions of product innovation always seem to encompass innovations that can also be characterized as process innovation and vice versa,”¹³⁷ while the lack of an adequate definition regarding process innovation is attributed to the perspective from which researchers in this field of study have been examining the concept; the supply perspective that has been favored by most scholars does not help the firm succeed in the long run, as it does not represent the market orientation, the necessary path towards success. The reason why emphasis here is given to the definition of process innovation and not product innovation is that product innovation is more easily recognized. Whereas it is more difficult to decide whether a product is a result of product innovation indeed, or process innovation (see the case of laptops in the next paragraph). If there were an adequate definition of process innovation, products of process innovation would be recognized as such and not mistaken as products, or fruits, of product innovation. In other words, from the definitions given for product innovation and for process innovation, it seems it is more common to mistake process innovation for product innovation.

In order to illustrate their argument, they give the example of laptop computers, which are an extension of the concept of personal computers. They argue, “this product is very likely to be construed as the result of product innovation, while it may, in fact, be an example of process innovation.”¹³⁸ Viewing this from the consumer-based angle they base their proposal on the Choice theory, where the role of consumers and their perceptions are at the center of the analysis; the final product is seen as a set of attributes, which the consumers evaluates in order to make their decision. From this point of view, consumers’ perception of product or process innovation comes through the final product that reflects an attribute –tangible or intangible– of product or process innovation.

To distinguish product and process innovation, they recognize “product-innovated products” and “process-innovated products,” as well as a combination of both. From their research, they conclude that product-innovated products satisfy either new or already

¹³⁷ Bhoovraghavan, S., Vasudevan, A., Chandran, R., (1996) “Resolving the Process vs. Product Innovation Dilemma: A Consumer Choice Theoretic Approach”, *Management Science*, Vol. 42, No. 2, 232 – 246

¹³⁸ Bhoovraghavan et al. (1996), *ibid*

existing 'core wants,' while process-innovated products satisfy only existing 'core wants.' The last case of the combination of both refers to innovated products that satisfy existing 'core wants.'

But what is a 'core want'? "A 'core want' is one that may be satisfied by that portion of a product referred to as the 'core product' by Kotler and Armstrong (1989)¹³⁹, i.e., the part of the product that delivers the core benefit. Every product also satisfies a range of supplementary wants, i.e., those consumer wants that are satisfied by the portion of the product specifically referred to as "actual" and "augmented" by Kotler and Armstrong (1989). Actual and augmented aspects of the product supplement the core benefit obtained and typically include such elements as packaging, quality, styling, and so forth. For example, in tracing the history of the development of cars, we find that the first form of the product was designed to satisfy only the core want of passenger transportation. Today's car, however, which is a very different entity, caters to the core want, as well as to a range of supplementary wants such as traveling in the comfort of air conditioning, quality music, and other comforts."¹⁴⁰

Therefore, an existing core want can be met and satisfied by existing products, whereas a new core want is one that has newly risen (or one that is known to exist) but cannot be satisfied by the existing sets and ranges of products.

In this paper, since we adopt the consumer orientation, we will also accept the suggestion of Bhoovarghavan et al., that "process innovations are always perceived by the consumer as products that cater to or supplement only existing core wants" and "product innovations are perceived by the consumer to be products that either cater to a new core want or supplement existing core wants." In these definitions, the author is adding services as well to products, since services – if seen as a special form of intangible products, whose only difference to the tangible ones is that they are consumed simultaneously with their being offered – can also satisfy needs and wants of consumers.

3. Linking tradition to innovation

It is true that tradition is strongly related to innovation. According to their definitions, as given above, we can safely assume that their relation is of the "opposite" type. In other words, tradition can be conceived as the opposite of innovation; it is something by

¹³⁹ Kotler, P. and Armstrong, G., (1989) Principles of Marketing, Fourth Edition, Prentice Hall, Englewood Cliffs, New Jersey [quoting the reference for the reader's convenience]

¹⁴⁰ Bhoovraghavan et al. (1996), *ibid*

definition old, mature, rigid and well established and almost unchangeable in people's minds, with its main traits clearly and objectively recognizable, as mentioned earlier, as opposed to something which – again, by definition – is new and flexible. In fact, it has long been concluded so, probably as an obvious conclusion deriving from the definitions, since “old” and “new” are the exact opposite concepts.

Although it has been argued that this dichotomy is false, and that the opposite-relationship is the conventional point of view, due to the predominant tendency to distinguish change and stability in absolute terms¹⁴¹, and the naturalistic approach, according to which “tradition is likened to a natural object, occupying space, enduring in time and having a molecular structure” has been also criticized, that it should be seen as a “symbolic process”, that “traditional” is not an objective property of phenomena but an assigned meaning¹⁴², in other words, that “tradition is not a bounded entity made up of bounded constituent parts, but a process of interpretation, attributing meaning in the present though making reference to the past”⁶³, this aspect of arguing is not very helpful when the field of study is not culture or folklore. In other words, although this relation has been questioned in what are considered to be “appropriate fields of study” for tradition, it has never been questioned regarding the aspect of business and firms.

Tradition has always been a theme of discussion among scholars of sociology, folklore studies, history, culture, etc. And it seems that it is not so often that tradition is a topic to be discussed by scholars of management and business strategy, sustainable growth, and so on.

In fact, it seems there is no literature concerned with the combination of tradition and business strategy, whereas that of innovation and business strategy has been one of the major concepts for scholars and a central issue in studies regarding the sustainability and growth of industries. This may be due to the fact that tradition as a concept is perhaps seen as an obsolete or a redundant one from the innovation-oriented point of view, based on the dichotomy that has been believed and is still perceived, that tradition is the opposite of innovation. Therefore, it is logical to assume that innovation-oriented thinking (especially regarding business strategy) looks down on tradition, meaning that tradition is thought to slow down or even block innovation process¹⁴³: why would someone concerned with the sustainability and growth of a firm consider involving tradition, perceived as above mentioned, when it will only slow down or even completely stop one of the most wanted and thus pursued processes for competitive advantage, sustainability and growth in current literature and business disciplines, namely, innovation?

¹⁴¹ S.E. van der Leeuw and D.A. Papousek (1992) *ibid*, ref. Olsson, 1978

¹⁴² Handler, R. and Linnekin, J. (1984), *ibid*

¹⁴³ Shils, E. (1971), *ibid*

As suggested, though, tradition's attributes are exactly the attributes that justify it as a competitive advantage moving along the non-visible dimension of differentiation.

4. How to give Tradition supreme value for the modern buyers? – Customer Value

First of all, it should be clarified that by “customer value” the author refers to “a customer’s perceived preference for and evaluation of those product attributes, attribute performances and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations”, as R. B. Woodruff suggests in his article “Customer Value: the next source for competitive advantage.” (1997)¹⁴⁴

The issue then that is raised is how to make something traditional, something that carries the value of trust and security and the non-visible dimension of “being able to acquire something priceless” valuable to mass buyers, how to give superior value to tradition in order to offer it to the buyers. And the author here clearly distinguishes the transformation of tradition into something modern, a more “advanced” form of a traditional product or good in general, from tradition, which remains unchangeable. The means might change and become more advanced technologically, since the ability to do so exists. In fact, it is not only the ability, but also the necessity to do this, in order for economies of scale to be created, as explained in the next paragraphs.

In this matter, the author recognizes two options.

4.1. Bringing Tradition Forward – Toraya Confectioneries

One way would be by bringing tradition forward, from the past to the present. This sounds very logical, since the value of tradition remains unchangeable. It cannot be denied that if one could retain tradition and offer it as it was – as it is – to buyers, then the 100 percent of its value is also being offered, thus maximizing it for buyers. After all, this is exactly what value innovation is about, as long as the offered good can be strategically priced.

To this, it should be mentioned that although traditional methods – and by that the authors refers to methods that used to be followed before technological development allowed mass production to be achieved – could ensure the “traditionality” of the outcome of the process – method, it cannot ensure its strategic pricing. This is because of the cost of

¹⁴⁴ Woodruff, R. B. (1997) “Customer Value: The Next Source for Competitive Advantage”, *Journal of the Academy of Marketing Science*, Vol. 25, No. 2, 139 – 153

the means that are needed in order to reconstruct the old, redundant process of manufacturing, that have to be found and implemented – since special skills and knowledge are necessary – on one hand, and on the other hand, because of the ratio of the output of work per worker; it is undeniable that when facing a mass market, mass production is the system by which a company can create economies of scale, even if the traditional output has a lot more to offer to the buyer in terms of value.

However, it could be argued that technological development has become able to overcome this barrier, and applying traditional techniques to create something of tradition to offer to the buyer – although the technique will not be 100 percent traditional, in the sense that for instance it will not be workers who apply the method, but machinery or robots. Thus, if a way to bring tradition to mass production were implemented, the value of this tradition could be offered to the mass of buyers and a blue ocean could arise. Furthermore, the concept of tradition, as mentioned before, holds depth and value on its own.

One example of bringing tradition forward in this sense, namely by applying traditional techniques and knowledge accumulated with the passing of centuries of time on the product offered, is the case of Toraya Confectioneries.¹⁴⁵

Toraya Confectioneries is one of the oldest confectionery makers in Japan. It was founded in Japan's older capital, Kyoto, a town which incorporates Japanese tradition – at least as an image – even today. The first documentation of its existence as a company dates back at the late 1500s. Toraya Confectioneries has a long tradition of being a traditional Japanese confectionery of superior quality; its reputation for being a purveyor to the Imperial Court for many years is still something the company is proud of¹⁴⁶. Based on fruits, sweet bean jelly, and other such ingredients, Toraya Confectioneries perfected in Kyoto the taste of sweets that were introduced from China during the Nara Era. The essence of Toraya Confectioneries' sweets is to be able to taste each of the ingredients. With this on mind, Kurokawa, a scholar of Japanese history of art, conceptualized sweets from a cultural and historical perspective, to incorporate harmony for all five senses in every sweet, inspired by nature experienced during each season. With such high a sense of creation of art, not just confectioneries, Toraya Confectioneries was selected by the Imperial Court. It was absolutely essential for the company to keep this tradition, since through the accumulated knowledge combined with the philosophy of the firm and the proved value the company was offering its buyers – one proof of which was the social status of the latter – the goal was to perfect the perfect.

To preserve their reputation and quality of goods offered, it was very logical to

¹⁴⁵ 黒川光薄 (2005) “虎屋和菓子—歩んだ五百年”, 新潮社

www.toraya-group.co.jp

¹⁴⁶ from interview with Messrs Matsudaira and Masudo, Public Relations Department of Toraya confectioneries

preserve the exact same way of producing the traditional confectionery during the centuries that passed. There was no wish – and why would there be – from the firm’s position to change anything in the already perfect tradition that was preserved enjoying high respect for the firm itself and by the buyers.

After World War II, Toraya Confectioneries, loyal to the tradition that gave it such recognition, was continuing to push forward as it was, with respect for its name and reputation. Nevertheless, it was quite unexpected to see a vast reduction in the sales’ volume of the products that were so highly appreciated for more than four centuries; their sweets were decreasingly consumed. The company could not explain the reason why such a decrease occurred, since their quality, their artistic approach, their ingredients, and their perfection were unchangeable over time.

The explanation was in fact very easy; there had occurred a change in the taste of sugar that Japanese were consuming. Its sweetness level changed significantly – the sugar that could be found at that time was not as sweet as the sugar Japanese people used to consume before. As a consequence, the taste of Japanese consumers – among whom were the buyers of Toraya Confectioneries – shifted from sweet to less sweet. Reserving the exact same recipes in order to serve their buyers better – the strategy that had served the firm well for so long – Toraya Confectioneries had the exact opposite results.

The only option the firm had in order not to face the worst, was to dare to change their recipes and ingredients [the author notes at this point that this has been confirmed by the author of the book listed in the bibliography (see citation No 153), from a discussion made privately. The information was transferred to the author by the other part of the discussion that took place in 2008].

Adaptation to the new conditions was undeniably necessary and unavoidable, if the company wished to continue offering its goods, which is what Toraya Confectioneries decided to do. Had they not taken this action they could not have become the group they became and currently are, with 70 establishments mainly in Kyoto and Tokyo with a presence in Paris.

In fact, Toraya Confectioneries is present in Paris since the 80’s. For the company to be established in the market retaining its own tradition was a challenge. In the words of Mr. Matsudaira, head of the Public Relations Department of the company, Toraya accessed the Parisian market for the first time when it took part in a food exhibition back in the 1980’s. When the visitors were looking at the traditional shapes and colors of the Japanese sweets offered by Toraya, the reaction was “but this looks like soap!” Obviously, the Japanese tradition would not succeed in such a different market from the Japanese one by offering tradition as it was. Simply put, the tastes of the Western consumers were in many ways different from that of the Japanese consumers.

Should Toraya offer the same products, it would most possibly end up not being able to

penetrate the French market after all. Therefore, what the company decided to do was to offer its tradition in a way that French consumers would consider as valuable¹⁴⁷. In other words, to offer the modern buyers superior value for them.

In order to achieve this, without changing the recipes or the placing of the company [note: “placing” in the sense of this word in marketing’s 4Ps] as the oldest and committed to tradition confectioneries’ producer, Toraya innovated further; they offered the same tastes, only in different combinations. For example, instead of offering “shiruko,” the traditional sweet porridge of azuki beans boiled and crushed, served in a bowl with mochi, which looked strange in the eyes of the French consumers, even though its value due to its tradition was present and recognized, they were offering it served with the known to the French consumers ‘blanc manger,’ with this same porridge of azuki beans served as sauce. This new serving was close to the tastes of the French buyers, incorporating the Japanese tradition. By this way, Toraya managed to render the traditional Japanese confectioneries’ taste familiar to that of the French buyer, thus being able to offer later, little by little, real Japanese confections.

Toraya had achieved creating something completely new, a new market and a new demand, with the Japanese tradition being clearly recognized, since it was only the serving that made much clearer to the French buyers’ tradition and the accumulated endogenous knowledge of the Japanese confectionery, Toraya.

From the same interview, it was revealed that this was a key to success in the French market, a market which offers plenty of options in the case of confectioneries: the innovation born by tradition managed to sustain Toraya in this extremely competitive market.

“Toraya is always and has been always considering to offer tasteful confectioneries” to its buyers, as Mr. Matudaira says, “thus, Toraya has always been following the tastes of the customers.” However, it always retains its accumulated knowledge, based on the Japanese tradition. Furthermore, it is exactly this, the accumulated knowledge that, according to the Company, is what makes Toraya unique and inimitable.

What is stated on the home page of the company, reflecting the experience of the company is that “While retaining the core values the company has held for centuries, challenges to enrich the traditions and to pass on to future generations a legacy that is even brighter than the one handed is going now.”¹⁴⁸

Thus, it becomes clear that bringing tradition forward the exact way it has been is not only difficult to be supported financially for the reasons discussed earlier, but also it assures neither sustainability nor even success. Consumers’ tastes and habits change

¹⁴⁷ *ibid*, from interview with Messrs Matsudaira and Masudo, Public Relations Department of Toraya confectioneries

¹⁴⁸ <http://www.toraya-group.co.jp/main.html>

significantly over time and over place, be it because of fashion, changing social or other conditions etc., while tradition – although not static and completely unchangeable, as thoroughly analyzed in the previous chapter – remains clearly recognizable in its basic characteristics.

There remains, therefore, one option for tradition to serve as a path towards creating and sustaining – due to the invisible dimension of differentiation it holds by definition – a blue ocean: redesigning tradition.

4.2. Redesigning Tradition

4.2.1. Product innovation – Issey Miyake, traditional herbs and Tiger Balm

A. Issey Miyake¹⁴⁹

A good case to illustrate the author's point regarding redesigning tradition – and not transforming it, but retaining its clearly recognizable characteristics – is Issey Miyake and his range named "Pleats Please".

Issey Miyake is the well-known Japanese fashion designer who has received recognition for interpreting the Japanese kimono into modern western-style clothing. As we read in Chikako Hiramitsu's "Japanese Tradition in Issey Miyake,"¹⁵⁰ Miyake "sets much value on bringing a contemporary interpretation of traditional Japanese wear, the kimono, to western clothing. Stressing the decoration of the fabrics and creating clothes in harmony with the feel of them, as well as designing clothes that that resonate physically and spiritually with the wearer, these characteristic elements of his designs are inspired by the kimono. From the point of Orientalism, however, his view of Japanese traditions is unique to modern Japanese people who have been westernized and mimic the West. He can never be free from being typified as a 'Japanese designer', so the fact that he is Japanese creates the duality of being distinguished from the West, while mimicking it. His final aim to create clothes that are universal achieved in his series of collections with pleats, can also be seen from the point of such a concept".

Therefore, it is in his essence that Issey Miyake designs having in mind Japanese tradition.

¹⁴⁹ the author notes that she tried to interview the company, however due to tight schedule and absence of Mr.

Miyake this was impossible. Therefore, primary data from Issey Miyake's and Miyake's Pleats Please websites have been used. In addition, secondary data from the literature noted have been used to describe this case study.

¹⁵⁰ Hiramitsu, C. (2005), "Japanese Tradition in Issey Miyake", *Design Discourse*, Vol. 1, No. 1, 35 – 43

One could argue that this quality attributed to Issey Miyake – namely, his being inspired by Japanese tradition in designing his garments and clothes – is not in accordance with the framework presented here, and thus, tradition in Issey Miyake’s creations is not clearly retaining its characteristics. It is being transformed, and it is not in its original shape; Issey Miyake is not designing kimono, after all [in which case, he would be bringing tradition forward, however]; his clothes are inspired by kimono.

However, the author mentions Issey Miyake here as a case study, not because of his inspiration coming from Japanese tradition, but because of his bringing forward the actual traditional ways and Japanese endogenous methods and practices, and incorporating them in his designs and clothes: his range named ‘Pleats Please’.

This design collection was launched in 1993, according to Issey Miyake’s web site¹⁵¹ and regarding the pleated garments that are characterizing the range, the author notes that: “in this collection of pleats, permanent pleating was processed with heat after sawing, owing to technological innovations in chemical fibers. It was praised for presenting the possibility of clothes as a field of industrial design and for exploding established manufacturing processes. Pleated clothes maintain their original forms even when they are washed or folded. Their very simple designs are basically unchangeable though some new colors or patterns are added each season,” to use the words of the ones in this field [ibid, Hiramitsu (2005)]. It is very interesting to note that before this technique was applied, Issey Miyake was using other pleating techniques: “in the 1970s, in the ‘oniyoryu’ collection, he made lengthwise irregular ripples on fabric, to which the traditional Japanese technique of ‘shibori’ had been applied” [ibid, Hiramitsu (2005)], whereas, as Hiramitsu informs us, it was in the 1980s that Issey Miyake made “hand-processed pleats in polyester fabric and combined them with Japanese paper” [ibid (2005)]. ‘Pleats Please’s technique and the other techniques that Issey Miyake uses for creating the pleats reflect Japanese tradition and thus his pleats are supposed to have their source in the Japanese tradition.

Miyake’s further innovation was to reverse the conventional method of pleating fabric before cutting it to the design. Instead, garments are cut out and assembled two-and-a half to eight times their proper size before setting the pleats. The result is a collection of lightweight garments that are fast-drying, travel friendly, and easy to store.

The ‘Pleats Please’ collection has not only proved commercially and critically successful, but has greatly influenced popular fashion; in Richard Martin’s “Our kimono mind: reflections on ‘Japanese design: a survey since 1950,” one can read:

“The West assumes that ‘street’ and couture are antipodes; Japanese design begins with no such assumption and Japanese fashion proceeds from no such dialectic. Rather, we

¹⁵¹ <http://www.isseymiyake.co.jp/>

realize a reconciliation and resolution between social and economic extremes. Issey Miyake's recent pleats are a utopian clothing of broad outreach and of social reformation, not a specialized fashion for an aristocracy or style elite."¹⁵²

This shows that Issey Miyake's intention is to offer this value of Japanese tradition to mass buyers; he offers fashion and design – at least in regards to his 'Pleats Please' range – with strategic pricing. In fact, as Lawrence Benaim in his book about Issey Miyake notes, only between March 1993 and March 1997, in four years after its launching, 680,000 pieces of Pleats Please outfits were sold.¹⁵³

Besides, "If couture designers wish to promote their label to a wider consumer base and at the same time increase turnover, then their clothing has to be diffused into ranges for the mainstream. Couture ranges are thus seen as the figurehead to the commercial arm of the designer's business. Successful designers will produce novel textile products that will satisfy both activities. An example can be found in the work of Issey Miyake, who has created innovative pleated fabrics and garments that have been described as forms of textile Haiku and have also appealed to a mass of satisfied consumers," as J. Moxey and R. Studd write in the *Journal of Textile Institute*¹⁵⁴

In the light of the above, it is clear for the reader to see that in the case of Issey Miyake and his creating pleats to apply in his designs, re-designing tradition – and the author again underlines: not transforming it, but using traditional elements as they used to be, incorporating them into something existing, thus creating something new – was essential in order to make it valuable for modern consumers. By doing this, Issey Miyake achieved what has already been described as non-dimensional differentiation, as he added a priceless touch but retained an affordable pricing to mass buyers, under the scope of value innovation: creating new superior value to offer to buyers, while keeping prices at a strategic level, thus creating new market space. The boosting of willingness to pay from the buyers' perspective has been shown, since the new product was widely accepted by buyers, as numbers and the volume of sales present.

A redundant technology, an old technique (shibori, Japanese paper, Japanese traditional techniques), retaining its characteristics and ability to be recognized, applied as it was and has been transferred to the current generation, to new, modern environment: shibori techniques in modern fabrics that did not exist when the technique itself existed, or combining traditional elements to modern fabrics: Japanese paper to create pleats, in

¹⁵² Martin, R. (1995) "Our kimono mind: reflections on 'Japanese design: a survey since 1950'", *Journal of Design History*, Vol. 8, No. 3, 215 – 223

¹⁵³ Benaim, L. (1997) *Issey Miyake*, Thames & Hudson, London

¹⁵⁴ Moxey, J. and Studd, R. (2000) "Investigating Creativity in the Development of Fashion Textiles", *Journal of the Textile Institute*, Vol. 91, Part 2, No. 2, 174 – 192

order to meet an existing core want, under the scope of creating value for the modern consumer. In other words, what Issey Miyake achieved is product innovation, or, creating a product-innovation product, from the consumers' point of view, as defined earlier, through tradition. One element that has made Issey Miyake noticeable among fashion designers, is his approach through traditional Japanese wear, as the professionals of the field note [see references in bibliography mentioned in this paragraph].

B. Traditional Herbs – Tiger Balm

One of the turns of consumers towards improving their well-being and their quality of life is in regards to the most priceless good of a human life: health. Replacing chemical drugs with natural herbs and implementation of practices and techniques that existed from centuries ago appear more and more frequently as options towards achieving the ultimate good, good health: the rise of alternative medicine.

Consider, for instance, St. John's wort, which is widely known as a herbal treatment for mild depression in Europe (mainly in Germany), and the U.S.A. as well as in other regions. The plant's tradition as such a treatment dates back about 2000 years, while its acceptance in Germany, where it is enlisted in the German Drug Codex, can be illustrated by the three million prescriptions per year for the herb, a number which is approximately ten times more than the chemical Prozac, that was released in 1987¹⁵⁵. By 1998 in the U.S.A., while the herb in the U.S.A. market started gaining attention from the public in the early 1990s, its sales reached a projected U.S. \$400 million. As Patricia Tan concludes [ibid, Tan (2001)], "consumers and some doctors regard certain alternative medicine products as viable alternatives to pharmaceutical drugs. Alternative medicine remedies capture market share and the trust of patients, however, in a manner very different to that of conventional medicine."

Especially in Asia, alternative medicine has been enjoying wide acceptance, its philosophy being based on the philosophy of corporeal and spiritual balance, yin and yang and such concepts that occupy the Asian philosophy of life, its tradition in Asian countries remains strong and vivid even today. China, although having opened its doors to Western-style medicine for two centuries, still relies on traditional Chinese medicine and practices; as Huang notes in his study regarding the pharmacology of Chinese herbs, the Chinese population that still relies on traditional Chinese medicine rather than Western-style medicine, exceeds 50 percent¹⁵⁶, while Chinese tradition in medicine – which

¹⁵⁵ Tan, P. (2001) "Complementary and alternative medicines", in Blackett, T. and Robins, R. (Eds) *Brand Medicine: The Role of Branding in the Pharmaceutical Industry*, Palgrave, Hampshire, UK, 274 – 295

¹⁵⁶ Huang K. – C. (1999) *The pharmacology of Chinese Herbs*, Second edition, CRC Press LLC, United States of America

goes back at least 4000 years, influencing the whole region of Asia – has its roots “lost in superstition and folklore” [ibid, Huang (1999)].

Although there have been discussions among scholars as to whether all such practices are indeed traditional or invented as such and how this “tradition” should be redefined in order to accord it value¹⁵⁷, consumers’ perception – which is the point of view of this paper – is indeed trust to tradition, as for example Huang notes [ibid (1999)], whether it is being invented or original; they represent knowledge from a distant past. Therefore, such disputes do not affect the author’s research.

A good example to illustrate the re-designing of tradition, in the framework of health and consumers’ perception towards tradition and the trust they find in it due to its being perceived as accumulated knowledge that can ensure effectiveness, is Tiger Balm, a panacea for body pains created in the 1870s in Singapore, the secret recipe of which is supposed to date back to the Chinese emperors' era.

Its formulating has been attributed to a herbalist from the Hakka province of China, who emigrated to Rangoon in the late 19th century. What Aw did, was to transfer his traditional knowledge to a product he realized as need of the consumers: an easy-to-store, easy-to-transport, and easy-to-use balm. Again, the case with Tiger Balm is the incorporation of traditional knowledge to a product, adding thus value for the buyer.

Tiger Balm is manufactured by Haw Par Healthcare, and its success is indisputable; it is being produced in eight countries and it has achieved a presence in over one hundred countries' markets around the world, based on its “ancient” roots, on its tradition.

It has been claimed that the success of Tiger Balm is not its tradition being incorporated, but its branding as a traditional alternative medicine¹⁵⁸.

This is a good chance to discuss about branding in such cases, when tradition is indeed being – to some extent – incorporated. It is natural that the value given through tradition to the final product or service will be reflected also on the brand. This is exactly due to the non-visibility of the dimension of differentiation that tradition provides, as the author suggests; all products' brand names reflect the most important attribute of the product or the service, those attributes that make the product – or service – unique when compared to those of their competitors. If traditional knowledge is the competitive advantage to the other products, not only in the pharmaceutical sector, but in any sector, why would it not be emphasized and characterize the product's, or the service's, brand name as well? It would not make sense if it did not!

However, the author does not include in the abovementioned argument products and services that only have the image of being traditional, but in fact they are not. It might be

¹⁵⁷ Scheid, V. (2006) “Chinese Medicine and the Problem of Tradition”, *Asian Medicine*, Vol. 2, No. 1, 59 – 73

¹⁵⁸ Tan, P. (2001) “Complementary and alternative medicines”, in Blackett, T. and Robins, R. (Eds) *The role of branding in the pharmaceutical industry*, Palgrave, Hampshire, Great Britain

that this way too is successful; however it is not related to this dissertation's objective, which is related to existing tradition in a product/service.

In the case of Tiger Balm, therefore, it might be argued indeed that it is its brand name rather than its actual tradition that was the key to success, but indeed it consists of incorporating what has earlier been defined as traditional knowledge. Therefore, it can stand in this dissertation as an example to illustrate the author's point.

4.2.2. Process innovation – Kaijirushi Hamono Group

Tradition can not only lead to product, but also to process innovation, or process-innovation-products, as analyzed in the literature review; re-designing tradition is leading to incremental innovations, as firms attempt to adopt tradition into its new environment. In this case, too, tradition itself is not being changed; it can, again, be easily – more or less – identified and recognized, it is not being transformed.

Japan's Kaijirushi Hamono case offers a nice way to illustrate this point. Kaijirushi Hamono, or KAI Group¹⁵⁹, is a cutlery and cutting tools, ranging from kitchen utensils to cosmetic accessories and surgical implements (shaving razors, professional beauty and barber products, beauty care tools, kitchenware, kitchen knives, sporting knives, garment scissors and cutters, industrial blades and knives, surgical knives) manufacturer. It was established in 1908 in Seki, Gifu-Prefecture, the largest “city of blades” in Japan, with a tradition in blades-manufacturing for more than 800 years – the Nokaji spirit, as a pocket-knife manufacturing company; this was an innovation in its time, since pocket-knives were not known then in Japan. Continuing the innovating spirit, he was the second president of the company to diversify and expand the business.

Kaijirushi's philosophy is bringing the Nokaji spirit to the 21st century, according to the company. In the words of its current president Mr. Koji Endo – the third president of the company and grandson of its founder –, “the nokaji strives to make blades that are suited to the daily lives of people by bringing to bear on the task all his craftsmanship and all his heart.”¹⁶⁰ Offering supreme value to buyers has always been the main essence of the company's philosophy since its establishment more than a hundred years ago, while its orientation towards creating innovative outcomes has never stopped.

Among the firm's many innovations, all of which include traditional knowledge in the sense of accumulated knowledge regarding blade-making and sword-making, the author presents in this paper two of Kaijirushi Hamono's projects that reflect clearly not only the character of the company, but also the point that the author suggests.

¹⁵⁹ <http://www.kai-group.com/j/profile.html>

¹⁶⁰ <http://www.braskai.net/en/story/ki01.html>

“Kaijirushi has created a line of knives that are in the traditional Japanese style but incorporate the advantages of Western knives, such as a design that keeps the base of the blade from protruding from the handle. A special resin using bamboo powder is used to make the handle;”¹⁶¹ incorporation of western elements in a long accumulated tradition knowledge. The perception of this outcome from the consumers' point of view is their ability to more easily handle a traditional good, utilizing its attributes and abilities in modern everyday life.

The blue ocean created is of course not the knives as such, but the knives that are derived from the famous Japanese tradition of blade-making and katana. Were it not for the long tradition, that creates not only trust in the eyes of consumers, but also the feeling of being sure that the product is worth its price, it would only have been a company creating innovative and quality products, yet not products with a priceless touch; owning an adapted to modern times katana – this is consistent with a non-visible dimension of differentiation, making it difficult, if not impossible, for other firms to compete with. Furthermore, Kaijirushi Hamono overlooked its base of customers; with a global distribution of its products to Asia Pacific, Europe and America, westernizing the outcome of its processes by adding elements familiar to western buyers, it increased value for the latter, widening thus the range of its buyers worldwide.

Another exceptional outcome of how to appeal to modern consumers through tradition, by combining not only elements, but also traditions themselves in a product, is the company's latest project: the collaboration with the French chef Michel Bras, to create a series of professional knives, combining the Japanese perfection in blade-making and the French cuisine tradition and approaching cooking, the combination of traditional craftsmanship and art. Michel Bras is a high-level, high-quality chef, whose restaurant in France has received three stars from the Michelin Guide in 1999.

The outcome, in fact, is described as “cutting edge jewelery,” to express the approach of both sides, namely that of KAI group and Michel Bras. Cooking is seen as creating art, and knives are seen as the means to achieve it: the non-dimensional level of differentiation, the blue ocean of innovating and creating new market space, the value of combining traditions to offer supreme value to buyers.

From Kaijirushi Hamono's standpoint, it is a tradition brought forward to the 21st century, retaining the know-how accumulated by the years it has been applied, incorporating new elements in order to serve an existing core want, under the logic of value innovation to bring superior value to the modern buyer; in other words, as defined earlier, process innovation created through tradition.

There are many other cases in Asia to illustrate the author's point: green tea products,

¹⁶¹ Pacific Research Consulting (2002), “Kaijirushi creates safer knives in Japanese style“, Japan Food Service Journal, Vol. 2, No. 9, 1

that have been capturing market not only in Asia, where green tea enjoys wide popularity, but also overseas, based on its characteristics for improving good health, or onsen products and onsen being identified as a source of health, relaxation and revitalization: every day products that are based on traditions and traditional knowledge that are adopted to modernity and target modern consumers who are concerned with their quality of life and are seeking to improve it. Traditional knowledge is brought to every household, appealing to mass buyers, offering trust and value, competing on the non-dimensional level of differentiation.

4.3. Remarks on the case studies discussed

In all these cases, which offer insights into the long tradition of Japan and Asia, the main idea is how to offer to the consumers superior value that they will be willing to pay for, utilizing tradition and the concept and the essence that tradition offers. In the case of Issey Miyake, a whole new market aroused, as the success of “Pleats Please” indicates, while in the case of Kaijirushi Hamono, tradition serves as accumulated knowledge regarding Japanese blade-making to create trust and thus gain customers that are used to western style knives by incorporating western style elements, or to buyers that seek art in cooking.

It is the thinking of creating a blue ocean that has led these Japanese/Asian companies to such results and, therefore, it should be considered as a powerful tool for other companies as well, not only in the Japanese market, but worldwide; after all, globalization is a fact, giving companies the opportunity to utilize it when they use the right tools. Creating a blue ocean by using tradition requires the existence of tradition and Japan has a lot to offer. So does Asia, and – in the end – so does every country with long history.

5. The Value – Tradition – Innovation framework

Tradition, viewed from the new perspective of consumers' perception, is here proposed as the means for companies to respond creatively to emerging consumers' needs, boosting their willingness to pay and creating new demand and new market space. From this point of view, tradition is possible to be used in creating innovation if it is re-designed under the scope of blue ocean strategy and the creating of new superior value for the buyer and under the scope of non-visible dimensions of differentiation and competition. In these frameworks, which as shown in the previous chapter can be combined in order not only to create new market space, but also to sustain the color of the ocean – blue –, tradition can be a source

for adding superior value for buyers, since it represents “depth” and “trust” on its own and in this sense it adds the non-dimensional concept of “pricelessness” to differentiation; buyers then have the chance to pay in order to purchase something priceless: the satisfaction of higher needs, and thus, the improving of their quality of life

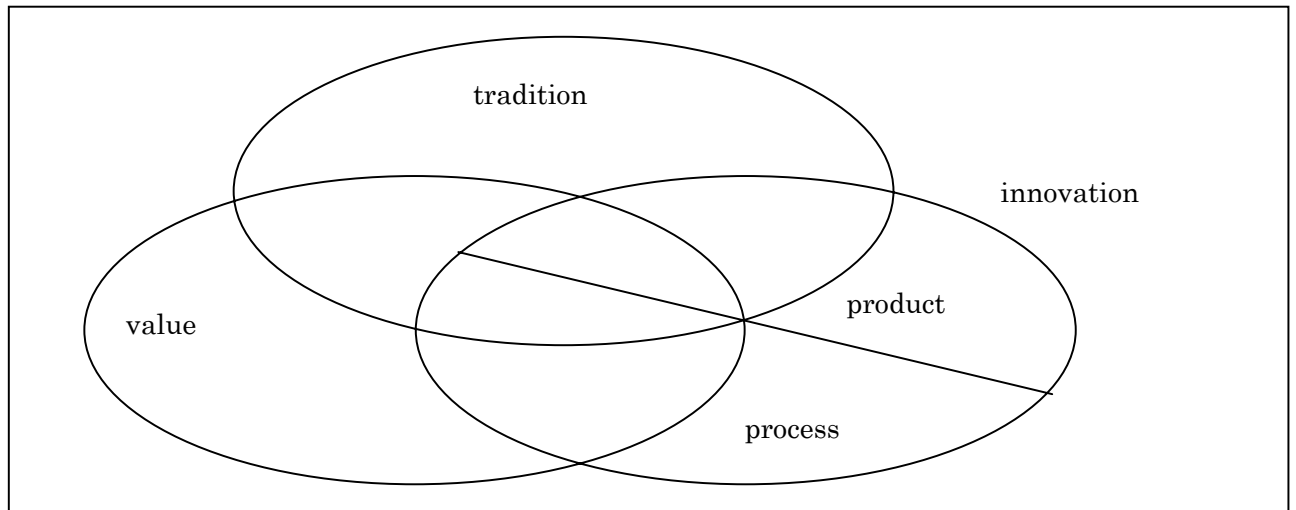
The main issue, then, that arises and that companies must overcome is how to give value to tradition for the modern buyer, making tradition valuable for modern consumers. The author notes here that it is essential that companies are customer-oriented, as by definition Blue Ocean strategy suggests. Besides, if a firm is not customer-oriented, then offering supreme value to the buyers will not be its priority; the priority will most probably be just the maximizing of revenues and profits, either by cutting the cost or by trying to gain more space market from the existing one, focusing on outperforming the competitors in the same market. In any of these cases, the proposed framework can not be implemented, since the objective is different. The objective of the framework is to create and sustain the color of the blue ocean, and the proposed way is tradition.

In order for firms to give value for the contemporary, modern buyer, it is necessary for tradition to be adapted to modern times. By “adapted” the author does not mean transformed. In this paper, in this framework, tradition must be as defined in the first chapter; its essential elements and characteristics must clearly remain identified, even though some elements will inevitably be changed in the means of applying the old technique, for example, for cost-efficiency and time-efficiency reasons. Nevertheless, the output must clearly be what the traditional method would have as an output, if current technology existed in those days one hundred, one thousand, or five thousand years before.

This result can be reached either by retaining the tradition – which could be a redundant technique, a forgotten ingredient, replaced by chemicals, or something else – as it is and applying it in the modern environment, which leads to innovation (application of an old concept to a new environment, according to Schumpeter) and product innovation (new products introduced by the organization), or by incorporating new elements to the redundant technique and change the production process, which converges with all the definitions of process innovation given earlier in this paper [for the definitions here, refer to definitions of innovation, in the first chapter].

In light of the above, the relation of value for the buyer (or consumer value), innovation, and tradition takes the form illustrated in the graph below [figure 5]; these three concepts can be linked together, with their intersection being the strategic thinking that the proposed framework suggests: re-designing tradition, retaining its core characteristics, aiming to make it valuable for the modern consumer, thus creating innovation, either product, or process, as shown in the graph and as thoroughly analyzed in this chapter.

Figure 5. The schema of the proposed strategy and framework (author's original creation)



Therefore, it can be concluded that tradition, under the precondition that the company is seeking to boost consumers' willingness to pay and create a blue ocean, can lead to both product and process innovation, creating a blue ocean that is viable and sustainable. As such, tradition should be considered by modern firms as a means to achieve sustainable growth and continuous profitability, as suggested in this paper.

The cases discussed here belong to the figure's intersection of the three circles. The two sectors of this intersection represents the tradition-value-innovation strategy that leads to product innovation and the tradition-value-innovation the leads to process innovation, examples and case studies of which case have been presented, in order to illustrate the concept for the reader to comprehend what the author is discussing.

Chapter 4

The Value-Tradition-Innovation Framework in practice

1. Introduction

After the literature review that was presented in the second chapter of this dissertation, defining the units and actors that form the proposed framework in the third chapter, where several case studies from the Japanese and Asian market are presented to illustrate every step of the process of how the author concluded the findings of the research and the ideas into forming the proposed framework (the Value-Tradition-Innovation framework), the need of testing the validity of this framework in practice rose.

As analyzed in first chapter of this paper in the Research Methodology, apart from the Literature Review, the Case Study approach is selected by the author, in order to show further to the reader the main idea of the framework, and its being solid and valid not only theoretically – the theoretical approach and basis of the framework being the objective of the previous chapter – but also in practice. This is firstly due to the author's opinion that when a new business strategy is proposed, there should be links to practical reality; doing business in real life is not a matter of theoretical approaches, but rather, practical ones. Secondly, according to the author's research regarding issues connected to business strategy, in the related literature the approach of using case studies is present. Most probably, this is because the practical aspect of a business strategy framework is recognized by scholars too. Therefore, the Case Study approach was selected by the author. The strongest argument though, for using the case study research as a part of the author's research, is the value of case study research, as presented in the next paragraph, according to scholars like Yin, Hamel et al and others.

1.1. Why the single case study approach

During the research period, there had been some criticisms to the author, regarding the number of case studies to be presented. To that, the author makes clear that firstly, there are many case studies presented in the previous chapters (Canon, QB, Toyota Lexus, Issey Miyake, Tiger Balm, Sou Sou brand, Kaijirushi Hamono, Koots green tea, Onsen products [mentioned for further investigation towards the author's point] and others), their objective of being presented being to explain and illustrate the point mentioned in each

case study. At this point the author would like to point out that the vast majority of these case studies comes from Japanese and Asian markets.

Secondly, it is true that the single case study approach is selected for this second part of the research. However, there is academic evidence to support the validity of the single case study approach, as well as the fact that it does not lack the validity of its results, compared to a multi-case study approach.

In fact, according to Robert Yin¹⁶², the use of case studies complements the limitations of quantitative methods, while, in regards to its qualitative aspect, the case study should satisfy the three principles of the qualitative method: describing, understanding, and explaining. There have been frequent criticisms regarding the incapability of a single case study of providing a conclusion that could be generalized, and therefore depending on a single case study analysis cannot offer general conclusions.

However, Robert Yin in his study “Applications of case study research” published in 1993¹⁶³ as well as Hamel, Dufour and Fortin in their study “Case study methods” published in 1993¹⁶⁴, argue that a multiple case study approach cannot be transformed into a macroscopic study, regardless of the size of the sample of case studies; the objective of the study should establish the parameters, and should be applied to all research. Thus, provided that a single case study meets the established objective, it can be considered acceptable in its conclusions. Moreover, Stouffer in 1941¹⁶⁵ suggests that single-case designs can provide valid tests in the same sense as critical experiments can.

Identifying the research design for the case study approach, Yin suggests five components: the study's question(s), its proposition(s), if any, its unit(s) of analysis, the logic linking the gathered data to the proposition(s) and the criteria for interpreting the findings of the analysis.

Following this framework for conducting case study analysis, so as to ensure the validity of the results of such an analysis, the aforementioned five components for the case study presented in this chapter are as follows:

The study's question cannot be different from the research question “how can tradition bear innovation, especially in a new perspective?” This is because the case study's role in this research is firstly to validate the framework the author concluded in the previous chapters, namely, to show to the reader that the framework can exist in practice, and also to explain how a new market space has been created through tradition. The role, therefore, is both explanatory and descriptive.

What the case study proposes is that adding traditional knowledge to even a mature

¹⁶² Yin, R. K. (1994) *Case study research: Design and methods* (2nd Edition), Sage Publishing, Beverly Hills, CA

¹⁶³ Yin, R. K. (1993) *Applications of case study research*, Sage Publishing, Beverly Hills, CA

¹⁶⁴ Hamel, J., Dufour, S. and Fortin, D. (1993) *Case Study Methods*, Sage Publications, Newbury Park, CA

¹⁶⁵ Stouffer, S. A. (1941) “Notes on the case study and the unique case”, *Sociometry*, Vol. 4, No. 4, 349 – 357

market can create new market space, while tradition adds its own value to the final product or service, thus boosting the customers' willingness to pay. Furthermore, traditional knowledge nowadays serves as a response especially towards improving the modern well-being and quality of life, which is a major concern of the modern buyer, as already analyzed.

The unit of analysis of the case study, which is the main issue of this chapter, is Creta Farms S.A., a Greek company in the food sector, and more specifically the industry of deli meat, frozen meat products, and the like.

Regarding the logic to link the data collected and the propositions, emphasis is given to the company's strategy; the analysis will follow the framework that has been proposed by the author, namely the Value-Tradition-Innovation framework. Due to the fact that all the analyses of this dissertation are from the perspective of Blue Ocean Strategy, this framework will also be used to analyze the case study, as well as the visibility of the dimensions of differentiation and competition.

Finally, the criterion for interpreting the results, namely, the findings, is the framework proposed earlier, in the previous chapter, since it is its validity that the author intends to support through the case study.

1.2. Why this case study

Creta Farms S.A. is a healthy, profitable Greek company, the financial results of which, apart from being very promising for the future, are such mainly because of one of the production lines it possesses. This production line that the author focuses on is the company's most innovative product. Based on it, the company has achieved its presence also in markets beyond Greece, while its future on approaching other markets as well, not only in Europe, but also in Asia, is laid exclusively on the success of this production line. Later in this chapter, the importance of this specific production line is going to be presented with quantitative evidence from the company's sales. This outstanding product – a process innovation product, as defined earlier in the literature review – apart from being Creta Farms' biggest success, incorporates what has been defined in this paper as Traditional Knowledge and brings it to today's everyday life, to modern consumers.

This case study was selected from a country with long tradition, namely Greece, as a company who managed to globalize a more than 6,000-year-old tradition, a tradition linked to Greek history, to healthiness, a tradition with strong economic impact in ancient times, and – as it seems – with a strong economic impact in modern times too: olive oil.

As mentioned earlier, most countries have traditions, undoubtedly – however, it is not that all countries – or companies – have achieved globalizing their tradition, regardless of

the value of the tradition. Therefore, this case study shows a way for modern companies to utilize tradition: the current indisputable need of the consumers to achieve their well-being is the target of the company, as a result of the company being customer-oriented. And tradition is one solid way for a company to respond to this need.

In the light of all the literature review presented in this paper, this case study attempts to shed light on to how tradition could become the strategy for a company, and especially in countries with long tradition. What this specific case study is attempting to do is to reveal a mechanism of how the fields of Business Strategy and Innovation Studies can be combined to create new markets, new demand, to create blue oceans.

1.3. Data collection

All of the data for the company's presentation in this chapter have been gathered from various resources; the main resources utilized are Creta Farm's homepage [www.cretafarm.gr], interviews with top managers in the company, the company's annual reports and financial statements, financial organizations and institutions (Bloomberg, Reuters, Athens Exchange), etc.

2. Creta Farms S.A.

2.1. The company

Creta Farms S.A. is a private company engaging mainly in the production and distribution of meat products, and especially in processing, freezer packaging, and the distribution of fresh, frozen, and deep frozen products (meat and meat products), and the production of cured meats. It is also active in trading of foodstuffs and raising livestock. Its specialization is pork meat.

More specifically, according to the company, the fields it is active in are:

- the import, production, livestock farming, fattening, promotion, export, distribution, exploitation and marketing of animals (from Greece or abroad) and the operation and exploitation of slaughterhouses for them
- the import, representation, production, processing, livestock farming, manufacturing, standardization, packing, promotion, freezer packaging, storage, export, distribution, exploitation and marketing of fresh, frozen, and deep frozen meat and associated products or by-products
- the import, representation, production, processing, livestock farming, manufacturing, standardization, packing, promotion, freezer packaging, storage, export, distribution,

exploitation and marketing of fish, and aquatic organisms of all kinds, associated species, products or by-products

- the import, representation, production, processing, manufacturing, standardization, packing, promotion, freezer packaging, storage, export, distribution, exploitation and marketing of olive oil and olives, coffee and beverages, wine, ouzo, raki, drinks and liqueurs of all kinds, containing alcohol or not, as well as associated types of drinks, products or by-products
- the import, representation, production, processing, manufacturing, standardization, packing, promotion, freezer packaging, storage, export, distribution, exploitation and marketing of feed for animals, fish and specialized feed, all kinds of agricultural products, organic and ecological products/ methods of cultivation, frozen or non frozen foodstuffs, bakery products, pastry products, pastries and sweets, any kind of agricultural, dairy and meat products, piscatorial products, and all the foodstuffs in general, as well as the related raw material, and all consuming goods in general
- the manufacturing, operation and management of installations and units of biological cleaning, production of organic fertilizer, composting, waste management (of both solid and liquid waste) within the establishments and units of the company, and the exploitation, distribution, marketing and benefit from all the products and by-products of the company and its units, including the electricity power that the company produces for own use or for sale
- the undertaking and manufacturing of all kinds of technical work (indicatively construction of buildings, repairs etc)
- the engaging in activity in places where people are gathering (for example coffee-shops, restaurants, bars, clubs, pubs, etc) and the import, representation, promotion, storage, export, distribution, exploitation and marketing of all types of products essential for the operation and exploitation of such places
- the research, following-up, improvement, promotion, providing of relevant advisory services and education and the marketing of modern and innovating methods and know-how of fattening, livestock farming, manufacturing, standardization, packing, promotion, freezer packaging, storage, export, distribution, exploitation and marketing of all products and services of the company, within the company's objective

2.2. Creta Farms' Philosophy

Creta Farms philosophy is based on offering high quality products, with respect to the modern buyer. In the words of the Chairman of the Company Mr. Emmanuel Domazakis, "Creta Farms is company which started out, and which has its registered in the heart of

Crete, in Rethymnon, in a land which has been blessed over the centuries with the ability to produce highly nutritious foodstuffs. We have been inspired by the principles underlying the Cretan diet, which has been recognized worldwide as the healthiest diet and which basically rests on the use of olive oil as the main fatty substance in the human diet [note of the author: the benefits of the Mediterranean and especially the Cretan diet to the health will be thoroughly discussed later in this chapter]. Our endeavors to implement these principles in the meat sector, and the emphasis the company places on innovation and research, led to the development of an innovative series of cold meat products in 2000 where the animal fat has been replaced to the greatest extent possible by extra virgin olive oil from Crete. [...]

[W]hat we do:

- Produce top quality, highly nutritious food in line with the principles underlying the Cretan diet;
- Innovate, coming up with new ideas that benefit consumers;
- Respect the environmental systems within which we operate.”

Regarding the company's most focused production line, which is the core of this dissertation's case study and reflects the company's main change in its strategy, adding tradition to it, the Chairman of Creta Farms S.A. notes, “We want to continue to introduce the EN ELLADI range to consumers from various cultures and allow them to fall in love with the product and regularly include it among the things they eat, thereby bringing them the benefits and values enshrined in those products”.

Furthermore, according to the Vice Chairman of Creta Farms S. A., Mr. Konstantinos Domazakis, the company's “[...] philosophy is based, above all, on modern man and our primary concern remains at all times to ensure that we produce an end product under safe conditions that stands out for its indisputable quality. Given that our philosophy is to ensure consumer satisfaction and to offer excellent quality, top class products, we are constantly improving our production plants, tirelessly investing in R&D and methodically envisioning in a determined manner how the company can develop and grow vis our targeted strategy. With our sight firmly fixed on the future, we have been ceaselessly investing in quality and innovation. Our innovative recipes – all of which are based on unique recipes employing extra virgin olive oil from Crete – reflect consumers' needs for a healthy and balanced diet. [...] The key pillar of our international development strategy will be 'dedication to a healthier diet'. Over the next 5 years we aim to conquer new markets by laying all the necessary foundations that will enable our dream of changing cold meat dietary habits to become a reality. As worthy representatives of the values of the Cretan diet – a diet whose nutritional value has been recognized worldwide by scientists – our aim is to teach the whole world the importance of safeguarding our historical dietary traditions and to spread those traditions for consumers' benefit”.

From the above, it is clear that the Company has been dedicated to offer the consumers what is considered to be the best, both from the aspect of quality and from the aspect of buyers' value. What is very important to note, is that the Company's intention is to offer its quality and value to everyone.

2.3. The Group

As of December 31st of fiscal year 2008, the Group consisted of the following companies:

Creta Farm Industrial and Commercial S.A.

Creta Farm I.C S.A. is the parent company, located in Latzimas, Rethymnon, Crete, Greece. It was the first establishment of the Group as a slaughterhouse, to become the center of the Group, as of today (the reader is encouraged to refer to the history of the company).

Contact information: 15 km Rethymnon- Heraklion National Highway, Latzimas Prinou Mylopotamou, Rethymnon, Crete

tel: +30 28310 86700

Tetofarma S.A.

Located in Peloponnese, Prastos Kynourias, Arcadia, it became one of the Group's companies by acquisition, which occurred gradually between the years 2000 and 2006. The final stage of the acquisition took place in 2006, and resulted in Creta Farm S.A.'s owning 95% of Tetofarma S.A. The total transaction amounted to approximately 5.77 mil. Euro, according to the parent company. By acquiring Tetofarma, Creta Farm S.A. expanded its distribution channels to Southern Greece (Peloponnese), to cover the demand existing there; apart from growing its production in pork meat [the capacity of Tetofarma being the production of 20,000 livestock per year], it managed to reach the market of Southern Greece.

Farma Thessalias Industrial and Commercial S.A.

Owned by 98% by the parent company, its base is in Rethymnon, Crete, the same as the parent company. However it covers Central Greece (Thessaly region) and the demand in regions around. It was incorporated in the Group in 2000, by acquisition of "ELVIK I.C.S.A." [Hellenic Industry of Meat]. The latter was established in 1968, while in the years 1972 to 1974 it became an example for every company in the sector of meat production and meat manufacturing. Due to bad management in later years it started into the red, but the know-how and the exceptional location [820 acres in the center of the most productive – from the agricultural perspective – region of the country] cost Creta Farm approximately 3.32 mil. Euro. It is located in Megala Kalyvia, Trikala, Thessaly.

Creta Farm Cyprus Ltd.

Seeking to expand abroad, Creta Farm S.A. decided to enter the Cypriot market in 2004. Thus, it established Creta Farm (Cyprus) Ltd., based in Leukosia, Cyprus, to promote its products there as well.

Creta Farms LLC

Announced on May 23rd 2007, after 18 months of negotiations, one of the most promising and daring steps in the history of the Group occurred: its expansion to a 280-million-consumers' market, the demanding American market. Established in 2008, with only one year of operation as of today, Creta Farms LLC is a 50-50 joint venture of Creta Farm S.A. and Clemens Investments LLC (Clemens Family Corporation Group), the sixth major pork producer in the U.S.A. market.

Creta Farm International Holdings S.A.

In order for the Group to organize its international activities more effectively, Creta Farm International Holdings S.A. was established in 2008.

Creta Farms Espana S.A.

Announced in March 2009, this new joint venture owned 50-50 by the two sides, allowed Creta Farm to enter the Spanish cold meat market, with consumption of 600,000 tons annually. The Spanish ARGAL Grupo Alimentario is one of the largest cold meat companies in Spain (holding third place). This joint venture occurred due to the success of the same model (joint venture) that was applied to enter the American cold meat market. The challenge is great for Creta Farms, since Spain is a competitor regarding the olive oil market.

Contact information of the Group:

23rd km Athens – Lamia Highway, 145 68 Kryoneri, Attica, Greece

tel: +30 210 6260000

fax: +30 210 6260253

<http://cretafarm.gr>

2.4. The outline of Creta Farm S.A.

Figure 6. The outline of Creta Farm S.A.

Company Name	Creta Farm
Headquarters	Latzimas, Rethymnon, Crete (Greece)
President	Mr. Em. Domazakis
Number of Employees	847
Share Capital (as of 26.6.2007)	12,381,600.00 €
Turnover (2008)	103,241,000.00 €

Source: Data from Creta Farms S.A.

2.5. The History of the company

It was in 1970 that the first properly organized pork meat production facility in Crete, Greece, was established by the Domazakis family. The family became to own many small companies, since many of its members decided to go into business.

In October 1st 1979, the basis of the company was established by the name “Zoi – Emmanuel Domazakis *Soci t  Anonyme*”. This happened as a result of the merger by full consolidation of the existing at that time “Domazakis Animal Feeding Enterprises of Rethymnon” and the personal enterprises engaging in animal feed and meat production of the brothers Stylianos and Spyridon Domazakis, both of which had been established during the early 1970s (1973).

With a share capital of 308,000 Euro, the company’s main activity at that time was the breeding and feeding and fattening of animals (mainly pig livestock), the production of animal feed, the processing, packing, freezer packaging of fresh, frozen and deep frozen meat, of its products and by-products, the marketing of these, the research for the development and improvement of meat production and the engaging of the company with any entrepreneurial activity, although the breeding and feeding of pig stocks and the production of fresh pork meat and distribution to the market were the actual activities of the company. Back then, the activity of the company was mainly limited to the not very broad market of Crete island. To give an idea to the reader of the size of the market, the population of Crete is today approximately 630,000 people (according to the Census of 2005).

In 1982 the company decided to raise its share capital by 130,000 Euro.

One of the major steps for the company towards its further growth in the future was

the opening of the first private slaughterhouse in Crete in 1985. This allowed the company to start verticalizing its production, thus it could breed its livestock with in house produced feed, breed it, slaughter it and pack it to its final distribution. The verticalization of production enabled the company to achieve higher effectiveness as well as control over quality; since it possessed the pig reproduction unit, the animal feed production unit (at least a part of it, at that time), the slaughterhouse, the cutting unit, and the unit for packaging, it could indeed control the quality of its output, by completely controlling the quality of its input; all the products became subject to scientific testing at all stages of the production process, from the raising of the livestock, to the delivery of the product to the consumer. This was one of the company's major innovations, occurring along the dimension of the company's processes. Furthermore, it can be derived that the company has a consumer-oriented approach, focusing on quality, when quality as a concept entered the Greek business field in the capacity of a trend about 10 to 15 years later.

At about the same period of time, the company expanded its activities in the production of deli meat.

Two years later, in 1987, the department of preserved meat production was opened, expanding its activities even further. The company was targeting mainly catering companies, focusing on a Business-to-Business model and strategy. Its main competitive advantage was its total control over the inspection of the raw material – as outputs of other activities of the same company – the company realized it could take further steps to improve it; again, the option of customer-orientation was selected.

In general, the period of 1985 to 1990 was the period when the company was giving emphasis to the exhaustive scientific testing of all phases of production in order to ensure quality. This was a major reason for the total increase of 1.03 mil Euro in the share capital, which had tripled since the establishment of the company.

The already innovative spirit of the company was reinforced in 1989, when the current management of the company took over. The second generation of the Domazakis family in the business, Messrs Konstantinos and Emmanuel Domazakis – who are the current major stakeholders – had the chance to take the company even further.

The new management designed a two-year modernization plan, from 1989 to 1991, at the conclusion of which the company had tripled its facility space [from 100 to 300 acres] and had expanded its total fixed assets by five times [from 5,000 to 25,000 sq. meters] in Rethymnon. In the years 1989 and 1990, the objective of the plan was the modernization of the breeding unit in compliance to the European standards regarding quality and sanitary issues and state-of-the-art technological equipping of the unit [the company's investment for achieving that objective, exceeded 1.3 mil Euro, but the value it would bring being recognized, the new management decided to take the step]. In the following years (1990 – 1992), an exemplary reproduction unit was established, with the latest technology

available at the time. During the same period, the establishment of an in-house animal feed production unit completed the verticalization of the company.

In 1993, the emphasis was given both to expanding and modernizing the meat processing unit [an investment of more than 1.7 mil Euro], and to improving the distribution channels; the company entered the retail market. In the following years, 1994 and 1995, the company established a deli meat production unit, using as raw material the pork meat produced by the company in its verticalized model.

The current name of the company “Creta Farm” has been adopted and used as a trademark for the company and its products since 1.1.1995, while in the same year the first brand-name products of the company were launched in the retail market: the “classic cold cuts,” which today covers more than 100 products, and “traditional cold cuts,” consisting of traditional Cretan mezedes. At this point, the competitive advantage of Creta Farm was the quality attributed to its products.

The products launched in the retail market, as well as the quality of the other meat products of the company, raised the need for broadening the distribution channels. During the years 1997 – 2000, the five branches of Creta Farm were established gradually, starting from Heraklion, Crete, the biggest city in Crete island in 1997, to cover the demand in Crete, Athens (established in 1998) to cover the demand in the country’s capital and the surrounding regions, Thessaloniki (Salonica) in Northern Greece, Larissa in Central Greece (in 1999) and in 2000 in Patra, Peloponese.

However, apart from broadening the range of products targeting catering companies, offering products with the brand name of the company (meatballs, souvlaki, various burgers, spicy traditional meatballs), the first exceptional differentiation of the company, beyond the quality dimension, was first offered to consumers in 1998; looking over the taken-for-granted discipline that deli meats are tasty, but possess a lot of fat, Creta Farm launched its 0%-3% series of deli meat made from poultry as well as from pork meat, the name referring to the contents by percentage of animal fat in the products. The line was a big success of the company, since it gave the opportunity for consumers concerned with calorie and fat control of their diet to actually consume deli meat as substitutes for the fattier pork-meat deli meats. This was a very important step for the company, since it changed the perspective of Creta Farm; instead of being just customer-oriented, it was the first company to start actively listening to the current needs of consumers and responding to them creatively.

During the same year, investing in possessing further fixed assets to meet the consumers’ demand, Creta Farm modernized further its pig breeding unit, while expanding it. The cost of the investment reached approximately 3.5 mil. Euro.

Nevertheless, quality of the products offered to consumers never stopped being a concern of the company; in 1999 Creta Farm was certified with ISO 9001 (Quality

Management System) for the development, production, storing and selling processes of cold cuts and meat-products and with ISO 9002 for the breeding, fattening, and slaughtering of pigs fed exclusively with natural feed without antibiotics added and selling of their meat. At the beginning of the year 1999, Creta Farm created – for the first time in Greece – an exemplary pig feeding line, the feed consisting only of vegetable-based ingredients, without adding any antibiotics or medicines. In fact, pig breeding in the company was the first in Greece, and one of the very few in Europe, to be certified with ISO 9002 from Lloyd's for feeding pigs exclusively with vegetable feed, without adding animal proteins or animal fats in the feed, and for fattening pigs with no use of antibiotics.

During the same year, Creta Farm expanded its product production with alliances with producers of grocery and cheese for developing products targeting catering companies. The company focused on the utilization of the distribution network throughout Greece, while launching the “Cretan Meat” brand, consisting of pork meat (of designated origin) for distribution to supermarkets (pre-cut, self-service form) and authorised butcheries (uncut form). Participation in ANUGA, one of the world's most important food and beverage trade fair, opened the door for further expansion beyond the limited Greek market.

In April 2000 the company entered the Parallel Market of Athens Stock Exchange, with its share capital amounting to 16.35 mil Euro being invested to the expansion plan of the company: Farma Thessalias S.A. was established and acquired “ELVIK I.C.S.A” (Hellenic Meat Industry, pig production and pork meat processing company) (3.32 mil. €) in Trikala, Thessalia (Central Greece) [approximately 820 acres, facilities and establishments included]. The expansion plan included the acquisition by 60% of Tetofarma S.A. and the acquisition of 2,635 sq. meters land with establishments included to establish the branch in Patra (Peloponnese), to cover the demand in Southern Greece.

While growing in numbers, the company's major innovation – on which this dissertation focuses – was concluded regarding its research-and-development phase, and was ready to be launched in the market: the production line “En Elladi.” It will be further analysed, however, in order to give the reader an idea, “En Elladi”s range consists of meat-based products in which Cretan extra virgin olive oil is directly introduced to replace animal fats. The company also launches a new range of products, targeting the retail market, called “Mum's dishes,” which consists of frozen meat-product dishes, based on traditional home-like recipes. At that point, the force of the company regarding its logistics system amounted to 120 re Fridgerated trucks, including alliances with local distributors, for distribution of the company's products throughout the mainland of Greece, while for distribution in the islands outsourcing was engaged in.

The commitment of the company to quality proved to be sustained; in 2001 the company completed the implementation of the Environmental Management System ISO 14001 at Rethymnon (biological treatment of gas, liquid and solid sewage, extensive

planting of 3,000 trees in the area of the facility, the goal being 5,000 trees etc), utilizing this act to favor the company's environmental-sensitive values. By 2001, the company had already reached 3rd place in the Greek cold cuts market, and had established relations with Malta and Cyprus for exporting its products to these markets, thus taking the first steps towards further expanding abroad; the market of Greece was too narrow for the company's capacity and potential.

Establishing its position within Greece, though, would help expanding abroad as well, as it would provide the know-how background, as well as the economic stability for the company to act as a solid base for negotiations in expanding beyond the Greek market. Thus, in 2002 Creta Farm S.A. concluded the acquisition of land, facilities, establishments and equipment of Karna S.A. company (Kryoneri, Attica) for 8.65 mil Euro. The latter being one of the most technologically advanced companies in the sector, Creta Farm S.A. invested in its state-of-the-art logistics center and its technologically advanced cutting and packaging center, which the company updated and adapted to its needs, intending – and turning – this investment toward a new production and distribution center for the company.

In fact, by April 2003, the company achieved doubling its production volume capacity in this establishment, due to updating its facilities, while all services within the company – including all of its establishments, all of its branches, and all of its subsidiaries – became centralized for better control: one central control unit, supporting all activities of the group online, and being updated in real time. The company was focusing not only on expanding its activities, in expanding its distribution channels – even outside Greece – and its production capacities, but also in updating its technology, and in being able to offer its customers the best, from all aspects: a total approach regarding the value offered to customers, both to companies (B2B) and retail consumers (B2C).

Towards this direction, and moving along the dimension of healthiness, due to the success of the concept with the En Elladi production line, the company introduced two new production lines, combining Greek products (feta cheese and croissants with traditional ingredients) and expanding its brand to frozen pizza, in alliance with the Northern Greece-based company Alesis S.A. However, the strongest brand of the company remained En Elladi production. This most probably happened due to the uniqueness of the concept; it was the first brand to carry the concept of “healthy deli meat.” On the other hand, though, with the awareness of consumers growing, expanding the already recognizable brand would increase consumers' acceptance, since a whole range of healthy products were available.

To cover demand in Cyprus, Creta Farm S.A. decided to establish its Cyprus subsidiary, Creta Farm (Cyprus) Ltd. instead of exporting its products.

In May 2007, there was one major step for the company; Creta Farm U.S.A. LLC

[today holding the name “Creta Farms LLC”] was announced to be established, as a joint venture of Creta Farm and Clemens Family Corporation. The latter is the 6th largest pork producer in the U.S.A. to set up Creta Farm U.S.A. LLC, a joint venture owned 50% by both sides, opening to a market of 280 million people (preserved meat market). The author notes at this point that one of the major points when negotiating for joint ventures, which is the selected way of the company to lower the cost of expanding abroad, is the export from Greece of Cretan olive oil, as well as the licensing of the know-how and the patents, logos etc. of the company. What the other part offers mainly, is the quality of the pork meat (which is one of the main criteria of selecting the strategic partner), its facilities, the channels of distribution (that are already established) and its logistics systems.

The strategic focus on the concept of healthiness proved to be successful, based on the demonstrated acceptance from the consumers' part. Thus, the company recognized the importance of the Research and Development department, and focused on widening the range of the En Elladi production line further; it was not just a brand name of a product, as it used to be when it was launched, but came to be the name of the concept of creating healthy deli meat and deli meat products by adding Cretan olive oil. The success of the concept is such, that En Elladi seems to be the production line – with its wide range of products – that possesses the characteristics to compete in the demanding markets of the U.S.A. and abroad, where Greek flavours are not immediately recognised, but the value of healthiness is. Furthermore, the full verticalization of the company allows the company to design and introduce innovative products. This is identified by Creta Farm S.A. to be its major source for its growth.

Strategically looking beyond the limited market of Greece, and further expansion not only to the market of the U.S.A., but also to other markets as well, Creta Farm S.A. decided the establishment of Creta Farm International Holdings S.A. in order to organize the Group's international activities [share capital: 790,000 Euro].

The value offered by the En Elladi production line is emphasized in the American market by being recognized by the American Heart Association for its nutrition and healthiness. The American Heart Association, being the largest recognized organization dealing with issues regarding the protection of the heart – providing guidelines for preventing heart diseases such as cardiovascular disease and others, certified the healthiness of the En Elladi Gourmet of Creta Farms LLC [and, consequently, of the parent company, since the know-how and the olive oil is imported from Greece]. This proves that the issue is not just branding; naturally, the brand gets stronger with such a certification, however, it is the commitment to offering actual value – and not only perceived value, what the consumer would think as value – to the buyer. This cannot be just branding management. From the point of view of the author, this is the company's strategy, as can also be seen in the company's philosophy, vision and mission. Quality

remaining the basis of this strategy, differentiation by offering value through tradition was the key of Creta Farm S.A.'s success, as will be shown later in this chapter.

The joint venture model in order to expand to the American market was very successful for the company. Thus, it is the model that was adopted for the company's expansion in other markets abroad as well. In 2009, the company announced the establishment of a new joint venture owned 50% by the two sides, Creta Farm S.A. and ARGAL Grupo Alimentario in Spain, one of the most known companies in the deli meat sector of the Spanish market. Whether the demanding market of Spain, sharing the Mediterranean diet, as Greece, will accept a rival – regarding olive oil production – country over the Spanish know-how of how to make high quality deli meat, remains for the future to show. However, the fact that one of the strongest companies of the sector – namely, ARGAL Grupo Alimentario, joined the venture for Creta Farm S.A. products to be produced and introduced to the Spanish market, where ARGAL Grupo Alimentario has been active for the last 90 years, shows a degree of appreciation for their specific products, in terms of the value that is offered to the buyers and the recognizing of this value, from the consumer standpoint.

As of 2009, Creta Farm S.A. operates a number of branches that cover the whole area of the mainland of Greece, with its storage and distribution which is coordinated through six autonomous distribution centres – as described earlier – and 1,600 sales outlets daily in Greece. In its distribution network, wholesalers and supermarket chains are included. Currently, customers of the company include high-end hotel groups throughout Greece, like Grecotel, Kapsis and Louis, while it supplies the Olympic Catering S.A. – the catering of Olympic Air, one of the Greek air-carriers, formerly known as “Olympic Airways,” etc. Apart from its presence in the U.S.A. and Spain, it is interested in other markets, European and Asian, and is planning to expand – and bring the healthiness of the Mediterranean diet and especially the Cretan olive oil – even to Japan. The model being that of joint ventures with established in their markets and high quality offering companies, the company is proceeding towards its future, based on the high quality of its offered products that has always been one of its commitments towards its customers, based on its cutting edge technology in all of the fully verticalized Creta Farm's processes, and on the value that its most successful – and nowadays dominating and expanding further to a wide range of products – patented in 90 countries production line, En Elladi offers: the tradition of olive oil, the source of healthiness and vitality, the benefits of the Mediterranean diet to everyone, high end quality products in strategic prices, affordable by the targeted group of this range of products: everyone who cares about their health and well-being.

2.6. The Present and the Future ahead

In year 2009 the basis for 2010 was set regarding the expansion of the company abroad, while further expansion on the west coast of the U.S.A. started; Creta Farm announced the strategic partnership with the 2nd biggest retailer in the U.S.A., KROGER (annual turnover: 76,000 mil US\$), for the pilot entering of seven of their products (deli meats of the existing range and extra virgin olive oil) to 400 – 500 sales outlets of the retailer, mainly to the west coast. The establishment of a branch of the company has been decided for 2010, to further expand the sales in the U.S.

Similarly, the expansion in the U.S.A. will continue with the entering of nine products to 200 sales outlets of Ingles Markets (annual turnover: 3,300 mil US\$), and in 57 sales outlets of BIG Y (annual turnover: 1,400 US\$).

Furthermore, eight products will be present in the 75 sales outlets of WEGMANS FOOD Market (annual turnover: 5,200 mil US\$), a highly specialized in quality food retailer (from May 2010). This is considered as a major success, since the quality of the products is thus being recognized, which is expected to trigger further recognition from other retailers, as well as from consumers.

At pilot level Creta Farm's products will be found in DELHAIZE America (1,608 establishments and annual turnover of 1,600 mil US\$), the products are already being found in 45 sales outlets of BLOOM and Food Lions, and pending are strategic partnerships with many retailers, the total number of under discussion sales outlets being over 3,000.

All the above mentioned products are under the brand name of Creta Farm, and not with private label.

Also, Creta Farms Espana (Creta Farms Spain) started its sales on 18.1.2010 with 15 products and is expected to cover the whole country by the end of 2010, via the 18,000 sales outlets of Argal Grupo Alimentario. The pilot programs in Madrid and Bilbao are already very positive.

Finally, during the year 2010 many other partnerships are going to be announced, mainly in the European venue.

2.7. Creta Farm S.A. Production Lines and Distribution Channels

2.7.1. In Greece

A. Business to Customers

Creta Farm S.A. products that are targeting retail customers can be divided into two main categories, regarding the activity of the company to produce, and not its activity in importing other products like beverages for example, which is also a part of the activity of the company. Thus, the production activity of the company, the final products of which target retail consumers, consists of the production of deli meat and frozen food.

The production lines and the products offered, along with their characteristics that are presented below are as of the year 2007.

i. Deli Meat Products

A. “0 – 3%”: This production line was the first to introduce the concept of “healthiness” in the deli meat sector. The company, responding to the increasing need of the consumers for a guiltless snack, and the change in the dietary concern regarding calorie control, mainly due to the change of the perception of beauty standards and the concern about a healthier life style, decided the creation of deli meats that would have minimum effect in daily fat consumption. Namely, it decided to create deli meats with as little fat as possible.

Therefore, it introduced the production line “0 – 3%”, the name referring to the percentage of fat per 100 grams of the product, indicating that the product would have a maximum of 3 grams of fat per 100 grams.

Quality of course is the main framework of the company, and within this framework, the introduction of deli meat with low-fat content that are both healthy and tasty, the production line proved very successful, since indeed the acceptance of the consumers was wide, showing that the need that Creta Farm saw when designing this production line was actually there.

The complete line of preserved meat, according to the company, which is made from poultry meat – turkey – and from lean pork meat, filled with nutritional properties which do not affect the flavor of the final product, includes:

Chilled cabinet products

- 0 – 3% ham leg
- 0 – 3% pork shoulder
- 0 – 3% parizer
- 0 – 3% smoked turkey fillet

- 0 – 3% cooked turkey fillet

Self service products

- 0 – 3% mini parizer
- 0 – 3% turkey fillet
- 0 – 3% ham leg slices
- 0 – 3% turkey fillet slices
- 0 – 3% Frankfurter sausages
- combi turkey 0 – 3% and low fat cheese

B. filiko: Combining quality and low price, the “filiko” line is aiming towards consumers that seek high quality products but cannot afford to spend much on deli meat. The word on its own means “friendly” in Greek, implying that it is friendly to the consumers’ pockets, namely, a “friendly price.” Thus, the company strategically chose to widen the range of its customers, aiming not only to the high end – if such a characterization is appropriate for the deli meat market in Greece, where deli meats are perceived as side dishes, and not as a simple ingredient of daily food – but also to the lowest end possible, without sacrificing the quality of the final product.

Again, quality is the base for this production line, which includes:

Chilled cabinet products

- filiko parizer
- filiko parizer 105
- filiko ham leg
- filiko pork shoulder
- filiko cooked turkey fillet
- filiko turkey fillet 105 smoked
- filiko Italian-type mortadella 120
- filiko Italian-type mortadella 105
- filiko dry salami of Crete
- filiko packaged bacon slices
- filiko Frankfurter sausages tub
- filiko Country/BBQ sausages
- filiko bacon roll
- filiko cocktail sausages tub

Self service products

- filiko parizer 400gr
- filiko parizer with garlic 400gr
- filiko parizer slices 200gr
- filiko pork shoulder slices 200gr

- filiko turkey fillet slices 200gr
- filiko Frankfurter sausages 300gr
- filiko BBQ sausages 380gr
- filiko turkey fillet smoked slices 200gr
- filiko mortadella slices 200gr
- filiko parizer economy size 620gr

C. family: A classic range of products, aiming at families, due to the focus on the high quality of the final product. The idea in this production line is offering high quality deli meats, that everyone in the family can consume, even small children, since parents take special care with what to give their children to eat.

This range includes:

Chilled cabinet products

- family smoked turkey fillet #105
- family cooked turkey fillet
- family ham leg
- family pork shoulder
- family picnic
- family parizer #105
- family parizer

Self service products

- family salami with garlic 330gr
- family salami parizer 330gr
- family traditional Trikala sausages 400gr
- family country sausages of Crete
- family cocktail sausages 240gr
- combi family parizer and gouda cheese 400gr
- combi family ham leg and Edam cheese 400gr

The “combi” is a packaging idea of the company to offer to consumers, consisting of deli meats and delectable cheese, which can be easily used in sandwiches and toasted sandwiches. The idea behind the designing of this combination product, is the waiting time at the counters of the super markets and other such places where the consumer buys the product; instead of waiting at two counters in order to buy cheese and deli meat – usually to be used in sandwiches – the consumer takes a combi product from the self service counter, thus completely eliminating the necessity of waiting.

This range includes:

Special preserved meats, chilled cabinet products

- family dry salami of Crete

- family skinless bacon slab slices
- family skinless bacon roll
- family cocktail sausages

Special preserved meats, self service products

- family smoked bacon slices 100gr
- family Lefkada-type dry salami 250gr
- family dry salami of Crete mini 200gr

Seasonal preserved meats

- family vinegar sausages 10kgr
- family vinegar sausages 2kgr

D. En Elladi: This production line is the main focus of the dissertation. The reason why, is the importance of the concept behind the initial idea, the turn of the company strategically towards this concept, the creation of a whole new market and the turning of tradition into competitive advantage worldwide. It will be thoroughly presented and analyzed below, in a special paragraph.

ii. Frozen Products

a. Mediterranean Table

Bringing well known – to the Greek consumers – tastes from the Mediterranean diet, along with its priceless value [the value of the Mediterranean Diet is going to be analyzed later in this chapter] within every day reach, in the form of ready frozen meals that are easily accessible and easily prepared, was another innovation in the frozen foods segment, as Creta Farm suggests. The competitive advantage of this production line lies 1. in the familiarity of the Greek consumers with the traditional recipes chosen from the company, their taste and their nutritional value, 2. the ease of preparation, thus saving time and effort for the housewives, especially when they are working, and at the same time 3. the guarantee of the certification for its products' quality with the brand name Creta Farm, for the selection of the meat, spices, and virgin olive oil, and their nutritional ingredients being intact due to the company's deep freezing systems; because of the verticalization of the company's production systems, the quality of the products is fully controlled. Naturally, taste is also very significant, and it can be adjusted by adding desired ingredients from the consumer's standpoint.

The range offers:

- Mediterranean Table soutzoukakia (spicy meatballs) 550gr
- Mediterranean Table pork with lemon 550gr
- Mediterranean Table pork with pearl onions 1kgr
- Mediterranean Table veal in tomato sauce 550gr

- Mediterranean Table veal with pasta 1kgr
- Mediterranean Table veal casserole with potatoes 1kgr
- Mediterranean Table huntsman's chicken 600gr

b. Pizza

Similarly, with the competitive advantage of the company's brand name and specifically its commitment towards quality of the ingredients and of the freezing systems, which assure the intact nutritional value of the product, Creta Farm widened its customer range and entered the frozen pizza subsector, offering three types of high quality frozen pizza:

- Pizza Funatic
- Pizza Family special
- Pizza En Elladi classic

c. En Elladi Nostimies

This line is based on the production line En Elladi, and similar to the approach of the "Mediterranean Table" production line, only this time focusing greatly on healthiness – the "En Elladi concept" – and the Cretan diet (among the Mediterranean diet). In addition to the competitive advantages mentioned earlier regarding the "Mediterranean Table" production line, "En Elladi Nostimies" "nostimies" standing for "many tasteful things," guarantees the direct addition of Cretan extra virgin olive oil and the maintaining of its value from its extraction to its being consumed in the form of the final prepared meal. No use of preservatives in this line of meat products is also a point adding to the healthiness of the final product, while quality of the meat used is non-negotiable. A balanced diet is in the center of the idea, along the whole range of products offered:

- En Elladi Nostimies chicken nuggets 500gr
- En Elladi Nostimies burger 500gr
- En Elladi Nostimies meatball 500gr
- En Elladi Nostimies meatball with feta cheese 500gr
- En Elladi Nostimies schnitzel 500gr
- En Elladi Nostimies döner kebab 500gr

B. Business to Business

Apart from the retail consumers (the demand of whom is covered by the distribution channels of supermarkets of smaller or larger scale and size), a wide range of Creta Farm S.A.'s customers consist of businesses active in the food sector as well.

i. HORECA market

HORECA market, consisting of Hotels, Restaurants and Catering, is of special importance in Greece, since it supports the “heavy industry of Greece,” as it is called, which is tourism.

Having the know-how and the high quality to respond to the sophisticated needs of the segment, Creta Farm offers a wide variety of deli meats, which includes products from the classic line to the premium deli meat – the “En Elladi gourmet” line, which is to be presented.

Products other than deli meat include meat products like burgers, meatballs and döner kebab. Once more, quality is assured and so is the taste. Furthermore, the protective flow pack packaging assures the buyer of the hygiene and its retaining the nutritional characteristics of the ingredients intact.

ii. Pizza Restaurants, Grill Houses, Snack Bars and Fast Food

The produced deli meats and frozen products, as well as a wide variety of cheeses, salads, and dressings are distributed through the channels of pizza restaurants, grill houses, snack bars, and fast food restaurants. Once more, the approach of the company is the underlining of the high quality, the variety of offered products, the good taste, and the packaging, which ensures the nutritional value will be maintained.

2.7.2. Abroad

Up to date, the products that have found their way abroad, namely, the products that can face competition abroad, are the En Elladi products, as well as bottles of the olive oil used in the production of the En Elladi range [for detailed description of the products, refer to En Elladi Production Line below].

3. The En Elladi Production Line

As it has already been suggested – and as it will be shown later, supported by economic results and the economic impact of the production lines on the company – the production line “En Elladi” is currently the most promising, the most profitable, the most popular and, thus, the most important one. The company, which has patented the line in 90 countries, has recognized its significance and is focusing on it, creating what the author refers to as the “En Elladi concept:” deli meats that are not harmful, but in fact beneficial to health, based on the Mediterranean, and specifically the Cretan diet.

En Elladi is the production line through which Creta Farm attempts to change the perception of consumers in the deli meat market, regarding the healthiness of the products, not only in Greece, but worldwide.

En Elladi production line's differentiation with any other deli meat production line worldwide lies in the direct incorporation of Cretan extra virgin olive oil into the meat, in such a way that all the nutritional ingredients of the olive oil are intact.

Strategically selecting to offer supreme value to buyers, and always being committed to quality, Creta Farm selected one of the best quality olive oils in the world to be: the Cretan extra virgin olive oil, and in fact, one of the best quality among them: the First Cold Press [detailed description of the olive oils as well as definitions according to the International Olive (Oil) Council, and the Codex Alimentarius Commission is presented later in this chapter, where the traditional knowledge that Creta Farm incorporated to form its innovation – namely, the En Elladi range – is described, moving along the framework introduced in the previous chapter, Value – Tradition – Innovation].

3.1. The Innovation: En Elladi; The Patent – Description of the Process

The range of the En Elladi production line is currently patented in 90 countries all over the world, the duration of the patent being 20 years, the first patent having been registered in Greece in 2001, while another six related patents were registered by 2005, regarding the direct incorporation of olive into related product like croissants and other meat products with incorporation of olive oil and cheese etc.

Below, the exact patent's article is being presented, as found in the document for the registration of the Patent in the U.S.A.¹⁶⁶ and the Canadian Intellectual Property Office¹⁶⁷. The inventor is identified as Mr. Emmanuel Domazakis, and the owner of the Patent is Creta Farm S.A., its application number is No. 10031089, filed on 05/29/2001. The U.S. classes of the Patent are: 426/646 [the sub-category related to comminuting, of class 426 which is related to processes, compositions, and products of food or edible material], 426/412 [the sub-category of class 426, related to processes involving the heat treatment of filled food containers] and 426/804 [the sub-category of class 426, related to food products which are designed to be low calorie, low sodium or to be hypo-allergic]. Expressed in international classes, the Patent belongs to class A23L 1/314 and A23L 1/317.

¹⁶⁶ United States Patents, Patent No. 7,026,007 B2, 4.11.2006

¹⁶⁷ Method of Production of a meat product containing Olive Oil, CA 2438543 C 2009/06/23, (11)(21) 2 438 543

“CLAIMS

The invention claimed is:

1. Method for producing meat products including olive oil in substitution of animal fat, comprising the following steps:
 - (a) providing lean meat at a temperature of 0° C and mixing the lean meat with water at a temperature of -2° C, salt, polyphosphates, preservatives, vegetable proteins, milk proteins and starch until the resulting mixture reaches a temperature of 2° C;
 - (b) mixing the resulting mixture at a temperature of 2° C with olive oil and continuing mixing with a simultaneous application of a vacuum until the resulting product mixture reaches a temperature of 4° C;
 - (c) transferring the resulting product mixture to filling machines, encasing the resulting product mixture and applying a simultaneous vacuum, and then pasteurizing the encased resulting product mixture to a core temperature of 71° C; and
 - (d) cooling the encased resulting product mixture in cooling chambers at a temperature of up to 2° C
2. The method of claim 1 wherein the total time of the steps of the method depends on the diameter of the final product mixture and ranges from 1 to 3 hours.

DESCRIPTION

The present invention involves the production of meat products with:

- a. the direct incorporation of olive oil in replacement of animal fat
- b. the use of lean pork meat
- c. the addition of processing aids
- d. the appropriate processing technology to: obtain a stable emulsion type meat product incorporating pure virgin olive oil, able to undergo thermal processing without phenomena of oil extrusion; obtain a product which retains the original nutritional and sensory properties of olive oil.

BACKGROUND OF THE INVENTION

Comminuted sausages are considered an emulsion type of product in which meat protein, fat and water construct a stable matrix.

Emulsion stability is a function, among other variables, of the water and fat holding capacity of the meat used.

Especially meat proteins, and more specific the salt soluble fraction (actin, myosin and their complex) which represent approximately 60% of total protein content contribute, to the emulsion stability, as in their hydrated state they function as a protective frame of the incorporated fat, which comprises the non-continuous phase of the emulsion and the main factor of product destabilization.

SUMMARY OF THE INVENTION

The obtainment of a stabilized embodiment of the olive oil (oil globules) in the "emulsion" constitutes a technological target of this invention, which is dealt with known combined techniques, such as selection and preparation of meat, pH regulation of the meat, the quantity of added salt, the use of processing aids, the process conditions of meat paste creation, thermal processing and cooling of the final product, etc.

Nevertheless, the incorporation of olive oil, in comparison to the traditional addition of pork fat, as long as it is tested with classic techniques, runs into difficulties of instability or presents tendencies of instability, not only of the meat-paste but of the final product as well, that usually appear oily.

Consolidated well-known techniques of indirect embodiment of vegetable oils are known, which include a procedure of preliminary thermal processing of olive oil at temperatures over 100° C twice.

This is especially so in the case of olive oil, whose role in nutrition of humans is distinctive among vegetable oils, and also internationally renowned for its beneficial features (reference to omega fatty acids and their protective role, low cholesterol content, tocopheroles and polyphenols with the later two acting as antioxidants).

Therefore, it is thought to be essential, on one hand, that its participation as an ingredient substituting animal fat in thermally processed pork meats products, to be achieved under especially protective conditions, so that maximal protection of its characteristics is secured in the product; on the other hand, that the process of incorporation ensures the traditional technique of thermally processed pork meat products, and that scientific facts will systematically be taken into consideration based on the characteristics of protein, fat and oil as well as the potential of their in-between connection depended on these characteristics.

The fact that the stability of so called meat emulsions is affected by the following parameters, must also be taken into account: the source and the composition of the incorporated fat; and its chemical and sensory characteristics, including: fatty acid profile (kind and degree of saturation) the Solid Fat Index (SFI) the relation of poly-unsaturated fatty acids (PUFA), mono-unsaturated fatty acids (MUFA) and saturated fatty acids (SUFA).

It is obvious that from technological aspect the differences between pork fat and olive oil should be taken into consideration when creating a stable emulsion.

In the critical production temperatures (0-4° C to 71° C) as well as in the temperature range during cooling and during storage (3-7° C), the SFI plays a very significant role. In the case of olive oil, its characteristics presuppose incorporation under specific conditions consisting of: the creation of the maximum possible incorporation of oil through mechanical

process (mixing, homogenization of the participating ingredients); the estimation of the ideal relation between these ingredients so that the maximum possible soaking and oil retention by the emulsion is combined at the same time with maximal water content absorption by protein; and the creation of a stable "waterproof" protein complex surrounding the fat globules without application of high temperatures for protein transformation, with the application of mechanical process under selected conditions.

In the end, one significant aim is the insurance of stable behavior of the meta-paste "emulsion" during the phases of thermal processing, cooling and cutting and packaging, of the product and during the maintenance under low temperature conditions.

The aim of the present invention is the production of goods based on thermally processed meat (cooked products of pork meat—sausages—salamis): with direct "cold" incorporation of olive oil and maximum possible substitution of animal fat; with the addition of combined processing aids; the application of a special technological process.

DETAILED DESCRIPTION OF THE PREFERRED INCORPORATION

This aim is achieved by mixing—low fat (lean) meat in "cool" with olive oil in combination with the use of vegetable protein, milk protein, polyphosphates, water and salt.

In this way, the present invention offers pork meat products with olive oil and a method for their production with in cold mixing of olive oil, lean meat and water.

Thin chopped lean meat at a temperature of 0° C is mixed with water at -2° C in a mixing machine with simultaneous addition of salt. Next, are inserted polyphosphates, preservatives and spices. After all these are mixed, gradually vegetable protein, milk protein and starch are added. When the temperature of the mix reaches 2° C the olive oil is inserted. Mixing continues with simultaneous application of a vacuum of 960 mbar for 3 min in order to remove oxygen and prevent oxidation, until temperature reaches 4° C. The entire mixing time is 15 min and the absorbing power 26 KW. The mixture then goes to a filling machine where is encased with simultaneous application of a 1000 mbar vacuum with absorbing power of 7 KW, and later on is pasteurized to 71° C. The entire time of the thermal process depends on the product diameter and ranges from 1 to 3 hours. Following pasteurization, the product is cooled in chilling chambers of temperatures ranging from -2° C to 2° C.

Pork meat products with olive oil that are produced according to this invention, have excellent stability as far as structure is concerned (compactness) due to the use of lean meat, application of low temperatures and production under vacuum. The sensory characteristics of olive oil, incorporated in these products, remain unchangeable, because of the low temperature used during the production process.”

3.2. The Product range of En Elladi

En Elladi has currently the broadest range of products compared to the other production lines, as they have been described above. This is due to the importance that the company recognizes in the concept; the strategic turn to a completely new approach towards deli meat and deli meat consumers has led the company to a completely new market: the healthy deli meat market. Thus, this new market has to have options for the consumers; currently, the En Elladi concept is expanded, to give the opportunity to everyone who is concerned with their health and a healthier lifestyle to consume a whole range of products – deli meats and products made with these deli meats – and be sure of their quality and healthiness. The products offered by this brand name consist of:

En Elladi Classic

Chilled cabinet products

- En Elladi ham leg
- En Elladi pork shoulder
- En Elladi parizer #105
- En Elladi parizer
- En Elladi cooked turkey fillet
- En Elladi dry salami of Crete
- En Elladi dry salami spicy
- En Elladi beerwurts semi-dry
- En Elladi country sausage Sfakiano (3pcs)
- En Elladi parizer with honey

Self service products

- En Elladi parizer 310gr
- En Elladi parizer feta cheese and tomato
- En Elladi parizer economy size 620gr
- En Elladi parizer slices 160gr
- En Elladi Franfurter sausages
- En Elladi leek sausage 380gr
- En Elladi country sausage Sfakiano
- En Elladi salami spicy 200gr
- En Elladi dry salami mini 200gr
- En Elladi parizer with honey 310gr
- En Elladi ham leg skin 100gr
- En Elladi turkey fillet skin 100gr
- combi En Elladi ham and Greek cheese 400gr
- combi En Elladi parizer and gouda cheese 400gr

The wide range of products was gradually expanded, due to the acceptance from the consumers of the concept. Thus, even more specialized products were introduced, and “En Elladi” transformed from the name of a range of products into an “umbrella,” under which all products with direct incorporation of olive oil – namely, Cretan extra virgin olive oil – belong to.

En Elladi Gourmet

A production line consisting of roast products and roast products with honey, adding more nutrition and more taste to the final product: quality, healthiness and taste.

Chilled cabinet products

- En Elladi Gourmet roast ham
- En Elladi Gourmet roast ham with honey
- En Elladi Gourmet roast turkey fillet
- En Elladi Gourmet roast turkey fillet with honey
- En Elladi Gourmet lountza (smoked ham)
- En Elladi Gourmet mortadella #200
- (family Gourmet smoked ham)
- (0 – 3% Gourmet cooked ham)

En Elladi Oreino (oreino = from/at the mountain)

Oreino consists of products with no chemicals and no preservatives added to the final product.

Chilled cabinet products

- En Elladi Oreino ham leg smoked
- En Elladi Oreino turkey fillet smoked
- En Elladi Oreino dry salami

Self service products

- En Elladi Oreino dry salami mini 200gr

En Elladi Organic (launched: year 2002)

In this range, the meat used for the production of the deli meats is derived from organically fed animals, naturally reproduced. The pigs are fed with organic vegetables derived from animal feed, fruits, roots, wild greens, etc. For the processes of the manufacturing of organic livestock products, Creta Farm has been certified by DIO, the Certification and Inspection Organization of Organic Products (Athens, Greece). “Harmony with nature,” which is the motto of the company, is surely clearly seen and perceived in this range of products.

Self service products

- En Elladi Organic parizer 310gr
- En Elladi Organic parizer slices 160gr
- En Elladi Organic roast ham slices 160gr
- En Elladi Organic smoked turkey fillet #105 slices 160gr

From the above presentation of products, it is clear that Creta Farm S.A. has invested a large proportion of its resources towards this production line, expanding and enlarging the choices for the buyers in this new market of healthy deli meats.

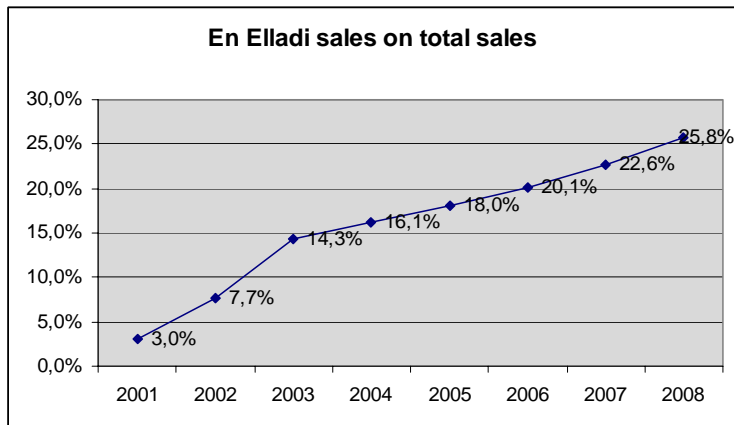
3.3. The importance of En Elladi Production Line

With En Elladi, Creta Farm has achieved the change in the perception of consumers of what the deli meat is and is not. The concern of consumers regarding a healthier life style has gained En Elladi an exceptional position among other deli meats, not only those of competitors of Creta Farm, but also within the Creta Farm products.

Firstly, to distinguish the importance of deli meats as an activity of the company, to the other activities of the company, the author notes that in general, the production and manufacturing of pork meat and deli meat contributes to the total turnover as high as approximately 89% of the turnover, while the marketing and distributing of other products (cheeses, beverages, distribution of imported foodstuff etc.) contributes a total of approximately 10 to 11%. And although the production of deli meat did not occur until 1985 – until then, the company's main activity was the breeding, feeding and fattening of pig livestock and the marketing and distribution of fresh or frozen pork meat – from the year 1985 onwards, the production of deli meat has been the major activity of the company regarding not only contribution to the company's turnover, but also the profit of the company. Therefore, investing in good quality pork meat production mainly helps the company in production of high quality deli meat.

Furthermore, according to data provided by the company, the sales of En Elladi compared to the total turnover of the company changed significantly during its time on the market; in year 2001, one year after the launching of the product, 3% of the total sales were attributed to En Elladi, while the next year the percentage more than doubled to 7.7%, in year 2003 again it increased about 86% to 14.3% of total sales. In year 2008, the turnover attributed to En Elladi reached 25.8% of total sales, with a more or less steady increase of the percentage of approximately 12% every year.

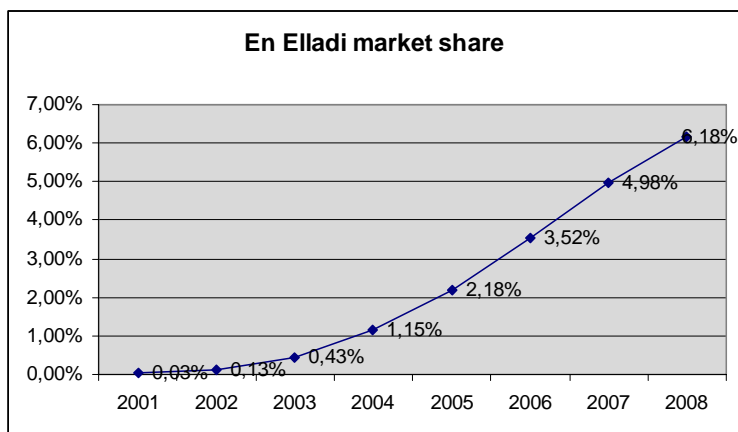
Figure 7. En Elladi sales as a percentage of total sales



Source: Data provided by Creta Farm S.A.

The En Elladi range alone, reached in year 2008 6.18% market share of the deli meat market in Greece, from 0.03% only seven years earlier, when most of the companies that are active in the sector of meat and meat-products do not reach as high a market share.

Figure 8. En Elladi market share



Source: author, from data provided by Creta Farm

Finally, as described earlier in the activity of the company abroad, the production line that can stand – and is standing – well regarding global competition as well is En Elladi, due to its uniqueness – the reader should be reminded that En Elladi is a patent worldwide – and its concept of healthiness.

4. Financial Analysis of Creta Farm S.A.

In order for the reader to realize the good performance of Creta Farm, and how the En Elladi production line, which accounts for a good ¼ of the company's revenues as analyzed earlier, helps and enforces the potential of the company, the author provides below the

financial analysis of Creta Farm.

Firstly, the environment in which the company is active is introduced, namely, the deli meat market sector in Greece, and later the position of the company within this environment is presented.

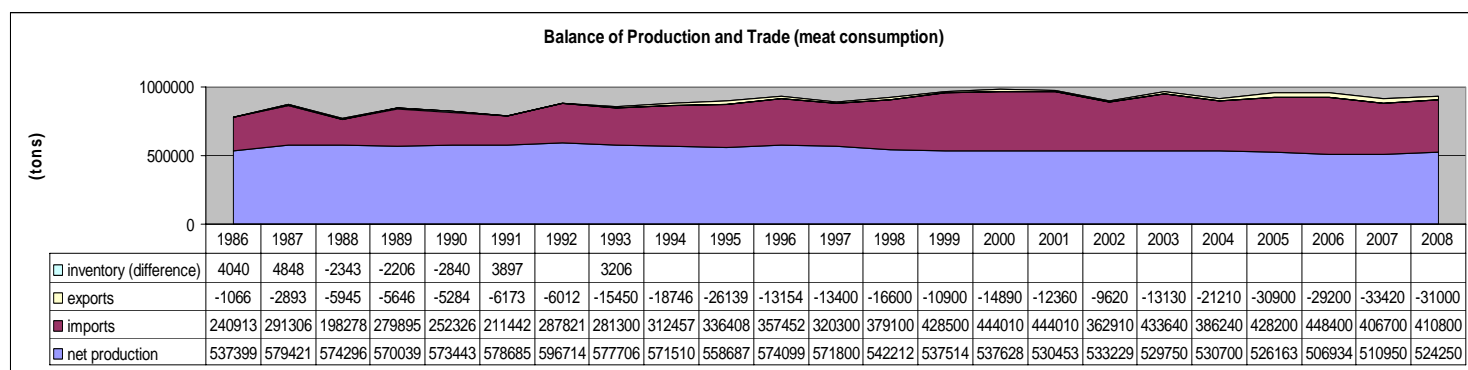
4.1. The deli meat and meat product market and sector

4.1.1. Introduction

Since the production of meat-based products depends on the supply, the price and the quality of the meat used for the production (raw material), the meat production in Greece is being presented, with data from 1985 to 2008.

As it can be seen in the following figure, along with time, the production of meat is slightly decreasing (approximately with an average annual rate of 0.81%), whereas the importing of such raw material has been increasing for the last six years with an annual rate of 43% to 48.5%. Exporting has also been increasing, while domestic consumption is fluctuating around 900,00 tons yearly:

Figure 9. Balance of Production and Trade in meat consumption



Source: Data from Hellenic Ministry of Rural Development and Food

The main activities related to this sector are the production of dried, smoked, or cured poultry and animal meats, the production of deli meats and/or the production of prepared meals in cans or other kinds of packing, with meat as the main ingredient.

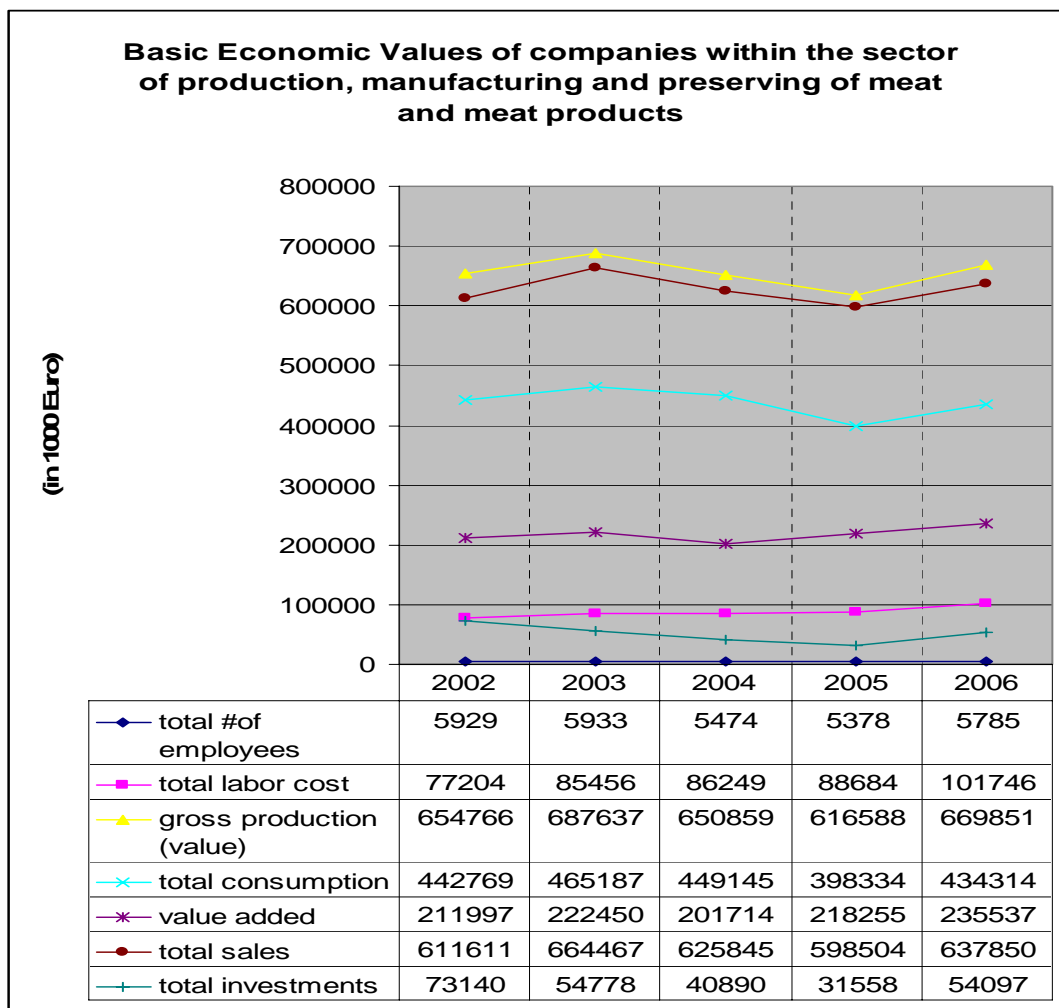
Initially, production of deli meats and meat products were a household responsibility, which became systematic after the 1960s. This sector in Greece was industrialized during the 1970s, while it was in the 1990s – and specifically after 1996 – when the companies which were active in the sector started modernizing their technology to achieve better quality of the final products, due to the development grants provided by the European Union and the Greek government, in order for the companies to be in accordance with the

related European Union directives.

Today, the sector consists of a few verticalized large industries that control the biggest part of the market, and many small and medium size companies, which produce mainly traditional types of deli meats. There are also some importing companies, which import products that are differentiated due to their origin (for example, German sausages, Italian prosciutto, etc.).

According to the Hellenic Statistical Authority, as shown below, the total sales of produced quantities amounted to 637.850K Euro in 2006, while the value of the production amounted to 669.851K Euro.

Figure 10. Basic Economic Values of companies within the sector



Source: Data from Hellenic Statistical Authority, Annual Industrial survey

4.1.2. The demand

Meat is considered to be a staple good in Greece, thus it is characterized by low price elasticity. On the other hand, deli meats are not considered as staple goods, but rather as snacks, which makes demand dependent on their price, as well as on the price of their

substitutes and the income of the households. According to evidence from the Hellenic Statistical Authority, households in the years 2004 – 2005 were spending an average of 23.4% of their total spending on food, on meat, and 2.67% on deli meats and meat products.

The lesser time available for cooking, due to the increased social and professional responsibilities, and the more time spent outside – which decreases homemade meal consumption – has a positive influence on the sector, since both of these factors favor the consumption of snacks, prepared meals, and meals in restaurants – another distribution channel for deli meats and meat products. In the case of Greece, arrival of tourists is also a major factor that influences demand, as it collaborates with the HORECA market.

4.1.3. The supply

The majority of the 249 companies active in the sector (including the companies in poultry meat production) are small and medium sized, usually of local character and small capacity, and there are very few large industries, with known brand names, recognizable trademarks, modernized establishments, well developed distribution channels, and organized production systems. Most of the latter are verticalized to some extent, and – as also mentioned by Creta Farm S.A. – the only company fully verticalized is Creta Farm S.A. [from the production of the animal feed, to the distribution of the final product]. Regarding the importing companies, the activity usually covers only a small proportion of their turnover.

Major distribution channels are supermarkets – the number of which is increasing – where 60 – 65% of the deli meat sales occur in the chilled cabinet section, rather than the self service section (35 – 40%), catering (amounting about 445,000K Euro and growing), clubs, coffee shops, fast food restaurants, etc. (in the year 2008 the total value of fast food industry amounted 732,000K Euro, with growing trend), butcher shops, and specialized delicatessens.

The companies that achieved a turnover of over 300,000 Euro in the year 2008, which were active in the sector of deli meats and meat products, are the following:

Table 1. Companies active in the sector of deli meats and meat products, with over €300K turnover

Name of Company	2004	2005	2006	2007	2008	2009
PINDOS, agricultural poultry farming Cooperative of Ioannina	116.550.644	115.697.505	120.452.757	149.120.974	165.057.693	171.666.689*
HELLENIC QUALITY FOODS A.E.T.	99.959.148	82.030.801	81.060.318	93.592.522	103.384.319	102.367.154*

CRETA FARM S.A.	79.339.000	78.874.000	82.583.000	93.110.000	103.241.000	105.829.000
NIKAS S.A.	69.961.561	84.037.053	94.791.047	99.026.881	96.071.506	95.555.664
FLORIDES S.A.	66.859.252	82.253.884	89.915.052	86.361.106	95.374.127	99.251.000*
HELLENIC CATERING A.E.	76.526.095	73.889.764	73.042.406	76.677.428	79.691.973	84.300.258
YFANTIS S.A.	54.360.619	60.662.924	65.599.140	69.788.505	76.759.194	76.000.000*
agricultural poultry farming Cooperative of Arta	42.658.239	40.385.625	39.738.145	51.494.069	66.605.053	70.000.000*
VI.KI. S.A.	24.700.805	24.859.564	26.190.322	28.231.898	31.827.531	33.593.856*
EDESMA S.A.	20.060.054	22.145.098	27.444.577	29.398.320	31.180.173	n/a
LUNCHEON MEAT EVROU S.A.	18.459.328	21.849.431	25.138.026	27.142.263	29.932.336	31.680.373*
AGGELAKIS S.A.	20.454.204	19.108.019	14.606.025	18.757.175	18.813.994	19.326.874
PASSIAS S.A.	13.619.043	13.917.932	15.276.788	14.733.486	16.395.699	n/a
MITSOPOULOS FARM S.A.	6.939.507	10.108.394	11.616.903	12.554.100	14.927.026	n/a
DAVOUTIS MAVRIDOPOULOS Ltd.	8.291.409	10.889.992	12.454.288	12.996.647	14.613.555	16.500.000*
BRELLE S.A.	17.067.485	17.121.658	14.778.200	13.313.706	13.323.662	14.677.863*
EFYRA FARM S.A.	9.035.934	8.058.955	9.111.961	11.718.165	12.800.078	11.573.563
ZLATES S.A.	13.093.355	14.347.811	14.617.037	15.264.825	12.721.315	n/a
ZELIALIDES Ltd.	18.324.789	21.934.548	23.935.391	24.162.472	12.000.000*	9.500.000*
NANOS & Co S.A.	8.627.690	10.702.408	11.307.186	10.902.466	11.955.061	12.240.999*
DIRO Ltd.	6.330.633	7.503.095	9.574.303	11.112.695	11.364.899	6.263.600*
KASIDES S.A.	4.929.174		13.445.075	7.805.719	9.924.050	12.500.000*
GREEK GYROS S.A.	3.411.471	3.855.522	4.923.515	5.102.417	8.820.988	11.235.727*
BOULGARI Bros Ltd.	8.154.386	9.014.617	8.428.664	9.367.348	8.571.108	n/a
LEVENTAKIS Ltd.	3.638.520	4.147.055	4.769.584	6.356.288	8.066.923	n/a
TSAOUSIDES Ltd.	4.403.952	4.913.752	5.257.642	6.425.265	7.537.690	7.922.571*
PHAETHON S.A.	5.118.918	5.359.560	6.038.404	6.420.164	7.346.462	7.800.000*
LONTZINI S.A.	2.641.806	2.950.667	4.093.670	5.505.637	6.925.434	n/a
MEAT PROD/ON CORFU S.A.	5.160.916	5.668.983	6.279.948	6.253.220	6.877.921	7.500.000*
GREAT GREEK TRADITIONAL GYROS ¹	-	-	-	2.410.011	6.726.016	10.402.471
DIANIK S.A.	5.270.032	5.396.495	5.244.772	4.936.870	6.005.425	n/a
KARAGIANNAKIS, Chalkidiki Chicken S.A.	4.625.737	4.386.382	3.880.281	5.256.182	5.612.775	5.918.577
NASIOS Ltd.	6.150.531	5.268.517	6.252.059	5.187.108	4.718.132	4.873.000*
VI.KRE. S.A.	2.426.518	2.818.602	3.544.114	4.005.859	4.402.862	4.848.000*
FOOD MASTER S.A.	3.382.620	3.443.036	3.293.770	3.619.653	3.891.246	4.095.775
AGGELOU S.A.	2.764.275	3.085.381	2.992.953	3.348.254	3.414.058	n/a
MEATLAND E.II.E.	1.617.119	1.688.520	1.423.249	1.757.880	2.420.273	2.450.000*
EVIA FARM A.B.E.E.	1.595.164	1.794.503	1.945.867	1.953.550	2.223.503	2.339.296
PRIMA A.E.	1.700.336	2.014.554	2.295.315	2.038.023	2.090.699	n.a
FORENA FOOD A.B.E.E.	1.589.489	1.629.958	1.830.257	1.824.159	2.059.585	n.a
APKOT S.A.	1.647.038	1.908.611	1.476.267	1.898.607	2.003.655	1.956.143

KOUTAVAS S.A.	2.104.768	2.154.835	2.045.712	1.866.742	1.814.861	n/a
EPIDAVROS DELI MEATS S.S.	3.328.292	1.742.277	1.568.610	1.595.629	1.620.225	n/a
FOTOPOULOS Ltd.	1.474.400	1.208.768	1.626.744	1.418.129	n/a	1.500.000*
TSIANAVAS S.A.	2.301.972	1.386.669	1.430.522	1.291.233	1.473.145	1.683.790
DELI MEATS of CORFU S.A.	1.431.160	1.449.863	1.492.809	1.281.106	1.346.094	1.249.401*
CHONDROGIANNIS & Sons Ltd.	914.996	1.093.706	1.056.215	1.181.149	1.168.769	991.924
KATOPODI Bros Ltd.	526.398	621.883	682.498	946.118	1.022.399	1.153.497
MANTSIS & Sons Ltd.	486.303	519.632	558.772	572.042	583.976	n/a
POLYCHRONOPOULOS S.A.	445.989	427.354	417.385	524.662	563.956	n/a
TRITAKI Bros S.A.	467.408	371.899	412.932	460.701	443.713	395.340
Metsovo Traditional Deli Meats Ltd.	0	0	23.697	327.251	407.905	453.712*
THRAKI S.A. ³	n/a	17.506.559	10.707.905	-	-	-
MACEDONIA DELI MEATS ⁴	3.912.202	4.635.219	6.217.499	6.505.904	6.803.910	n/a
TOTAL	878.763.547	920.985.056	976.584.281	1.057.031.898	1.144.341.541	1.058.102.021
(in Euro)						
* according to the company						
1. Established in 2006, active since 31.1.2007 (1st year results from 28.08.2006 to 31.12.2007)						
2. economic year 2004: from 22.4.2003 to 31.12.2004						
3. At 31.10.2007 the company was released						
4. The production activity ended December 2009.						

Source: Data from ICAP, published BS of companies

The author notes that the above presented turnover amounts refer to the total turnover of each company, not only the turnover from their activity in the specific market and sector.

Companies that are importing deli meats and meat products, although not as a major one of their activities, rather as a part of importing food, include the following:

Table 2. Companies active in importing deli meats and meat products

Name of Company	2004	2005	2006	2007	2008	2009
ELGEKA S.A.	115.728.000	111.718.000	97.148.000	120.930.000	135.956.000	141.873.000
ATLANTA S.A.	37.656.570	38.976.906	44.069.266	48.468.619	48.559.942	49.246.392
Northern Aegean Canning S.A.	29.442.977	31.469.420	32.590.658	36.631.867	36.150.636	35.743.448
PASSALIS G & I Ltd.	9.305.613	15.135.148	15.814.900	19.749.914	22.017.739	23.519.043
MANTOUVALOS Bros DIRO S.A.	9.382.141	9.748.777	11.415.358	10.798.068	10.904.339	n/a
EUROFOOD QUALITY S.A.	5.995.233	5.773.673	6.771.050	7.522.422	8.003.018	8.158.966
HIPPOTOUR S.A.	3.224.625	6.869.273	6.015.424	7.089.012	5.880.339	5.322.786
CHARALAMPOPOULOS Bros Ltd.	n/a	7.551.477	6.759.026	5.878.427	5.202.028	n/a

INTERFOOD A. KOBO - KOGETSIDES & Co. Ltd.	2.832.114	2.666.881	2.746.727	2.867.497	2.846.057	3.000.000*
KOUKOUVITES Sons Ltd.	n/a	n/a	1.400.000*	1.700.000*	n/a	n/a
TROFODIANOMI Ltd. ¹	-	n/a	n/a	n/a	1.174.422	1.600.000*
SANZONI Ltd. BENITO DELICATESSEN	n/a	n/a	1.100.000*	960.349*	n/a	1.400.000*
TOTAL	213.567.273	229.909.555	225.830.409	262.596.175	276.694.520	269.863.635
(In Euro)						
* According to the company						
1. Established in 2005						

source: Data from ICAP, published BS

4.1.4. Promotion

Due to the fierce competition between the few large companies, advertisement became a major means for the promotion of the products and the capturing of a bigger market share. In the following figure, the investment of the companies per medium is being presented:

Table 3. Investment in advertising per medium

Mass Medium	2005	2006	2007	2008	2009
Television	3.767.144	5.356.662	6.170.389	8.144.994	7.943.067
Magazines	37.932	301.216	216.362	278.808	890.842
News papers	0	329.394	98.321	21.546	143.874
Radio	146.141	85.232	341.887	1.984.396	1.262.843
Total	3.951.217	6.072.505	6.826.958	10.429.743	10.240.625
(In Euro)					

Source: Data from ICAP, Media Services S.A.

Especially when a new product is launched, the promotion via mass media becomes more intense. For the last five years the advertising costs increased by 26.88% annually, and only in 2009 they decreased by approximately 1.81%. Regarding deli meats, which target a wide range of consumers, television is the most commonly used means for their promotion. This is the reason why 78 – 95% of the total advertising costs were spent on television during 2005 – 2009, annually increasing by an average of 20.5%.

Out of the above presented amounts, Creta Farm S.A.'s advertising costs were 2,266.56K Euro in 2008 and 2,113.769K Euro in 2009, namely the 21.73% and 20.64% of total advertising costs in the market in the years 2008 and 2009, respectively.

In total advertising costs of the company, En Elladi alone accounted for 79.43% in 2008 and 95.8% for 2009. This shows that the company is focused on promoting the En Elladi production line compared to its other production lines. This is due to the fact that the

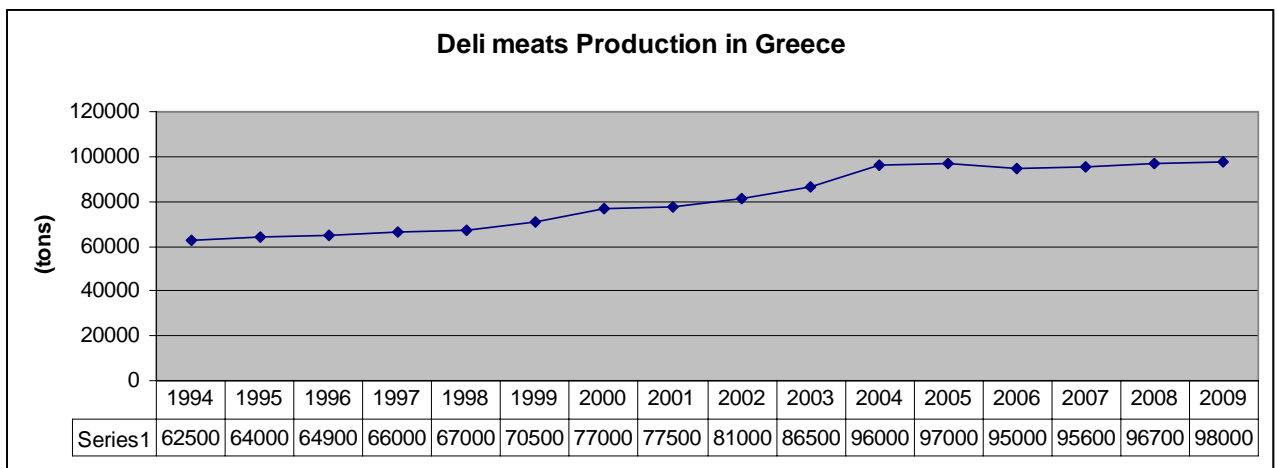
company insists on its strategic objective to change the perception of consumers for deli meats, adding “healthiness” to it, and change the dietary habits regarding deli meats and meat products.

4.1.5. The deli meat market in Greece: Production

The production of deli meat within the country has been increasing steadily by an average annual rate of approximately 3% since the year 1996. By the end of 2009 estimations are that it will have increased by 1.3% compared to 2008, due to the increase in the production volume of the large companies. The continuous increase in the market shares of the latter has resulted in difficulty for new players to enter the market, and in the difficulty of the small, not so modernized companies to decrease in size and numbers, or even leave the market.

The production of deli meats in the country, as found in an indicative study of the Hellenic Statistical Authority (2009), which does not cover the production of all the companies in the market, accounts as follows:

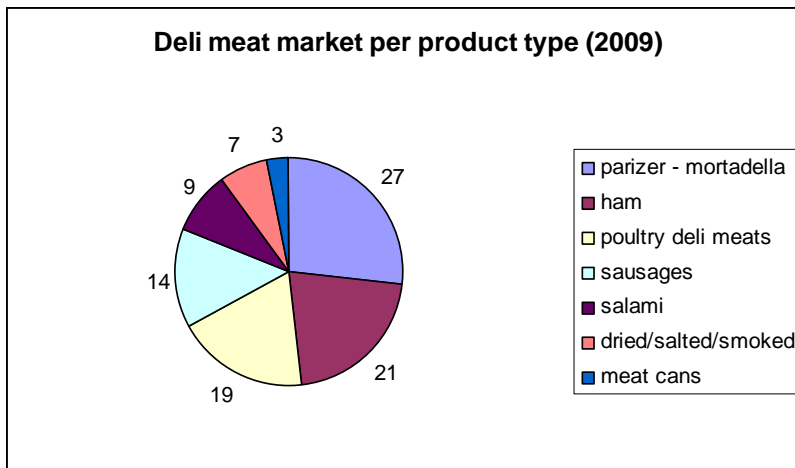
Figure 11. Deli meat production in Greece



Source: Data from Hellenic Statistical Authority

From this, the vast majority – about 27.5% – is mortadella and parizer, 21% ham and 19% refers to poultry deli meats, as shown below:

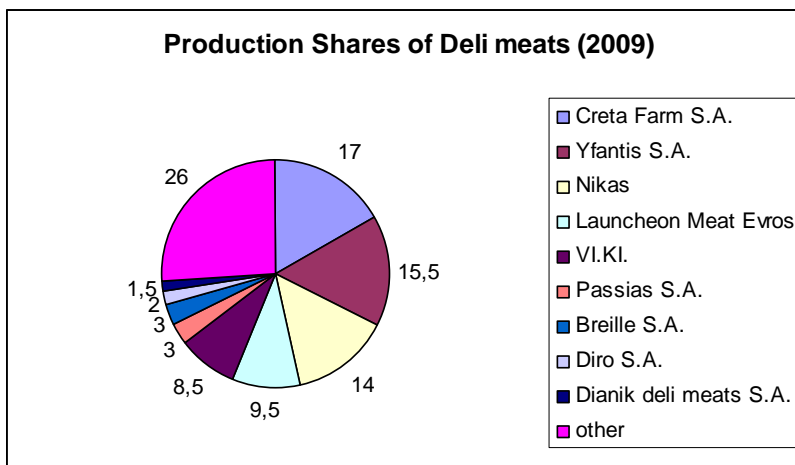
Figure 12. Deli meat market per product type (2009)



Source: Data from Hellenic Statistical Authority

From the companies in the market, nine companies hold over 72% of the country's production, the most of the production being attributed to Creta Farm S.A.:

Figure 13. Production Shares (2009)

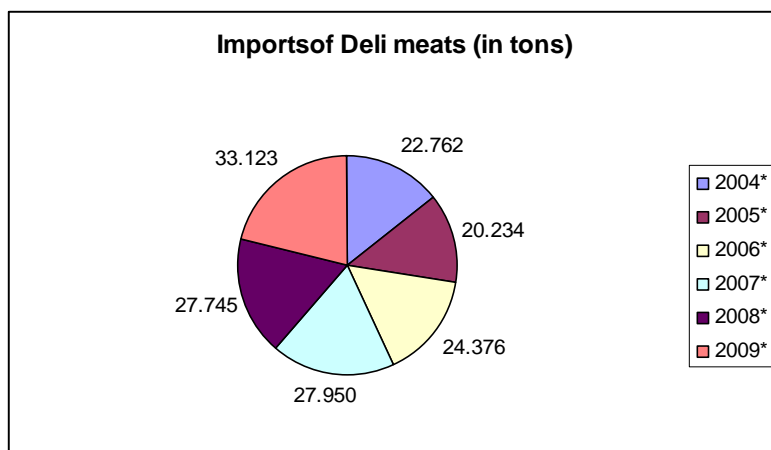


Source: Data from ICAP

4.1.6. Imports – Exports

Regarding the imports and exports of deli meats and meat products (including canned meat products), importing continues its increasing trend by an average 7.8% annually, the majority of the imports concerning poultry based products (38.5% of the total imported volume) and sausages, salami, etc (29.6% of the total imported volume). Main countries of import include Spain, Germany, and the Netherlands.

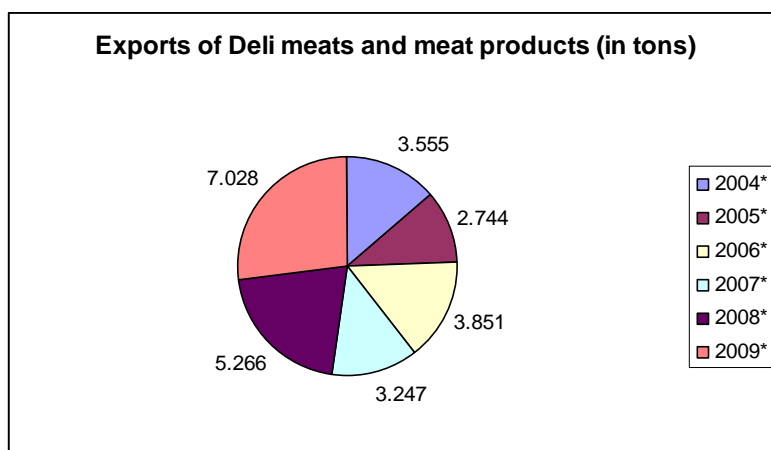
Figure 14. Imports of Deli meats (in tons)



Source: Data from Hellenic Statistical Authority

Exports on the other hand are not stable, nor do they have a trend; for instance, while in year 2007 there was a decrease of 15.7% compared to 2006, the next year there was an increase of 62.2%, to be followed in 2009 by an increase of another 33.5%. Approximately 75.9% of the total exported volume refers to poultry-based products and the main countries that imported this volume were FYROM and Albania.

Figure 15. Exports of Deli meats and deli meat products (in tons)

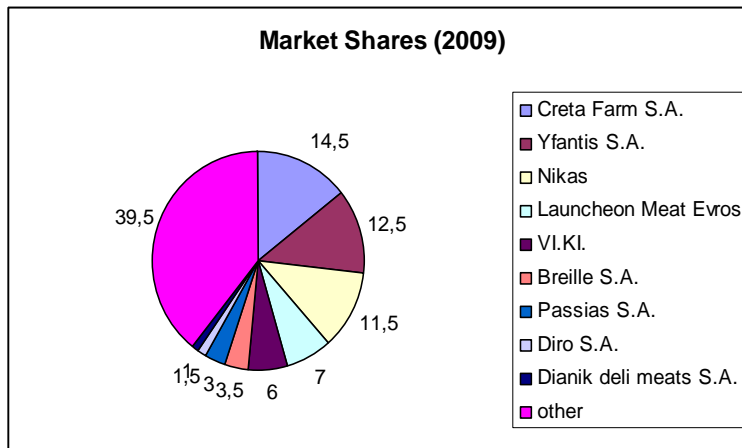


Source: Data from Hellenic Statistical Authority

4.1.7. Market Shares and Creta Farm Sales

Regarding market shares in the Greek market, ICAP provides the following values:

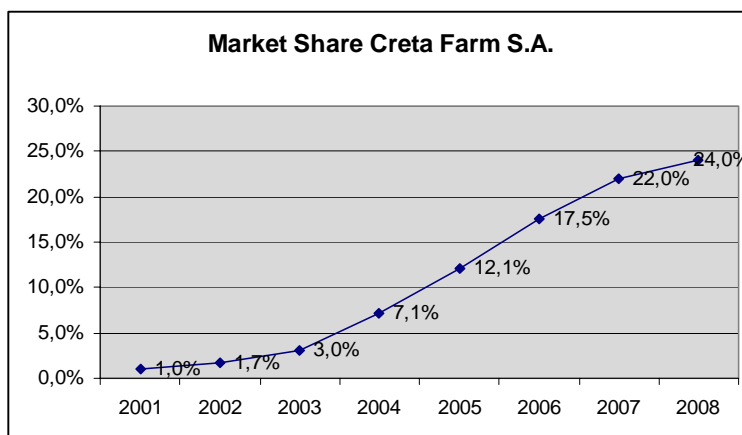
Figure 16. Market Shares (2009)



Source: Data from ICAP

However, according to data obtained by Creta Farm, the market share of the company is much bigger:

Figure 17. Market Share of Creta Farm S.A. in the Greek market

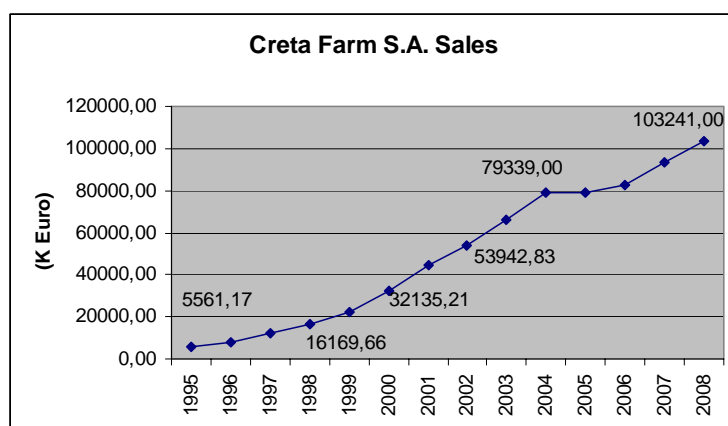


Source: Data from Creta Farm S.A.

In any case, though, the market is considered to be rather highly concentrated, since three of the companies in the market hold 38.1% of the market [according to Creta Farm S.A. this percentage is much higher, though], five of the companies hold more than half of the market (53.2%) and ten hold 62.5% of the market. For the rest of the market, some tens of companies are competing to gain a small piece, mainly in localities.

Sales of Creta Farm are shown in the figure below:

Figure 18. Sales of Creta Farm



Source: Data from Creta Farm S.A.

4.1.8. Remarks on the presence of Creta Farm S.A. in the market

In the light of the above, it is undeniable that Creta Farm is currently the leader in the market, and in fact has the most impressive results during the last 8 or 9 years, namely, from the launching of En Elladi production range onward, thus proving that the strategy of the company towards this specific production line (making it its major production line and its major focus) is most effective, with indeed wide acceptance from the consumers. It is also undeniable that the progress and success of the company can be attributed to a large extent to the production line En Elladi.

4.2. Creta Farm S.A. – Financial Ratios and comparison to the sector

In this section, the financial ratios derived from the financial results of the company in comparison to the ratios of the sector are being presented. The objective of this section as well, is to show the performance of Creta Farm, most of which is attributed to its production line En Elladi alone, as indicated in the previous section.

At this point the author notes that in year 2004 there occurred a very important change in the accounting methods in Greece, as in other parts of the world; the companies had to reject the Greek Accounting Standards and adopt the International Accounting Standards. Due to this change, all the values for the year 2004 onwards cannot be compared to the values before the year 2004, since they are calculated in different ways, although the name remained the same. For this reason, the main financial analysis in this section will be for the years 2004 onwards.

Finally, the financial analysis refers to the company, and not the consolidated results. This happens because of the changes that yearly happen during the last two years; investing in expanding abroad surely affected all financial analysis, when for example

Creta Farms LLC (the joint venture in the U.S.A.) has turnover for only one year, and the joint venture in Spain is still in its first year of being active in the market, thus has no yearly turnover yet, which naturally is not reflected in the financial statements. On the other hand, it should be kept in mind of the reader that the amounts for the investments regarding the company's expansion etc. are reflected in the last year's financial statements. Namely, that the fruits of the investments are indicated to be excellent, but cannot be supported on an annual basis yet.

Furthermore, the not long period of time that has passed since the expansion in the U.S.A. has not let the potential of the investment to be fully utilized; it is too soon for conclusions on the market, either the American, or the Spanish. Therefore, the contribution of what turnover exists in these markets is very small.

Similarly, as shown in the following figure, Creta Farm S.A., the parent company, contributes the most to the consolidated results of the Group, the other four companies of the Group being of less importance compared to the parent company. Therefore it is safe to present the historical data and the financial results of Creta Farm S.A. instead of the consolidated results, to illustrate the financial situation of the company, for the reader to have a clearer image of the company.

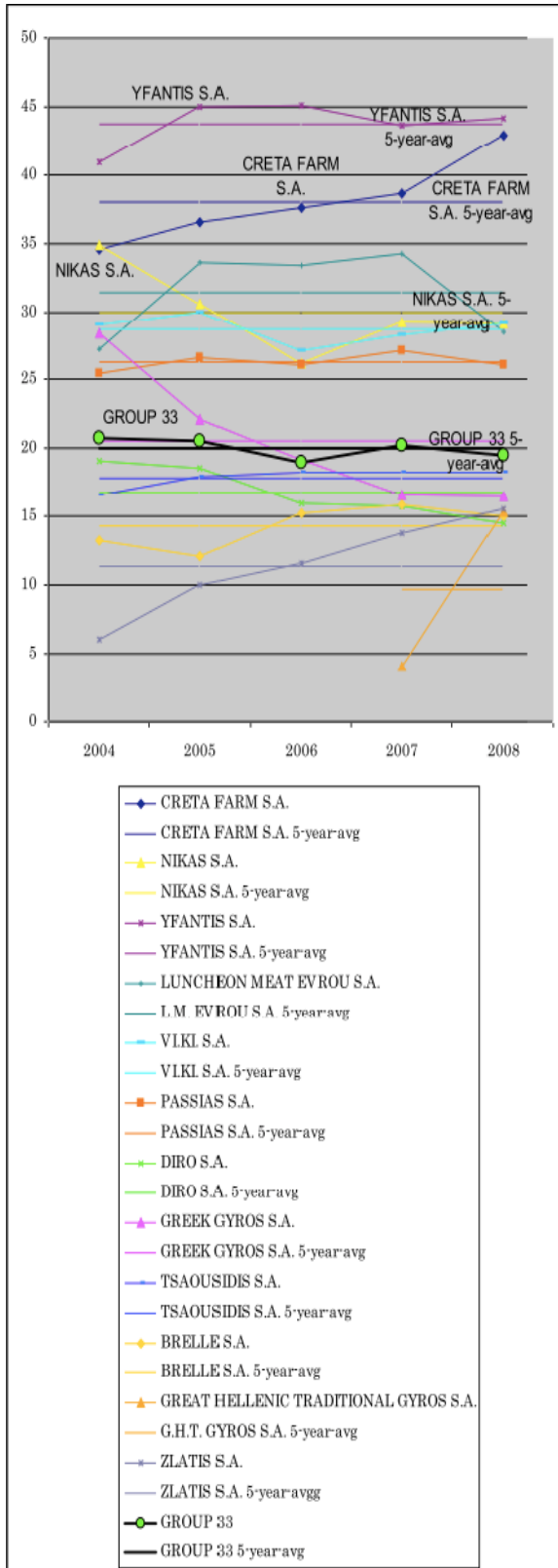
The data shown in the financial analysis refer to years 2004 – 2008. For the comparison with the sector, values that are provided by ICAP Hellas are being used [ICAP Hellas has calculated the sector values and, specifically, the values (in a consolidated form) of the 12 biggest companies of the sector, and the values in consolidated form of the 33 companies whose turnover regarding the products offered by the sector exceeded the 50% of their turnover (two values for each ratio); after “consolidating” all the financial statements of the companies of the samples taken (12 and 33 respectively), the ratios on such a consolidated basis have been calculated. The author will show the comparison of Creta Farm S.A.'s results to the latter, since it provides a better insight of the sector, as well as the historical data on the key financial ratios. Finally, the author notes that this comparison will be presented for the financial ratios for which data has been found.].

Historical Data on Financial Ratios

- Profitability Ratios
- Gross profit margin

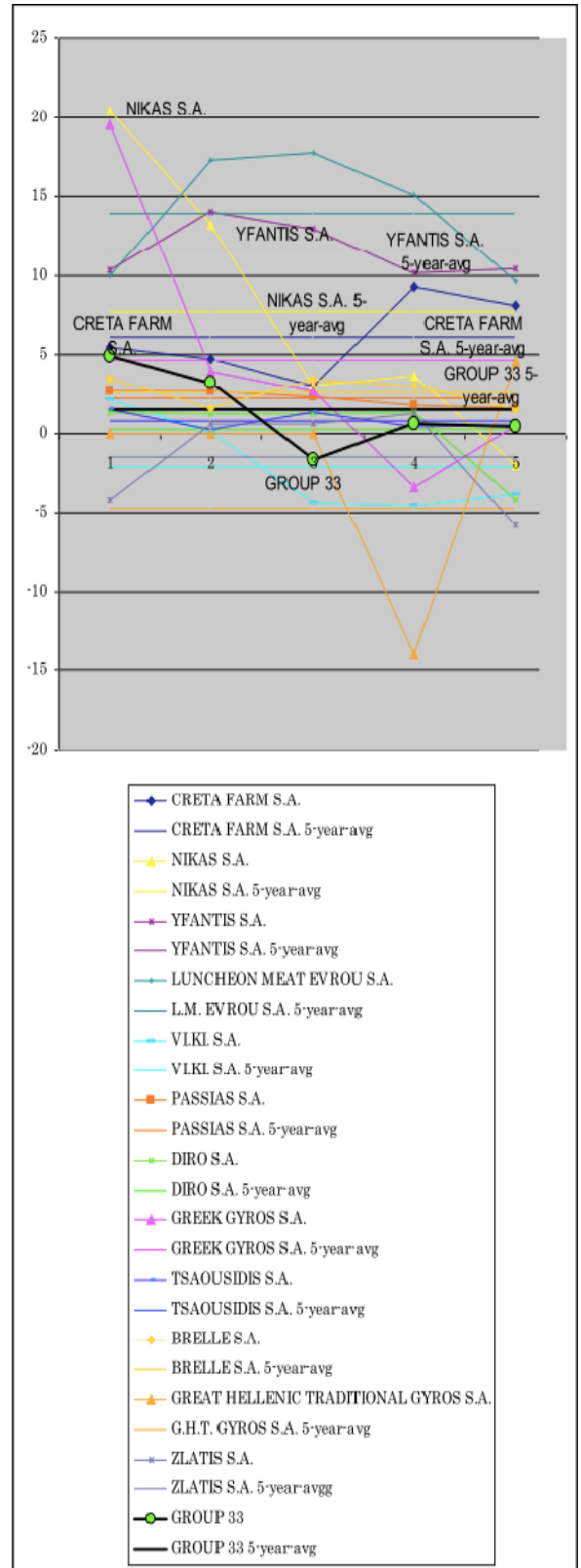
Within its major competitors, Creta Farm has one of the best gross profit margins, that becomes better as the company expands. Compared to the sector – the 33 biggest companies – Creta Farms has achieved an outstanding gross profit margin, reaching 42.89% in year 2008, when the sector reached 19.48% for the same year, proving the success of the company's strategic choices: differentiation and strategic pricing.

Figure 19. Gross Profit margin



Source: data from Creta Farm S.A. and ICAP

Figure 20. Operating Profit Margin



Source: data from Creta Farm S.A. and ICAP

- Operating profit margin

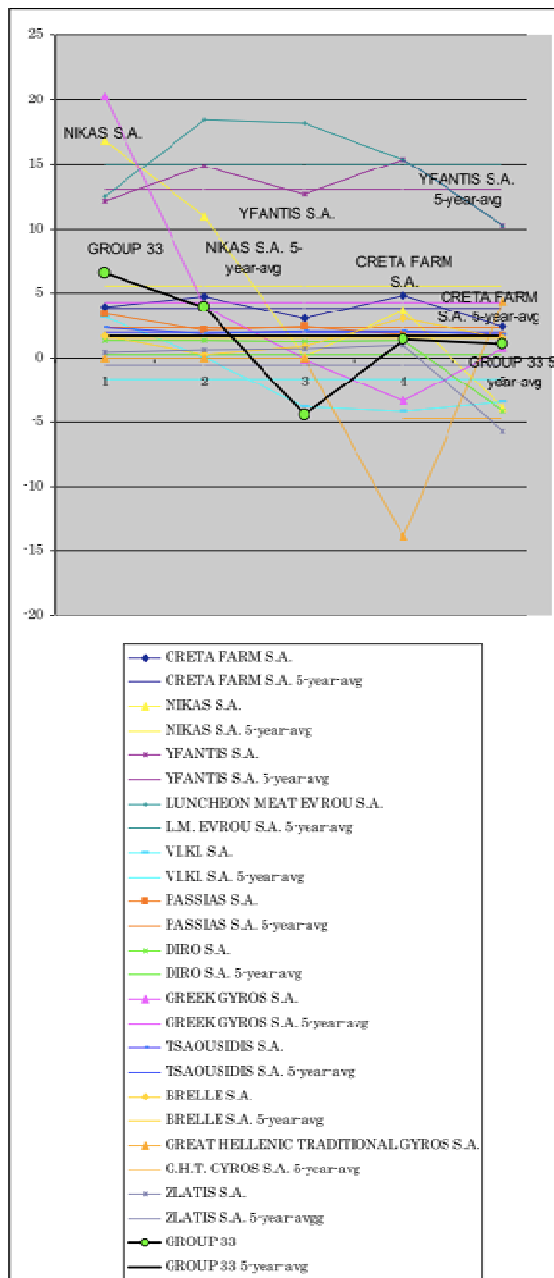
Fluctuating around 6.11%, when the average for the last five years of the 33 biggest companies has been 1.51%, the company is one of the healthiest in the market,

undoubtedly being able to pay for its fixed costs.

In comparison with its major competitors, Creta Farm has the third best operating profit margin, after Yfantis S.A. and Evros Luncheon Meat S.A. This is due to the establishment of Yfantis S.A. as a brand in the market of deli meats and meat products, long before Creta Farm entered this market. Still, in only a few years, Creta Farm has achieved becoming not only a considerable force as a competitor for Yfantis S.A., but a leader in the market as well. Furthermore, Evros Luncheon Meat S.A. is a subsidiary of Yfantis, using the same channels of distribution etc., which explains the results of the company compared to the sector.

- net profit margin

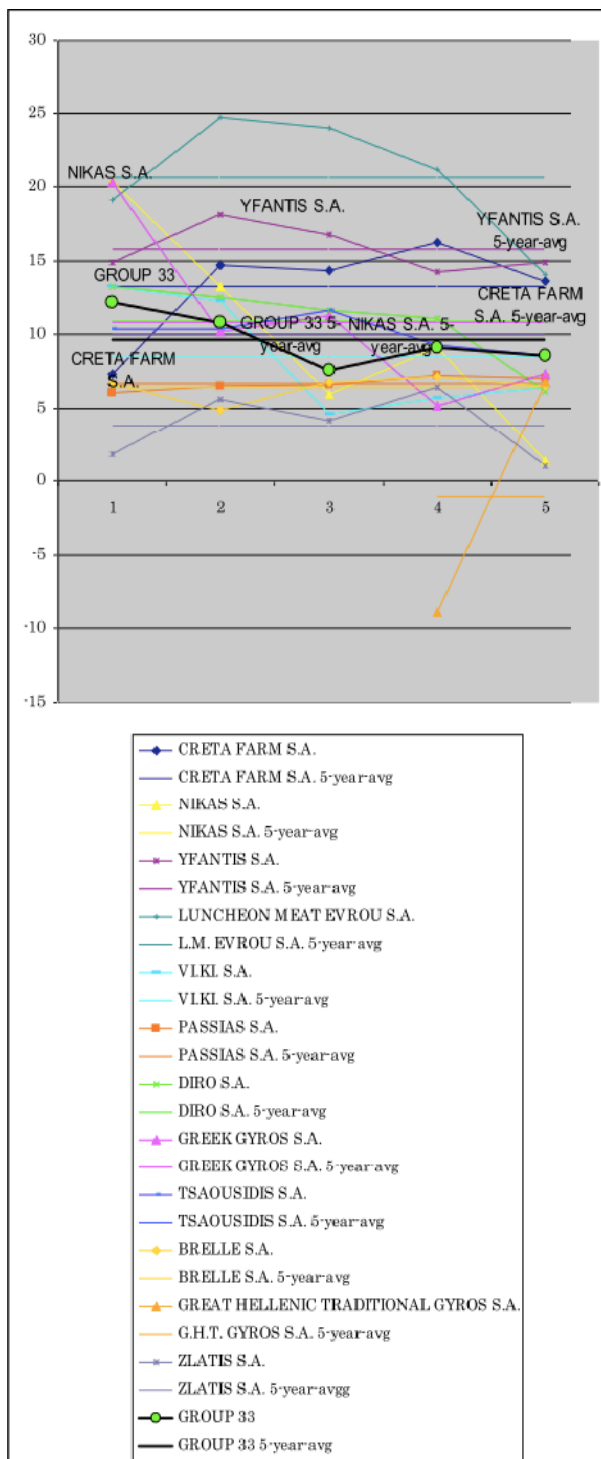
Figure 21. Net Profit Margin



Compared to the sector, as defined earlier, the company's profitability for the last five years regarding its net profit margin is very good: 3.81%, when the average of the sector in the last five years has been 1.72%. It is true that other companies present a better net profit margin, however as performance, that of Creta Farm remains one of the best in the market, mostly due to En Elladi – which means that in the case that En Elladi had not been introduced in the market, the company would have been yet another follower instead of a leader.

Source: data from Creta Farm S.A. and ICAP

Figure 22. EBITDA margin



- EBITDA margin

Again, holding one the best values for this ratio in the market, Creta Farm S.A. proves its healthiness as a company in the sector and the industry

Source: data from Creta Farm S.A. and ICAP

- Efficiency ratios

- Return on Equity (before tax)

Appearing relatively low, compared to the sector, return on equity reflects the investments made by equity for realizing the expansion plan the company has designed. However, it is a positive number, showing potential – bearing in mind the other ratios as well.

- Return on Assets (before tax)

Investing in expanding has been the company's strategy for the last few years, which explains the relatively low value of this ratio. This is logical, since the investments that have taken place do not have solid fruits yet, due to the limited time they have occurred in, being one year or less. Still, the ratio indicates that there might be more efficient ways for the company to convert assets into profit.

Figure 23. Return on Equity (before tax)

Source: data from Creta Farm S.A. and ICAP

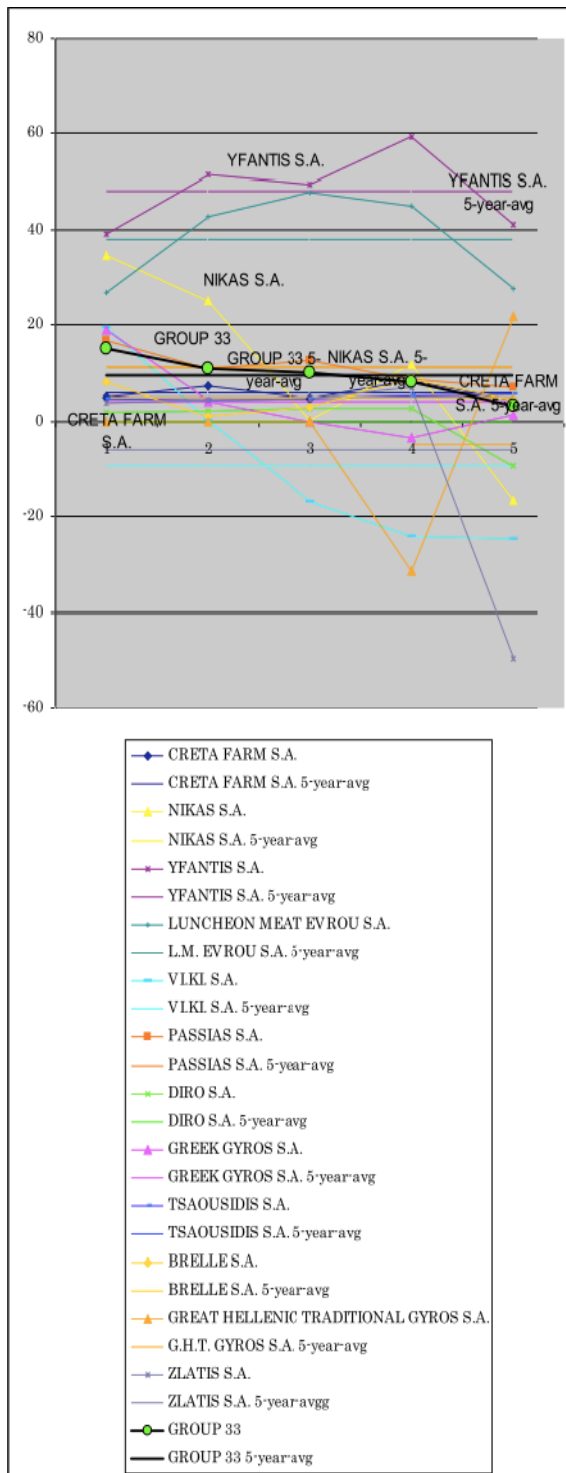
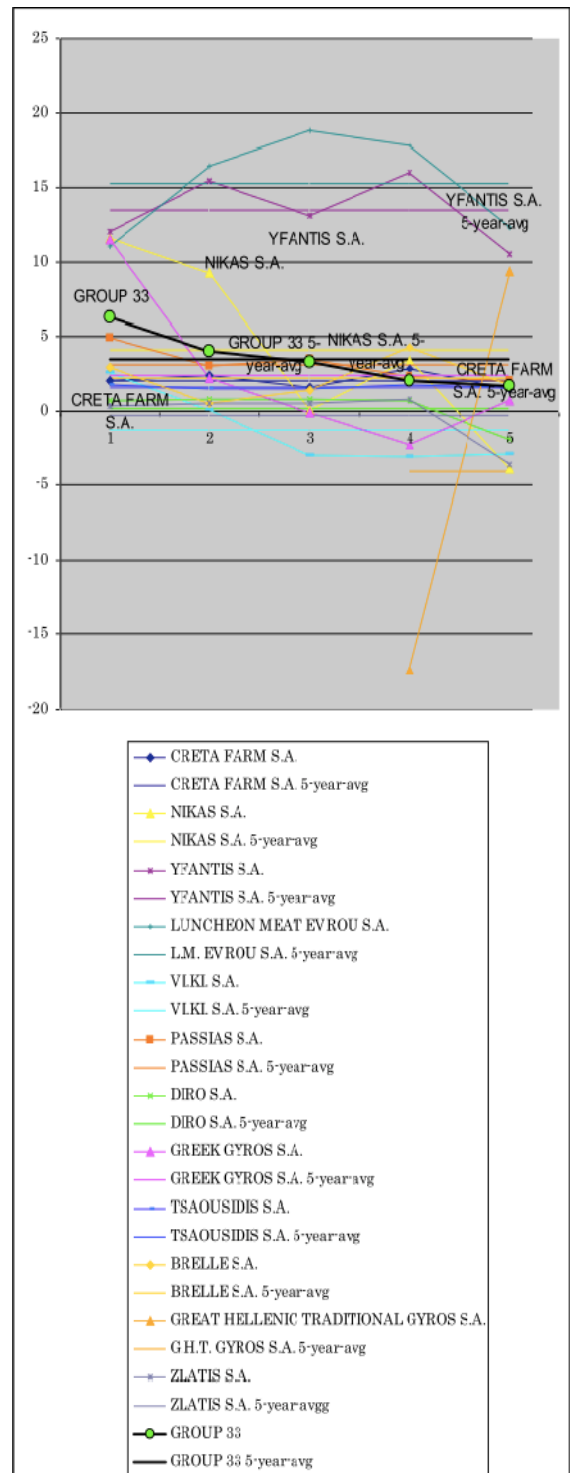


Figure 24. Return on Assets (before tax)

Source: data from Creta Farm S.A. and ICAP



- Liquidity ratios

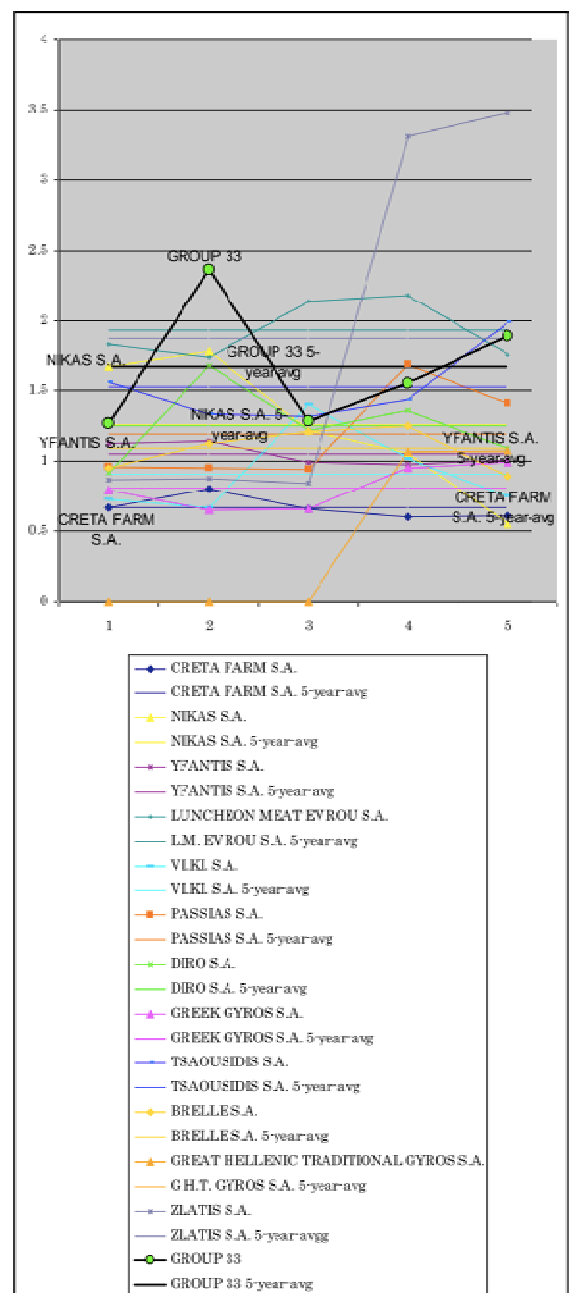
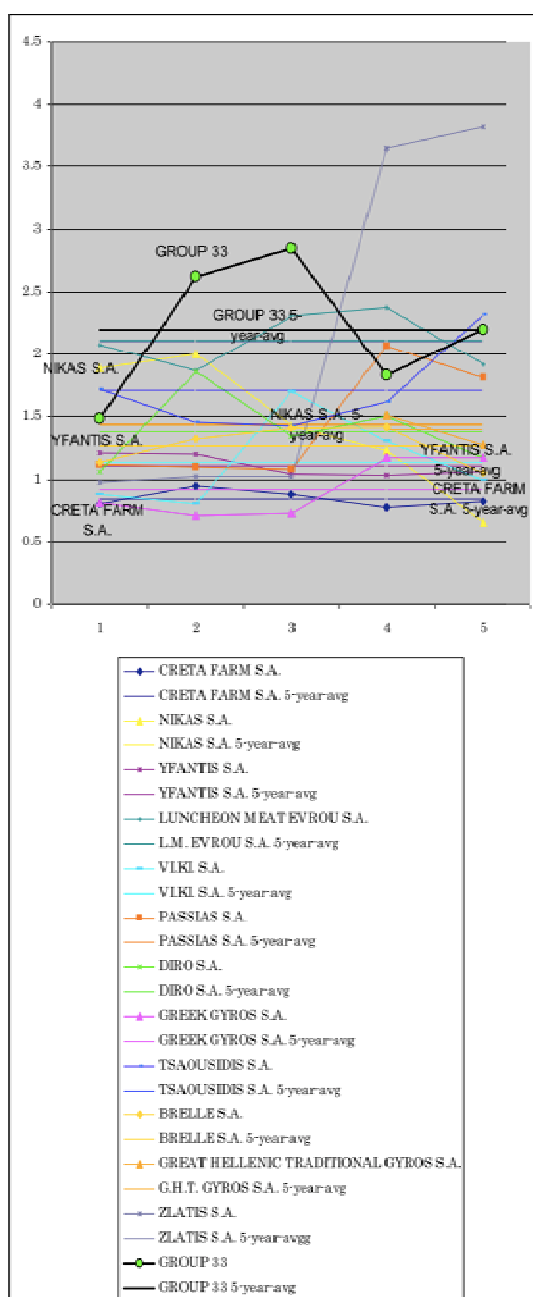
- Current ratio

The company is most probably not able to pay back its short-term liabilities with its short-term assets (cash and cash equivalents, inventories, receivables) if they came due at that point. However, one can not conclude solely by this ratio that the company would go bankrupt. What can be concluded is that the liabilities of the company are many, especially when it needs financing to invest.

- Acid-test ratio

As expected, the acid-test ratio, as with the current ratio, follows the same trend.

Figure 25. Current Ratio



- Days sales in receivables (days sales outstanding)

With one of the quickest paces compared to the sector, Creta Farm was able to collect its receivables in an average 116 days for the last five years, having thus the ability to turn sales into cash – and re-invest it – more quickly than the other companies in the market.

Figure 27. Days sales in receivables

Figure 28. Days sales in inventory

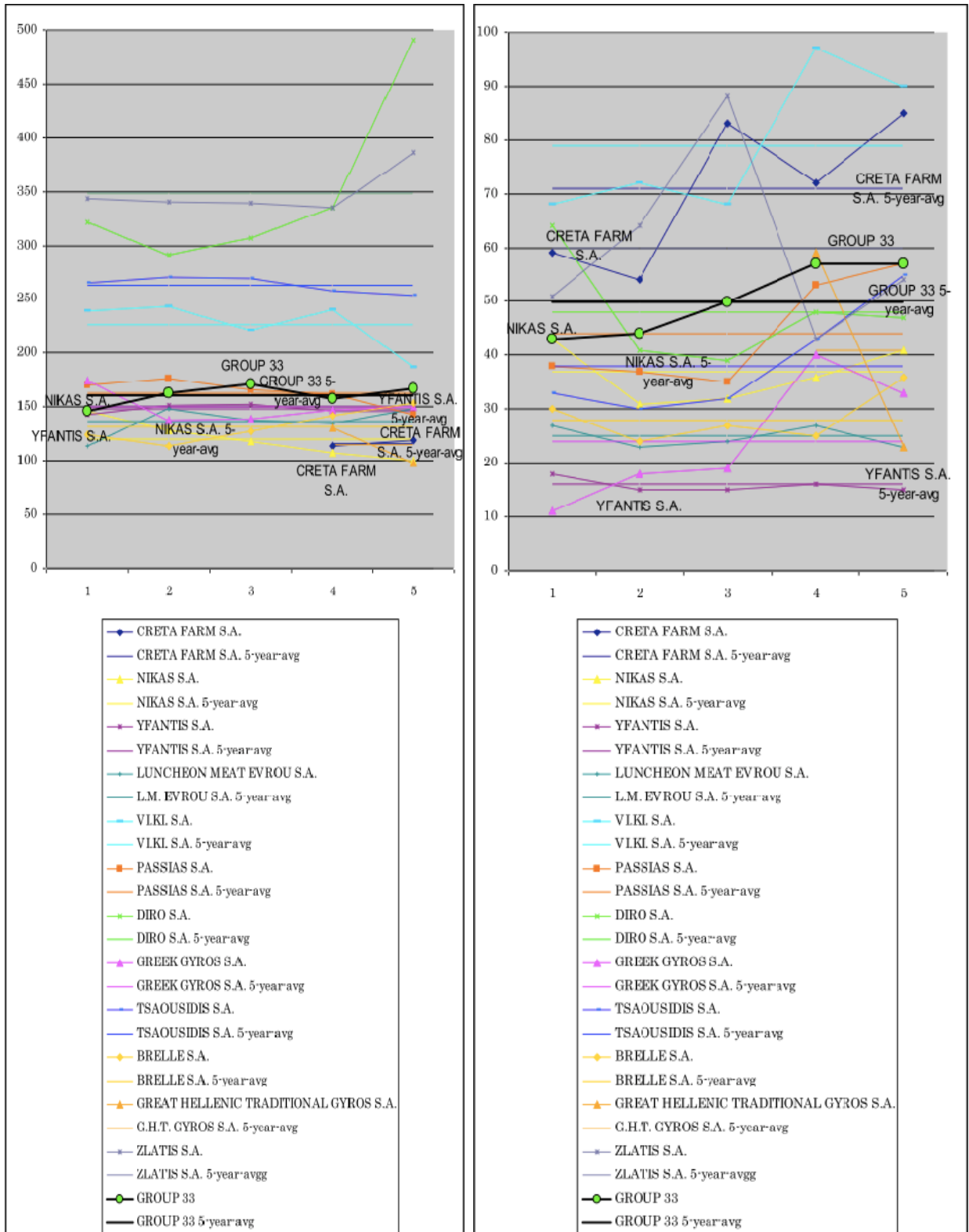
Source: data from Creta Farm S.A. and ICAP

Source: data from Creta Farm S.A. and ICAP

- Days of sales in inventory

Cash conversion regarding inventories of the company (raw materials, semi-finished and finished products) is the least time-efficient. This is to some extent expected to be so, since Creta Farm S.A. is the only fully verticalized company, which naturally means that its inventories exceed by far those of the other companies.

- Days of purchases in accounts payable (days payable outstanding)



While not one of the best compared to its main competitor, Yfantis S.A., it takes Creta

Farm approximately one month less to pay its trade creditors.

- Net trade cycle

Overall net trade cycle, though, for the last five years appears rather satisfactory, in comparison with the net trade cycle average of the sector for the last five years.

Figure 29. Days payable outstanding

Source: data from Creta Farm S.A. and ICAP

Figure 30. Net Trade cycle

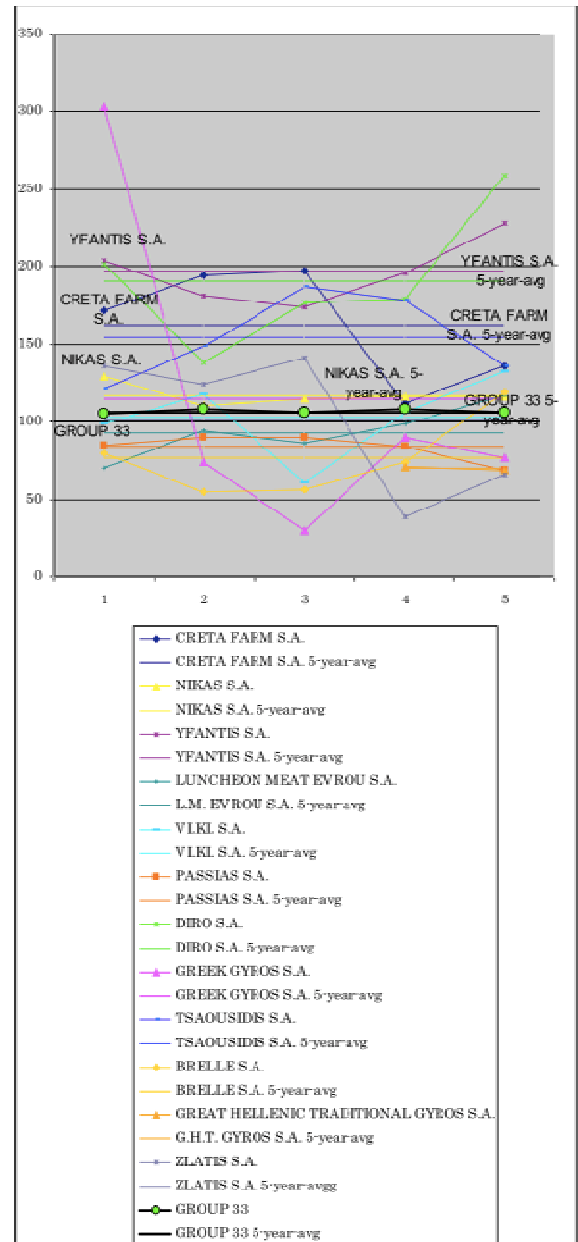
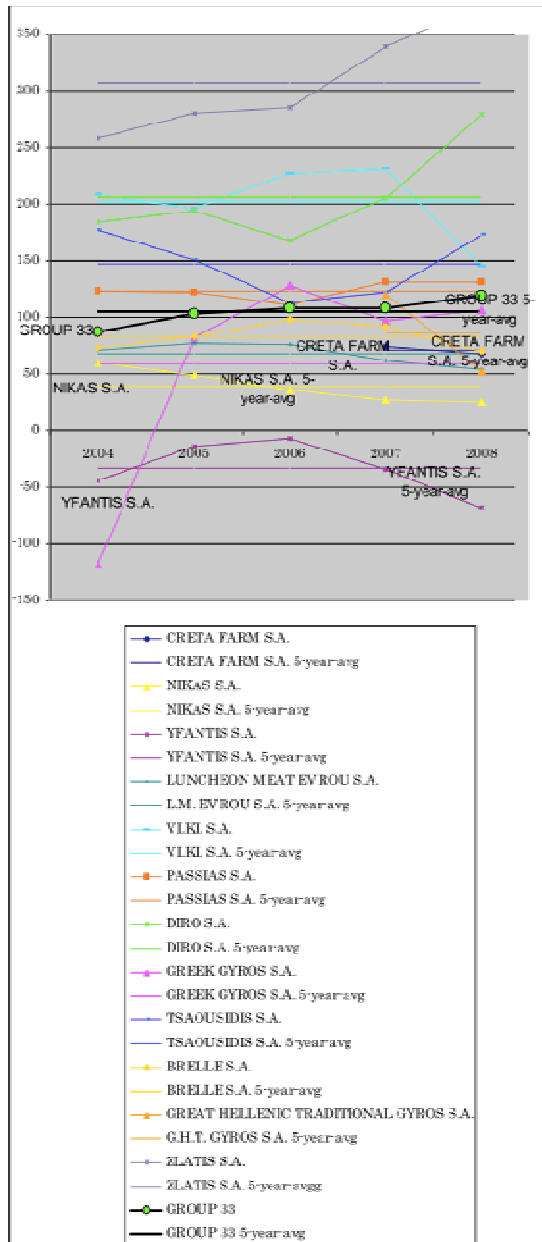
Source: data from Creta Farm S.A. and ICAP

d. Capital structure and Solvency ratios

- Total debt to equity

Not characterized by aggression towards its financing its assets and thus avoiding additional interest expenses, Creta Farm presents a low debt/equity ratio compared to its sector, indicating that the company is avoiding debts and is financing its assets more through its equity.

- Short-term bank debt to equity



A moderate value for Creta Farm compared to the sector, indicating that the company is not characterized by aggression towards its financing its assets by short-term debts, thus avoiding additional interest expenses.

Figure 31. Total debt to equity

Source: data from Creta Farm S.A. and ICAP

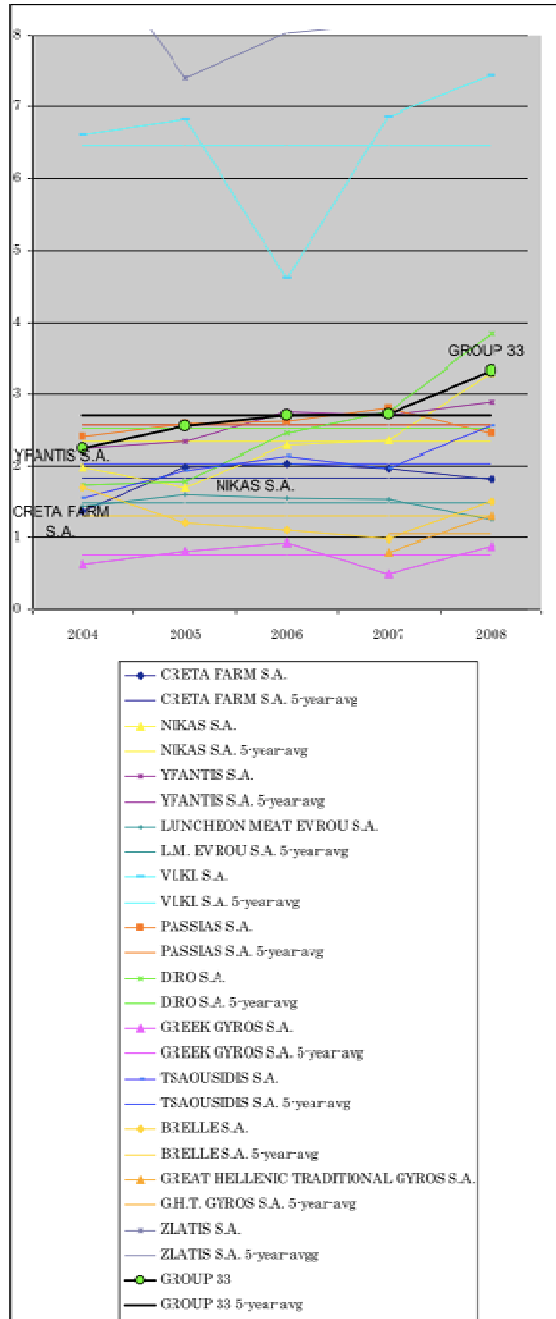
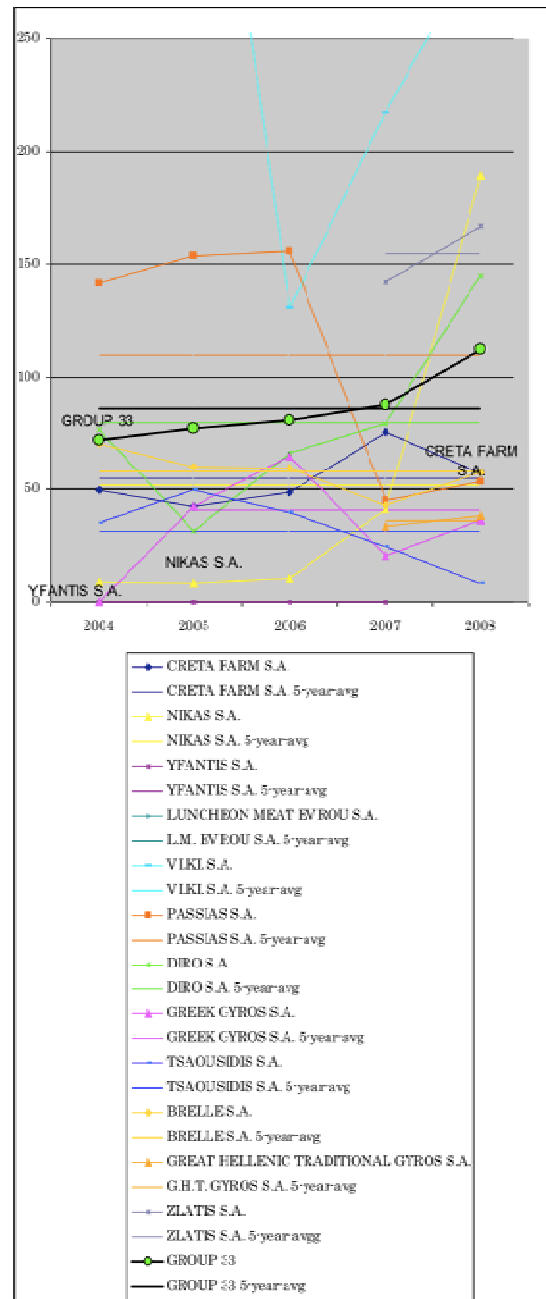


Figure 32. Short-term bank debt to equity

Source: data from Creta Farm and ICAP



- Short-term bank debt to sales

A similarly moderate value compared to the 5-year-average of the sector reflects the same attitude of Creta Farm towards short term liabilities for financing its assets to achieve revenues, to avoid the interest expenses that would occur.

e. Asset utilization

- Total assets turnover

Reflecting its high profit margin, the asset turnover of Creta Farm is relatively low, as it usually occurs with high profit margin companies, indicating the pricing strategy of the company.

Figure 33. Short-term bank debt to sales
Source: data from Creta Farm S.A. and ICAP

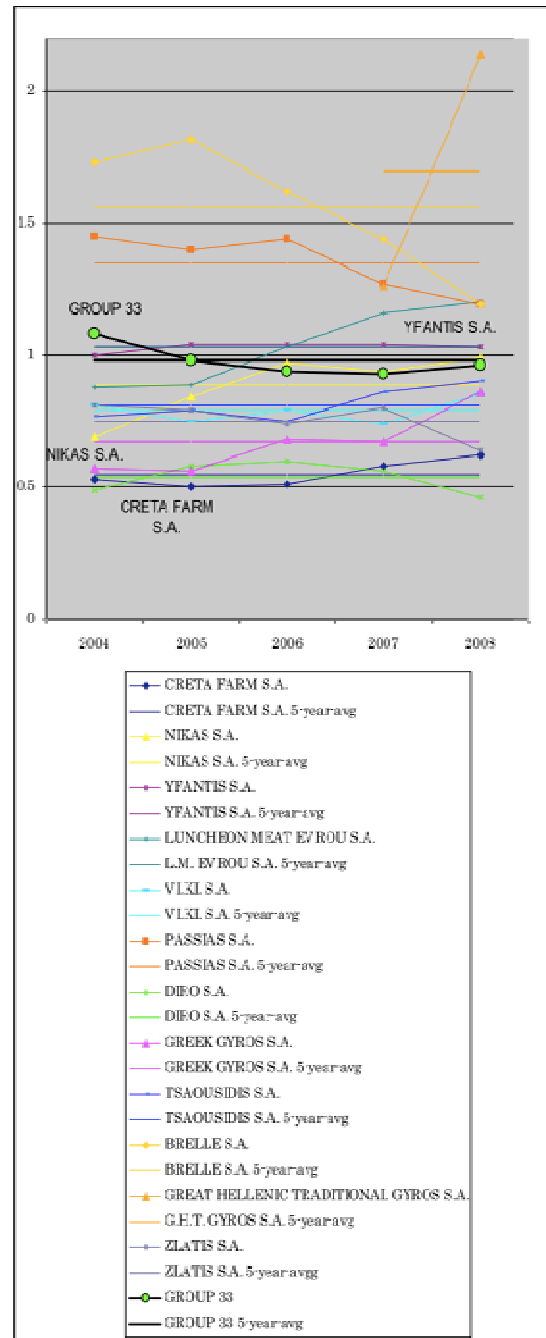
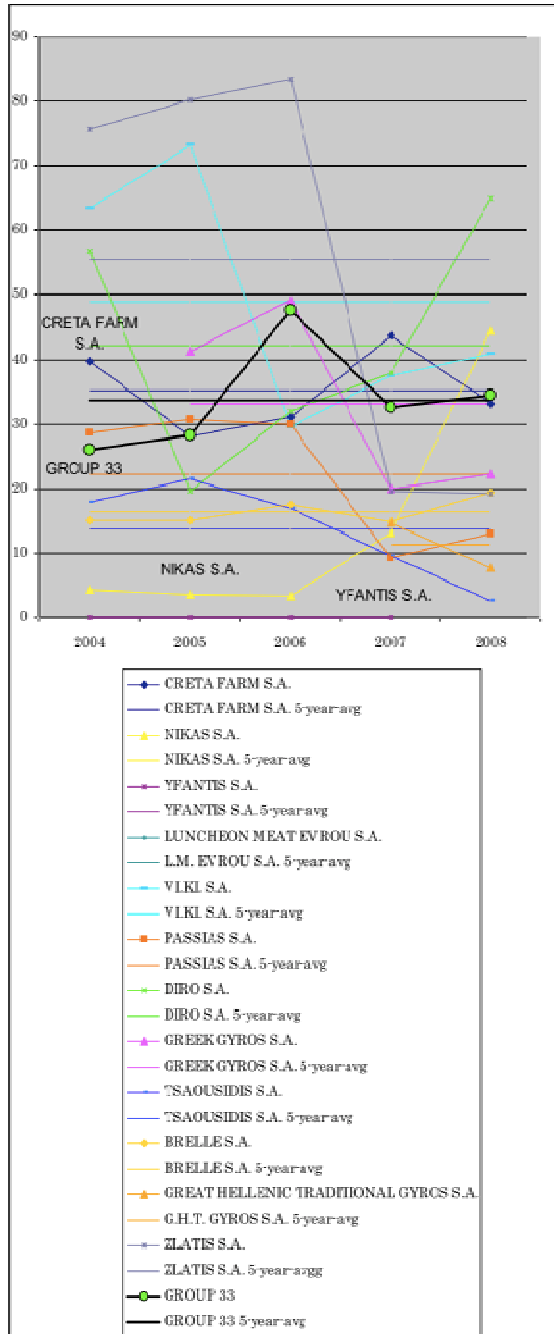


Figure 34. Total assets turnover
Source: data from Creta Farm S.A. and ICAP

4.3. Year 2009

For the year 2009, although it was characterized by the recession that hit global economy, Creta Farm recognized it as a series of opportunities to expand further abroad, continuing its investments in markets outside Greece. Thus, it achieved many strategic

partnerships for the promotion of its products in Europe and in the global market. At the same time, in the markets that the company is already active in, the brand awareness is increasing rapidly, proving the success of the company's strategy: healthy deli meat for everyone.

In regards to the annual turnover, the Group managed to increase its turnover by 2%, and the company by 3%, in a year commonly admitted to be very difficult for the economy in general. For this, the company identifies its quality and good marketing policies and methods as factors to be attributed to, but mainly it identifies its offered quality and its offered value; consumers have already begun changing their attitude towards deli meat. The Cretan olive oil is indeed the key.

The main financial values for year 2009 were:

A. Gross profit: in an attempt to overcome the global recession, costs were kept low, due to economies of scale, thus gross profit remained at about the same level as in 2008 (44,200K Euro in 2008, 44,700K Euro in 2009). For the group also it remained at the same level (46,000K and 45,900K Euro respectively for 2008 and 2009).

B. EBITDA: it decreased by 7% compared to 2008 for the group and remained the same for the company; the decrease of the consolidated value reflects the increase of expenses of the group in order to be established in newly entered markets and in order to enter new markets.

C. EBIT: similarly, EBIT was decreased by 12% in comparison to the EBIT of 2008 (6,300K Euro and 7,200K Euro respectively), while it remained unchanged for the company (9,100K Euro).

D. Tangible assets: amounting to 116,200K Euro for the group (119,900K Euro for 2008), it covers 65% of the total assets of the group; as asset-intensive, the company is continuously investing in its technological modernization for all its production systems.

E. Equity: consolidated equity amounted 65,700K Euro at the end of 2009 (66,700K Euro in 2008), while Creta Farm S.A. amounted an equity of 60,600K Euro (59,100K Euro in 2008). This reflects the limited profitability of the group and the stability of the profitability of the parent company.

F. Dependency on loans: decreasing the "liabilities less cash and cash equivalents" to 70,100K Euro in 2009, compared to 76,900K Euro in 2008 for the group and to 65,300K in 2009 from 71,500K Euro in 2008 for the parent company, the decrease by 9% reflects the policy of the company to depend as little as possible to interest-bearing borrowings (bank loans etc.). Focus is on operating income flows, through the appropriate cash flow management and the appropriate policy, reducing risks.

Total liabilities to revenues reached 63% in 2009 (71% in 2008) for the group, which allows furthering the investing of the amounts released – instead of paying bank liabilities, the same amount can be used to other investments towards expanding.

4.4. Remarks on the financial analysis

Overall, as it has been shown, Creta Farm has indeed outstanding results, considering its pace of success – in the span of less than 9 years it has managed to achieve what other established companies did in a much longer period of time.

From the above presented results, it is clear that the company is healthy, profitable, but most of all, its attitude towards its strategy is of long-term success, aiming at establishing itself not only in the limited market of Greece, but also worldwide. The investments of course include the modernization and continuous improving of the company, which identifies itself as technology-intensive.

It could be argued that the above presented results are not those of a perfectly healthy company. To this, the author notes that what is important is not so much the results as the fact that these results and all the successes of the company are attributable to their most part to only one production line, En Elladi.

The reason why the financial analysis is presented is for the reader to realize the potential of the company in the global market, as a fully verticalized deli meat and meat-product company, which focuses on the value offered to the buyers.

In the next section, the strategy of the company is being presented, and analyzed, in a strategy analysis, under the scope of the Blue Ocean Strategy and the role of tradition as the company's strategic choice towards creating the new market of the healthy deli meat.

5. Innovation as Strategy

5.1. Strategy in the Greek market – manufacturing companies

Industrialization in Greek manufacturing did not initiate until the 1960s, when the early stage of industrialization took place. At that time, as identified by Y. E. Spanos, G. Saralis, and S. Lioukas in their publication regarding the strategy and industry effects on profitability, offering insights from the Greek industry¹⁶⁸, the strategy that was adopted by the vast majority of the Greek firms had the following forms: “an opportunistic, day-to-day model of doing business” and an emphasis towards achieving low costs. Inkpen and Choudhury¹⁶⁹, as well as Spanos et al, identify the former strategy as in fact “a no

¹⁶⁸ Spanos, Y. E., Saralis G. and Lioukas S. (2004) “Strategy and Industry Effects on Profitability: Evidence from Greece”, *Strategic Management Journal*, Vol. 25, No. 2, 139 – 165

¹⁶⁹ Inkpen, A. and Choudhury, N. (1995) “The seeking of Strategy where it is not: toward a theory of strategy

strategy” in its essence. This “no strategy” had become a very common characteristic of the Greek small and medium sized companies and still characterizes the strategy of Greek small and medium sized often family-owned firms. The latter was based on low labor costs, which had been the comparative advantage of the Greek economy to the more advanced ones, and was adopted usually by larger enterprises, that needed to form an idea on where they were going and how they were to achieve that goal. This approach too is frequently found to this day.

The reasons why the response of the Greek firms towards the industrialization and the future during those time was such, are identified as A. the small size of the quite protected market located not in the center of Europe, B. the low income – compared to other countries – that Greek buyers could dispose of, and C. the absence of an “industrial tradition” to be developed, the creation of which was not dependable on the small size of the Greek economy, since other relatively small economies in Europe, like Holland, for instance, achieved it; Greece was coming out of World War II and a simultaneous civil war that started during World War II, without ever really forming such a tradition.

This background formed what Louri and Pepelasis-Mingolou¹⁷⁰ call a process of “hesitant industrialization” and to a normative firm behavior, which can be found even today. Low cost strategy and opportunistic strategy can be attributed to the small size, the lack of managerial know-how combined with conventional management practices and culture in general, that were usually characteristics of small family businesses, as well as to more macroeconomic factors, such as the low grade of internationalization.

Consequences of the adoption of such strategies were the loss of market share in foreign markets – obviously –, but in the domestic market as well, since foreign companies entering the Greek market were gaining shares, and the loss of low cost being the competitive advantage. The latter was a natural consequence of the average Greek firm not being able to achieve economies of scale, economies of scope, purchasing at better prices than rivals and capital – labor substitution, as well as not being able to achieve a cumulative volume of production¹⁷¹. In general, it was the result of the average Greek firm’s inability to reach cost-reduction means in a competitive environment.

In the 1990s, the prospect of Greece entering the European Monetary Union and the Treaty of Maastricht (1992) changed the background of the Greek firms completely; modernization and improving of the competitiveness both in the macro- and the microeconomic level were the axes on which Greek firms were pushed to move along and confront to, by the new institutional environment in Europe and – consequently – in

absence”, *Strategic Management Journal*, Vol. 16, No. 4, 313 – 323

¹⁷⁰ Louri, H. and Pepelasis – Mingolou, I. (2002) “A hesitant evolution: industrialization and de-industrialization in Greece over the long run”, *Journal of European Economic History*, Vol. 31, No. 2, 321 – 348

¹⁷¹ Spanos, Y. E., Saralis G. and Lioukas S. (2004) *ibid*

Greece too¹⁷².

Restructuring, modernization, and a more clear strategy were recognized as being necessary for Greek firms to become able to compete in the new environment effectively – and still are to date – namely, the new European environment and globalization. After all, within this new competitive framework, the only option Greek companies had – and have – in order to deal effectively with these pressures, was (is) to increase their competitiveness.

As Spanos et al note [(2004) *ibid*], “[i]n fact, during the entire period, Greek firms have increasingly found themselves 'trapped' in between two conflicting sources of competitive pressure: one stemming from the widespread inflow of technologically advanced, branded products from established competitors operating in the EU, and another, stemming from the inflow of products from emerging countries with even lower labor costs. Against this background, Greek firms in the mid 1990s were (and still are) at a crossroad. They had to forego their eroding low cost advantage and turn towards more differentiated strategies, e.g., creating a differentiated image through advertising, or turning towards quality and technological superiority in order to survive the escalated competition. The quest for more elaborate strategic profiles, however, is not an easy task for Greek firms. Seen from a resource-based perspective, differentiation presupposes a number of organizational arrangements, including organizational conditions favoring innovation and creativity, marketing orientation, exploitation of new information technologies, greater reliance on alliances and networking, among others. In general, though, these traits do not appear to characterize the average Greek firm. Recent studies have identified a range of problems pertinent in the majority of Greek firms: lack of financial and technological resources, outdated production methods, inadequately trained personnel, low labor productivity, 'passivity' in marketing, concentration of power and control in the hands of top management, autocratic management styles, and limited use of modern management 'tools' and systems to support strategy making and implementation (Bourantas and Papadakis, 1997; Bourantas, Anagnostelis, and Mantes, 1990; Georgas, 1993; Koufopoulos and Morgan, 1994; Liargovas, 1998; Papadakis, 1995; Makridakis et al., 1997; Skouras, Dimara, and Vakrou, 2000). Despite clear indications that efforts have indeed been initiated towards modernization and change (Spanos, Prastacos, and Papadakis, 2001), the fact remains that the overwhelming majority of Greek firms is inherently disadvantaged in pursuing pure differentiation, particularly when compared with established foreign competitors. Furthermore, it is not only difficult for them to implement differentiation, but also their image as differentiated producers may not be credible in the eyes of the average consumer” [Spanos et al (2004) *ibid*].

¹⁷² Kazakos, P. (2001) *Between the State and the Market: Economy and Economic Policy in Post-War Greece, 1944 – 2000*, Patakis, Athens (in Greek)

In such an environment, Creta Farm stands out for its strategic choices. As also mentioned previously in the historic background of the company, although it started as a family business – and even now retains this characteristic – it was never characterized by something less than excellent ideas regarding its attempt to establish itself in the market and regarding its expansion; for instance, investing in quality during the 1980s, when most of the Greek family businesses, as analyzed earlier, were choosing either low cost strategies or “no strategy” strategies – the opportunistic model – is most outstanding, especially if the reader considers that total quality management is nowadays considered a “new tool” for many Greek firms¹⁷³, almost 30 years after Japan’s miracle attributable to quality management. The same conclusion can be found in many articles regarding Greece and quality as a concept of business culture and philosophy¹⁷⁴.

Creta Farm was an exception regarding verticalization as well. It was the first company in the market active in attempting verticalization in an early stage, so as to have control and inspection of its processes. It was one of the few to continuously invest in advancing technologically, to update its production systems, and one of the very few to be at those times customer-oriented; the philosophy of the company has always been to provide all buyers the best.

Therefore, the main strategy that Creta Farm has been implementing is quality, expressed either in the form of A. verticalizing its processes – in order to gain control of them and to render all variables controllable –, and B. modernizing its technology (equipment, distribution etc) to each process, all under the scope of offering supreme value to the buyer.

5.2. Innovation in food industry – the meat sub-sector in Greece

Quality nowadays – at least for the companies that have already gained trust from the consumers – seems to be considered rather as a *sine qua non*. Therefore, it is a question as to whether quality alone can continue serving as a competitive advantage or not.

In the last years innovation has made its appearance also in the food industry, as a strategic option for gaining competitive advantage; modernization seems to cover not only the technological equipment, the logistics systems etc., but also the research and development departments of the companies.

¹⁷³ Apart from the experience of the author during her studies in MBA – TQM (2003 – 2005), when it had been realized that Greek companies had just started implementing quality, maybe only for five years.

¹⁷⁴ for example: Psychogios, A. G. and Wilkinson, A. (2007) “Exploring TQM awareness in the Greek national business context: between conservatism and reformism cultural determinants of TQM”, *The International Journal of Human Resource Management*, Vol. 18, No. 6, 1042 – 1062

Specifically in regards to the food sector, although its importance has been acknowledged in general, and despite the many undoubtedly significant innovations that have occurred, innovation lately does not seem to be something that companies base their strategy on, as many scholars of this field indicate [as for example M. Beckeman and C. Skjöldebrand (2007) in their study regarding clusters and networks promoting food innovations¹⁷⁵, where they conclude that “very little innovation is taking place in the food industry.” The dominating reason for this situation in the food industry is identified as the non-willingness of consumers to risk on innovations in this particular sector].

In fact, within the food sector, innovation seems to be viewed in a very limited scope: innovation in processing, in conservation and in packaging¹⁷⁶, whereas, according to Shawhney et al, because of the narrowness of the scope from which companies view innovation, they tend to suffer from innovation-myopia: “such myopia can lead to the systematic erosion of competitive advantage, resulting in firms within an industry looking more similar to each other over time. Best practices get copied, encouraged by benchmarking. Consequently, companies within an industry tend to pursue the same customers with similar offerings, using undifferentiated capabilities and processes. And they tend to innovate along the same dimensions”¹⁷⁷ and they continue: “[b]ut if all firms in an industry are seeking opportunities in the same place, they tend to come up with the same innovations. Thus, viewing innovation too narrowly blinds companies to opportunities and leaves them vulnerable to competitors with broader perspectives.”

Furthermore, as Rama concludes in his study regarding innovation in the food and beverage industry, there are many cases of companies active in this industry that rely more on the suppliers as a source of innovation, rather than on internal effort to innovate, at least on the level of technology¹⁷⁸.

Various studies have been realized regarding the food industry and innovation that occurs [e.g. Trail and Meulenber (2002)¹⁷⁹, Salavou and Lioukas (2003)¹⁸⁰ and others], that indicate the following: in the food industry innovation has been approached rather traditionally, rather than focusing on offering new value.

This is exactly the case with the Greek food industry in general, where the sources of

¹⁷⁵ Beckeman, M. and Skjöldebrand, C. (2007) “Cluster/ networks promote food innovations”, *Journal of Food Engineering*, Vol. 79, No. 4, 1418 – 1425

¹⁷⁶ Matthyssens, P., Vandenbempt, K. and Berghman, L. (2008) “Value Innovation in the Functional Foods Industry”, *British Food Journal*, Vol. 110, No. 1, 144 – 155

¹⁷⁷ Sawhney, M., Wolcott, R. C. and Arroniz, I. (2006) “The 12 Different Ways for Companies to Innovate”, *MIT Sloan Management Review*, Vol. 47, No. 3, 75 – 81

¹⁷⁸ Rama, R. (1996) “Empirical study on Sources of Innovation in International Food and Beverages Industry”, *Agribusiness*, Vol. 12, No. 2, 123 – 134

¹⁷⁹ Trail, W. B. and Meulenber, M. (2002) “Innovation in the Food Industry”, *Agribusiness*, Vol. 18, No. 1, 1 – 21

¹⁸⁰ Salavou, H. and Lioukas, S. (2003) “Radical Product Innovations Adoption in SME's: The Dominance of Entrepreneurial Orientation”, *Creativity and Innovation Management*, Vol. 12, No. 2, 94 – 108

innovation can be identified as: A. quality – according to surveys conducted by the Greek General Secretariat of Consumers, Greek consumers consider quality as the most important factor by far in selecting food products¹⁸¹–, B. modernizing production processes and increasing the production capacity, C. development of new products, and D. increasing competition due to the entrance in the market of multinational companies. Sources like knowledge and technology do not apply considerably in Greek reality, as the Greek food industry is a late adopter in technologies like Internet applications [Manthou et al (2005)¹⁸², Matopoulos et al (2007)¹⁸³].

More specifically, in the meat processing sector, where innovation does not occur in general – in fact, it is considered to be one of the least innovative sub-sectors of one of the least innovating sectors [CIAA (2006)]–, it tends to be identified in the dimensions of product – but in a Sawhney-et-al way, namely new offerings being in their essence re-productions and variations of existing products –, packaging or brand expanding dimensions [from investigation into the innovations occurring in the biggest companies of the sector].

5.3. Creta Farm and Strategy: offering value to the buyers, creating value for the buyers

With such a landscape set in Greek deli meat and meat products sub-sector, where innovation is less likely to occur compared to other sectors and subsectors of the food and beverage industry, and where business strategy has been – as analyzed earlier – viewed from a more or less opportunistic point of view, where resources are generally limited thus not helping companies face competition especially from abroad, Creta Farm is one of the exceptions.

A closer look at the company's history and the strategic choices it made during the years from its initial establishment up to now, indicates that even from its early stages the means towards achieving these objectives has been the value offered to the buyers. Since it was established – initially as a pork meat production company – it has been focusing on the value offered to the buyer and on improving this value, not to the narrow scope of value added to its products, but in a wider perspective.

In times when other small family-owned companies were mostly concerned with their profit of the day, Creta Farm was already envisioning its expansion and its establishment in the consumers' perception as an exceptional company, whose concern is to offer the best.

¹⁸¹ Greek General Secretariat of Consumers (2007) Consumption and Purchasing Behavior of Greeks (in Greek)

¹⁸² Manthou, V., Matopoulos, A. and Vlachopoulou, M. (2005) “Internet-based applications in Agri-Foods logistics: A Surveyon the Greek canning sector”, *Journal of Food Engineering*, Vol. 70, No. 3, 447 – 454

¹⁸³ Matopoulos, A., Vlachopoulou, M. and Manthou, V. (2007) “Exploring the impact of E-business adoption on logistics processes”, *International Journal of Logistics: Research and Applications*, Vol. 10, No. 2, 109 – 122

The main objectives in Creta Farm's strategy can be identified as A. the establishment of the company in the market and B. the expansion of the company in bigger markets.

It could be suggested that there is a constant pattern of how the company was moving forward over time, from the strategic point of view, at least until before the creation of its initial innovation that triggered the main innovation of the Company in year 1998:

1. entering the market
2. investing in quality (updating the existing production processes, updating the technology of equipment, implementing quality assurance systems in its existing production systems, verticalizing and improving)
3. thus, establishing itself in the market for the quality of its products
4. systematically creating awareness to consumers (through promotion and advertising, based on the quality)
5. entering a new market

Indeed, a look at the history of the company enlightens us with the existence of this pattern; Creta Farm entered the pork production market in Crete by consolidating the family companies, which then consisted of a pork production company and an animal feed production company (1979). Thus, it managed to achieve controlling quality of the pork meat produced, since it could control to some extent the quality of animal feed it was providing the livestock with. Furthermore, during the 1980s, as analyzed previously, quality was not one of the major concerns of Greek meat-producing companies – in regards to hygiene, for example, as “hygiene” is perceived to be nowadays, after the development and mandatory implementation of quality systems for food, beverages and pharmaceutical companies, like Hazard Analysis Critical Control Points (HACCP) – since deli meat production was still more of a family issue.

Further verticalization – being recognized as a source of quality – occurred with the company's strategic choice to establish the first slaughterhouse in Crete (1985). Having established itself as a pork meat producer, and having created the desired awareness to its buyers at that time, Creta Farm decided to expand to preserved meat production (1987), the market still being limited to the island of Crete, and even more limited to business-to-business operations. This expansion was based on the awareness of the buyers for the company's quality products.

Again, in order to ensure the quality of the new products offered to its buyers, Creta Farm spent seven years (1985 – 1992) investing on scientific controls for all its production processes, updating its equipment and technology (as quality of the products depended on the quality of the means used throughout the processes), and completing the verticalization of the company. This resulted in being able to promote the quality achieved and ensured for the company's products and establishing the products in the buyers

perception.

Ready to enter the retail market, it did so in 1993 and it was not until it had created enough awareness when it decided to enter the deli meat market (1994 – 1995).

However, until that time, the competitive advantage of companies active in the same sector was indeed quality. In other words, it was exceptional to invest so much and continuously to improving and assuring quality, but Creta Farm was not the only one; all its major competitors who wanted a market share had to offer qualitatively valued products to their buyers. The competitive advantage though of Creta Farm was the degree of its verticalization, which enabled it to produce differentiated products (for example creating livestock with low fat proportion of their bodies, by feeding them appropriately with vegetable-based, in-house-produced animal feed).

The main differentiation of Creta Farm towards its competitors for the retail market was achieved when the first signs towards a new approach proved fruitful for the company: the launching in 1998 of the first low-fat deli meats, as a response to the increasing need of the consumers for such products that was detected. This – in the opinion of the author – was the first step towards differentiating through projecting the buyers' needs in the future.

It was the success of this production line (the 0 – 3%) that triggered the change in the strategic pattern that was being followed until then; improving the value offered would not be identical and limited to improving quality alone, as it was up to that point, but it would be the basis for the new strategy; creating value for the modern consumer, taking into account what the modern buyer wants and needs, and taking it even further: projecting in the future the wants and needs of modern buyers, detecting them even if buyers are not aware of the existence of their wants and needs, and meeting them. In other words, this was the essence of blue ocean strategy, found in praxis years before the theory of the Blue Ocean Strategy was being expressed in words.

This could not have been achieved if the company's focus was not already the value offered to the buyer – the customer-orientation as it is defined in the Total Quality Management field of study. The launching of the “0 – 3%” production line was the tangible fruit of Creta Farm's listening to the consumers' changing habits and turning towards a more healthy lifestyle, characterized by calorie- and fat-control.

However, Creta Farm was not the only one to cover this need of consumers, although it was the first to offer pork deli meats with low fat, due to the company's innovation in creating low-fat livestock; deli meats made by poultry meat could cover – and indeed were covering – the need of the consumers for fat and calorie control to some extent.

The milestone in Creta Farm's changing in designing its strategy details, to the author's conclusion, was in the year 2001, with the launching of En Elladi production line, and the success it achieved by the acceptance of the consumers [refer to En Elladi sales

and market share, previously in this chapter].

It could be viewed as the attempt of Creta Farm to expand its “0 – 3%” production line even further, aiming at differentiating the low-fat products it was offering from those offered by its competitors, or it could be the result of an idea that someone had – a sparkle –, but in any case, the results of En Elladi can only be viewed after they have occurred, as happens with the majority of innovations. The most important point is Creta Farm coming up with the idea of directly infusing top quality olive oil into the low-fat meat, thus adding more taste and nutrition to the final product, and investing in diffusing this idea into other products as well, creating a whole new market and associated demand. Naturally, this happened along the years that followed 2001. But after 2001, the new market was already created, the company begun swimming in the blue waters of the ocean it had created, based on one of the oldest and most traditional utilities regarding dietary habits: olive oil.

Olive oil, as will be analyzed later in the chapter, has been a tradition in Greece – and especially for the island of Crete – for more than 6,000 years. Its nutrition and benefits have been worldwide proved, as well as is contribution to what is called the “Mediterranean diet,” the peak of which is the Cretan diet [this will also be presented later in the chapter].

Onwards, the company's strategy turned into promoting the “healthy deli meat” it had created, making these “healthy deli meats” a center of the strategy, underlying the known to the Greek consumer attributes of olive oil and the Cretan diet. It created more products with the same attributes, with the same philosophy, and nowadays it is exporting the worldwide patent of healthy deli meat abroad, bringing its benefits to everyone – thus confronting to the company's philosophy, regarding providing everyone with the best.

5.4. Creating a new market: Tradition

From the blue ocean strategy point of view, from all the paths that lead to creating a blue ocean, it could be most logical to suggest that the creation of this blue ocean can be attributed to the path regarding “looking across non-customers,” since the rest of the paths can safely be excluded.

However, from interviews with top management of the company and from what the company has already released in press, it does not seem likely that the idea was generated by the company's looking across its non-customers. To the author's opinion, this could only be attributed thus, in the case of En Elladi, when the approach is a posteriori. In other words, from the author's research it did not occur that the company came up with the idea of incorporating traditional olive oil by systematically looking across its non-customers.

At this point, it should be noted, that as “non-customers,” people that do not consume deli meat are being implied, due to deli meat's high concentration of animal fat.

According to the company, the inspiration came from the rich nature of the island of

Crete – where the company is based –, the source of the Cretan diet, which in turn is the source of health for Cretans; this is known not only in Greece, but also worldwide [due to many researches that have been concluded, which prove that among all dietary habits, the one that is recommended as a source of health, is the Mediterranean, and more specifically the Cretan diet (this will also be discussed and shown later in this chapter)] to have much better health, compared to other Greeks and other people in the Mediterranean basin and the world. The philosophy behind the idea, was to create a product based on the Cretan diet, the primary characteristic of which has been olive oil since antiquity, thus incorporating to the product all the characteristics of top quality olive oil that would be incorporated.

This was what led to the creation of the most healthy deli meats existing, which also non-consumers, who could not consume deli meats due to health problems – for example high cholesterol, heart diseases etc. – could enjoy. Therefore, although the path to the creation of this blue ocean could be seen as “following non-customers,” it has been shown that this is equivalent to giving to the results the attributes of the cause, since the fact that En Elladi meats can be safely consumed by (former) non-consumers was not the source of the idea for creating healthy deli meats. This is also the reason why in this dissertation tradition is being proposed as a new path towards the creation of blue oceans, that is not covered by the other six paths – as is also clearly seen by the other case studies that were presented in the first part of this dissertation, the Literature Review.

5.5. Differentiation and Pricing policy

It must be clear by now what the differentiation of Creta Farm compared to all the other deli meat and meat product companies worldwide is: incorporating extra virgin olive oil and processing the meat such that the olive oil's attributes are intact. Since this process requires further technology – compared to conventional deli meat production – but also because of the cost of the extra virgin olive oil that Creta Farm uses, which is one of the best, since it is the “First Cold Press” extra virgin olive oil [for further explanation on the classifications of olive oil, refer to the paragraph related to the olive oil later in the chapter], it could be expected that pricing of the final product would be analogous.

However, Creta Farm has always been a company willing to offer the best to everyone. Therefore, the pricing policy is at the same range, as part the philosophy of the company. En Elladi, compared to the other products of the company, is priced only 3 – 12% higher, while compared to the products of competitors, En Elladi is considered to be an “upper mainstream” product in terms of its price. This was also concluded by research by observation of the prices in various sales points; En Elladi is indeed priced as any other good quality mainstream deli meat. Thus, Creta Farm has made En Elladi accessible to indeed everyone. Price is not a barrier; with more or less the same price being offered, the

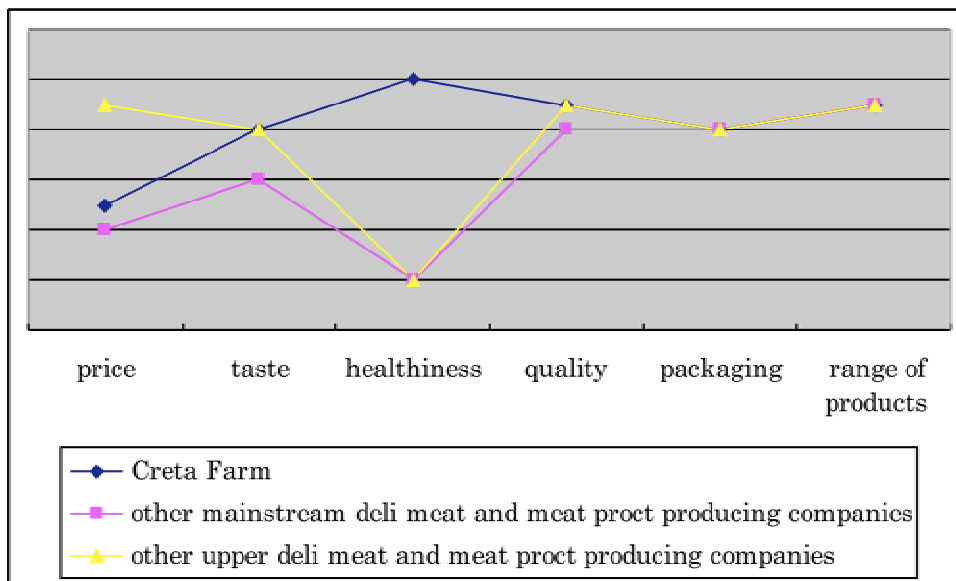
consumer's choice then lies in the healthiness of the product and its taste; that is the major advantage of En Elladi.

5.6. Value Curve

Analyzing further Creta Farm's En Elladi, under the scope of blue ocean strategy, the strategy canvas is presented, based on observations of the market and interviews with top management of the company, as well as literature review related to the market of deli meat and meat products. From data gathered from the above mentioned sources, the competing key factors in the market of deli meat and meat product production, where companies active in the sector have been invested in, have been identified as:

1. price,
2. taste,
3. healthiness,
4. quality,
5. packaging, and
6. range of products

Figure 35. Value curve of Creta Farm and competitors (author's original creation)



The above shown value curve of Creta Farm En Elladi, compared to the mainstream offerings, shows clearly the divergence of En Elladi from other products – and thus, the differentiation that Creta Farm achieved. It has increased healthiness of its offerings – rather, it has created healthiness in deli meats – while remaining from the pricing point of view among the “upper mainstream” offerings of the market. Thus, as also mentioned earlier, it has achieved appealing to the mass buyers, although it could have reflected the high quality of En Elladi in its price.

Taste has also been raised, if compared to other low-fat products, dramatically, while if compared to other mainstream products, it has been raised, though not dramatically. This is acceptable, since the main point of differentiation with traditional deli meats and meat products, is not the taste, but rather the concept of healthiness. However, retaining the excellent taste is of course a strong point of En Elladi.

Packaging is a factor in which some of the innovations in the sector have occurred, and one of the major areas of competition of the companies in this sector, especially among the main competitors of Creta Farm. However, in this area too, Creta Farm is investing towards differentiating; lately it has achieved packaging that preserves the products better, doubling the time the product can be preserved after opening.

Quality, as discussed earlier, is not an area where companies in the sector can differentiate much, while the range of products is also a factor that cannot contribute much in differentiation of the companies, since all of the main competitors have a plethora of products offered.

5.7. Re-forming the value curve of the sector

Using the Eliminate-Reduce-Raise-Create framework of the blue ocean strategy, Creta Farm's four actions diagram is summarized below:

Table 4. The strategy canvas of Creta Farm (author's original creation)

Eliminate	Raise
concept of deli meat as "forbidden" and "unhealthy"	healthiness
source of animal fat	nutrition
	dietary value
	taste (compared to low fat deli meats)
Reduce	Create
fat	concept of healthy deli meats
price (for its quality)	

The above presented figure summarizes all that have been discussed earlier. Creta Farm has indeed eliminated what has been always taken for granted in the deli meat sector, that deli meats are a source of animal fat, unless they are poultry-based, and thus are a prohibited food for people suffering from diseases that require non-consumption of animal food or for people with calorie and fat control diets in general. This is by far the most innovative approach that has been adopted in the sector, since animal fat had been synonymous to deli meats – until the creation of En Elladi. And it is the only factor that

can change – and has been changing – the perception of consumers regarding deli meats: deli meats can be healthy, and in fact can also help one's health!

Indeed, Creta Farm has been continuously awarded and recognized by many health associations in Greece and abroad, for the healthiness of En Elladi, which has been recognized as a food that not only can be consumed by people that had to forget what deli meats are, but also that they help improving health, since it contains one of the most valuable goods which helps improving health: Cretan extra virgin olive oil. For example, the American Heart Association, the Greek Cardiology Association, the Greek Pediatric Association, and other health associations have certified products within the En Elladi range for their healthiness. Furthermore, the company has many times been present at health conferences, where En Elladi has been recognized to be a means towards fighting heart disease, because of the olive oil it contains.

This is also what the company has raised: healthiness. It has raised nutrition in deli meats and their dietary value, as well as the taste of low-fat deli meats.

It has reduced fat, as discussed already, and the price of the final product, in order to get access to every household. And finally, it has created a whole new approach for deli meats: the concept of healthy deli meats and the concept of deli meats fighting heart diseases – instead of contributing to deterioration of heart health, as conventional deli meats do.

5.8. Remarks

In this section, the main case study of this dissertation has been presented, emphasizing the strategy Creta Farm has followed. Presentation of the company was essential, as a detailed presentation of the innovation the dissertation focuses on, in order for the reader to realize what the blue ocean that Creta Farm created is. Along the same guideline, the financial analysis of the company is presented, in order to illustrate the results that are mainly attributed to the innovation the company created, as shown. Thus, the importance of this particular innovation for the company is being underlined, as well as the success of the strategy Creta Farm has adopted through the years, thus becoming the leader that it is today, and – more importantly – thus being able to expand its business and brand worldwide.

Also, the strategy of the company is analyzed along the Blue Ocean Strategy framework and value creation, showing the main strategy that the company followed and how the turn to tradition affected this strategy, leading it to the successful route it has followed to today and continues following. From this section, it is clear to the reader that differentiation and strategic pricing have been the key factors for the success of the company not only in the limited Greek market, but also in the global environment. Namely,

these are the innovations of the company; their results for the company have been presented.

Finally, tradition is clarified to be an independent path towards creating blue ocean, as concluded from the analysis done and presented, since other paths proposed by Kim and Mauborgne are excluded.

After innovation being thoroughly analyzed in this section, in the next sections, the value and the tradition as non-visible dimensions of differentiation are being presented, moving along the framework proposed in the first part of this dissertation: the Value-Tradition-Innovation framework.

6. The Tradition

6.1. Olive and Olive Oil

Η ελιά

Κωστής Παλαμάς (1859 – 1943)

Είμαι του ήλιου η θυγατέρα
Η πιο απ' όλες χαϊδευτή.
Χρόνια η αγάπη του πατέρα
Σ' αυτόν τον κόσμο με κρατεί.
Όσο να πέσω νεκρωμένη,
Αυτόν το μάτι μου ζητεί.
Είμ' η ελιά η τμημένη.

Δεν είμ' ολόξανθη, μοσχάτη
Τριανταφυλλιά ή κιτριά·
Θαμπώνω της ψυχής το μάτι,
Για τ' άλλα μάτια είμαι γριά.
Δε μ' έχει αηδόνι ερωμένη,
Μ' αγάπησε μία θεά·
Είμ' η ελιά η τμημένη.
Όπου κι αν λάχω κατοικία,
Δε μ' απολείπουν οι καρποί·
Ός τα βαθιά μου γηρατεία
Δε βρίσκω στη δουλειά ντροπή·
Μ' έχει ο Θεός ευλογημένη
Κι είμαι γεμάτη προκοπή·
Είμ' η ελιά η τμημένη.

Φρίκη, ερημιά, νερά και σκότη,
Τη γη εθάψαν μια φορά·
Πράσινη αυγή με φέρνει πρώτη
Στο Νώε η περισσότερά·
Όλης της γης είχα γραμμένη
Την εμορφιά και τη χαρά·
Είμ' η ελιά η τιμημένη.
Εδώ στον ίσκιο μου από κάτω
Ήρθ' ο Χριστός ν' αναπαυθεί,
Κι ακούστηκε η γλυκιά λαλιά του
Λίγο προτού να σταυρωθεί·
Το δάκρυ του, δροσιά αγιασμένη,
Έχει στη ρίζα μου χυθεί·
Είμ' η ελιά η τιμημένη.

The olive tree¹⁸⁴

Kostis Palamas (1859 – 1943)

I am the Sun's most beloved Daughter, for years my Father's love keeps me breathing in
this world. Until I drop down, dead, He is the one my eyes are seeking for.

I am the Olive Tree, the blessed one.

I am not cute and playful, like the rose or the citrus, I am the most beautiful in the eyes of
soul, to all the rest, I look old. The nightingale does not like me to take me as its mistress,

but a Goddess loved me.

I am the Olive Tree, the blessed one.

Wherever life takes me, I never lack fruits. Even in my oldest days, I never find disgrace in
working hard. I am blessed by God, and I always prosper.

I am the Olive Tree, the blessed one.

Horror and desolation, waters and darkness buried earth once. But it was me whom the
dove brought first to Noah, when the green dawn came: it was my leaves, where all the
beauty and the joy of earth were written.

¹⁸⁴ free translation by the author

I am the Olive Tree, the blessed one.

And it was here, under my branches' shadow, that Jesus Christ came to rest, and from where shortly before He was crucified, the world listened to His sweet Voice. His tear, sacred dew, has been shed on my roots.

I am the Olive Tree, the blessed one.

This poem, written by one of modern Greece's national poets, Kostis Palamas, shows the appreciation that the olive tree enjoys in Greece. In only some lines the poet manages to enclose the history and the symbolisms from all aspects – cultural, historical, geographical, religious, botanical – of what is indeed considered, at least in Greece, to be one of the most blessed parts of the Greek flora: the olive tree (*Olea Europaea*).

Of course, as mentioned earlier, it is not only in Greece that the olive tree prospers: its value has been long recognized in all countries of the Mediterranean basin.

Olive oil in the Greek tradition and its value is lost within the myths that accompany Greece and the Greek history. In Greek mythology – in the Athenian mythology, to be exact – the learning of the cultivation of the olive tree is attributed to a deity – the Goddess of the Poem, who loved the olive tree – namely, Athena, the goddess of wisdom.

It was in times no one can calculate how long before, when a number of villages in the region of Attica, Greece were forming a union in order to protect themselves from their enemies. As we read in Robin Hard's translation of Apollodorus¹⁸⁵, "Cecrops, who was born from the earth and had the body of a man and a serpent joined into one, was the first king of Athens, and he named the land, which was known as Acte in earlier days, Cecropia after himself. During his time, they say, the gods decided to take possession of cities where each of them would be honoured with his own special cult. So Poseidon was the first to come to Attica, and striking a blow with his trident on the middle of the Acropolis, he caused a sea to appear, which is now known as the Erechtheid Sea. After Poseidon, Athene arrived; and taking Cecrops as her witness, she claimed possession by planting an olive tree, which is still shown to visitors in the Pandroseion. When the two of them entered into conflict for possession of the land, Zeus separated them, and appointed as judges, not Cecrops and Cranaos as some have claimed, nor Erysichthon, but the twelve gods. In accordance with their decision, the country was awarded to Athene, because Cecrops had testified that it was she who had first planted the olive tree. So Athene named the city Athens after herself, while Poseidon, in a rage, flooded the Thriasian plain and submerged Attica under the sea."

In the notes of Apollodorus's "The Library, book III" translation of Sir James George

¹⁸⁵ Hard, R. (Translation) (1997) Apollodorus, *The Library of Greek Mythology*, Oxford's WorldClassics, Oxford University Press, Berkshire, GB, 130

Frazer¹⁸⁶ we read: “As to the contest between Poseidon and Athena for possession of Attica, see Hdt. 8.55; Plut. *Them.* 19; Paus. 1.24.5; Paus. 1.26.5; Ov. *Met.* 6.70ff.; Hyginus, *Fab.* 164; Serv. Verg. *G.* 1.12; Lactantius Placidus on Statius, *Theb.* vii.185; *Scriptores rerum mythicarum Latini*, ed. Bode, i. pp. 1, 115 (First Vatican Mythographer 2; Second Vatican Mythographer 119). A rationalistic explanation of the fable was propounded by the eminent Roman antiquary Varro. According to him, the olive-tree suddenly appeared in Attica, and at the same time there was an eruption of water in another part of the country. So king Cecrops sent to inquire of Apollo at Delphi what these portents might signify. The oracle answered that the olive and the water were the symbols of Athena and Poseidon respectively, and that the people of Attica were free to choose which of these deities they would worship. Accordingly the question was submitted to a general assembly of the citizens and citizenesses; for in these days women had the vote as well as men. All the men voted for the god, and all the women voted for the goddess; and as there was one more woman than there were men, the goddess appeared at the head of the poll. Chagrined at the loss of the election, the male candidate flooded the country with the water of the sea, and to appease his wrath it was decided to deprive women of the vote and to forbid children to bear their mother's names for the future. See Augustine, *De civitate Dei* xviii.9. The print of Poseidon's trident on the rock of the acropolis at Athens was shown down to late times. See Strab. 9.1.16; Paus. 1.26.5. The “sea,” which the god was supposed to have produced as evidence of his right to the country was also to be seen within the Erechtheum on the acropolis; Pausanias calls it a well of sea water, and says that, when the south wind blew, the well gave forth a sound of waves. See Hdt. 8.55; Paus. 1.26.5; Paus. 8.10.4. According to the late Latin mythographers (see the references above), Poseidon produced a horse from the rock in support of his claim, and this version of the story seems to have been accepted by Virgil (*Geo.* i.12ff.), but it is not countenanced by Greek writers. The Athenians said that the contest between Poseidon and Athena took place on the second of the month Boedromion, and hence they omitted that day from the calendar. See Plut. *De fraterno amore* 11; Plut. *Quaest. Conviv.* ix.6. The unlucky Poseidon also contested the possession of Argos with Hera, and when the judges gave a verdict against him and in favour of the goddess, he took his revenge, as in Attica, by flooding the country. See Paus. 2.22.4; compare Paus. 2.15.5; Polemo, Greek History, cited by the Scholiast on Aristides, vol. iii. p. 322, ed. Dindorf.”

Looking further into the endless literature on olive oil in Ancient Greece, one can find that Homer describes olive oil as “liquid gold,” due to its benefits, while it was olive oil that the ancient economies were built on, among with wine and wheat, the so called Mediterranean Triad (like the Minoan, the Athenian etc.), due to its being a means of

¹⁸⁶ Sir James George Frazer (Translation) (1921) Apollodorus, The Library, Loeb Classical Library Volumes 121 & 122, Cambridge, MA, Harvard University Press, William Heinemann Ltd., London [3.14.1, note No 276]

transaction and marketing [as mentioned for instance in Romero's "Olive farming in the age of science and innovation" (1998)¹⁸⁷].

6.2. Symbolisms of the olive tree and the olive oil

The olive and olive oil enjoy the deepest appreciation in the Greek culture, throughout the centuries. Its importance in the Ancient Greek, as well as during all of the Greek history periods – has been present, expressed in many aspects of Greek civilization: economy, religion, athletics, society etc.

Indicative of this appreciation in Greek reality is found in a related study of the Hellenic Folklore Research Center of the Academy of Athens¹⁸⁸: "[t]he religious, magical and medicinal use of the olive and its oil is widespread throughout the Greek world. In Christian mysteries or in contemporary Greek magico-religious rituals, such as an unction, oil plays an important role, initiatory, apotropaic, or purificatory. Oil in the Church is employed from baptism to death. The care taken with the oil lamp that burns in front of the family icons, in the cemetery or in improvised icon stands by the roadside is part of daily prayer and the preservation of memory. Olive leaves and olive oil are also of symbolic importance. They are so used in the context of the life cycle of man from birth and baptism to marriage and the securing of longed-for fertility and the birth of male children or from the warding off of the evil eye, to death.

Olives are associated with mourning. They are linked with fasting, memorial services and funeral suppers. Elaiodosia, the habit of giving olive oil to ensure forgiveness and the use of olive oil and olives in funerary rituals was already current in ancient times. Traditional dirges lament the deceased who died in a foreign land, deprived of the comfort of these customs.

In the traditional Greek festal calendar, fests of particular saints involve popular religious habits and local customs that frequently go back to ancient times. The faithful appeal to the saint's favour, employing practices in which the tree, its branches, and its fruit play an important role, thus combining elements of Orthodox faith with popular beliefs relating to the cycle of seasons, fertility, and agricultural tasks."

A very important expression of the aforementioned appreciation is also the role of the olive and the olive fruit to athletics, the Olympic Games being the major recognition of the humble but blessed tree; the olive as a symbol of rebirth, power and character was tied up with athletics and the foundation of the Olympic Games in antiquity.

¹⁸⁷ Romero, L. R. (1998) "Olive farming in the age of science and innovation", *Olivae*, Vol. 72, 42 – 51

¹⁸⁸ Conclusions of the study can be found in the publication of the Academy of Athens "Elaias Encomion" (In Praise of Olive) (2004), ISBN: 960-404-053-7 (in Greek and in English)

The Olympic Games were held at Olympia, were according to the poet Pindar [in the “Olympian Odes”], the well known half-god Theban hero Heracles was the first to plant the wild olive at Olympia, instituting track events and the chariot race, from 776 B.C. “In the auxiliary areas of the athletic complex, athletes would prepare themselves, using the aryballos of oil and the strigil, whose manner of use is known from various ancient illustrations. The aryballos was a small vessel, circular, ovoid or pear-shaped in form. It contained [olive] oil used by athletes for cleaning themselves. The strigil was shaped like a shallow spoon with a handle and was usually made of bronze. It was used as a scraper, to remove the oil, dust and mud from the skin of the athlete, after the contest and before bathing” [(2004) *ibid*, Academy of Athens' publication]. And the prize for winning the Olympic Games, was solely the famous wild olive wreath. Olive oil was so valuable that it was the prize for various athletic games in Ancient Greece. Like the case of Panathenaic Games, held every four year in Athens: the prize, as illustrated on vases found, was amphoras full of olive oil¹⁸⁹. Finally, in the Olympic Games held in Athens in 2004, whose emblems were the torch and crown of olive, were inspired from the background of the olive in Ancient Greece, symbolizing the unbroken continuity.

The ties, therefore, of olive and olive oil to the Greek tradition are undeniable, from whatever the aspect one views this undoubtedly valuable utility of Greek civilization.

6.3. The Traditional Knowledge being incorporated: a practical view of the Tradition incorporated

In an attempt to make clearly understood to the reader what the author suggests regarding the recognizability of the tradition and the traditional knowledge that has accumulated, and its incorporation as it is – as opposed to its being transformed with the help of technological development – the tradition that Creta Farm applies and has incorporated thus achieving its unique innovation is researched, with evidence from literature.

This traditional knowledge is the source of the non visible dimension of differentiation of Creta Farm, namely the highest possible value – in the sector of deli meat – that is offered to the buyers: healthiness, not as a brand strategy, but in its essence.

Chronologically, its traces are lost in the past of Greek history, which makes it one of the longest surviving traditions. Especially in the island of Crete (Creta), as it will be supported, where the traditional knowledge of extracting olive oil seems to have started from and diffused to the rest of the ancient Mediterranean world.

¹⁸⁹ (2004) *ibid*, Academy of Athens

6.4. Defining Olive Oil – Classifications of Olive Oil

Up to now, the author has assumed that the reader knows at least the basics regarding olive oil. However, in order to underline the tradition involved in the strategy of Creta Farm, a brief presentation of olive oil and its classification is necessary. Furthermore, the author would like to note that Creta Farm uses “First cold press extra virgin olive oil,” which, as presented below, is one of the best qualities of olive oil.

What is olive oil? According to the International Olive (Oil) Council 190, olive oil is “the oil obtained solely from the fruit of olive trees (*Olea europaea* L.), to the exclusion of oils obtained using solvents or re-esterification processes and of any mixture with oils of other kinds.” This definition is also in compliance with the Food and Agriculture Organization of the United Nations and the World Health Organization’s Codex Alimentarius Commission’s Standard for olive oil, virgin and refined, and for refined olive-pomace oil, CODEX STAN 33-1981 (Revised 1 - 1989)¹⁹¹.

The main categories of oil derived from the olive fruit, according to the international standards of Codex Alimentarius, as obtained by the International Olive (Oil) Council, are olive oil, as defined earlier, and olive-pomace oil, which is “the oil obtained by treating olive pomace with solvents or other physical treatments, to the exclusion of oils obtained by re-esterification processes and of any mixture with oils of other kinds.”

Classification of Olive Oil consists of the following:

1. Virgin Olive Oil, which is the olive oil “obtained from the fruit of the olive tree solely by mechanical or other physical means under conditions, particularly thermal conditions, that do not lead to alterations in the oil, and which have not undergone any treatment other than washing, decantation, centrifugation and filtration” [the author notes that the extraction process of the olive oil from the fruit of the olive tree will be discussed later in the paragraph].

Not all virgin olive oils are consumable as they are, namely, without undergoing further treatment, as clearly stated in the above mentioned standards. Virgin Olive Oil not fit for consumption as is is designated as “lampante virgin olive oil” and is intended for refining or for technical use [lampante virgin olive oil has a free acidity of more than 3.3 grams per 100 grams, as expressed in oleic acid, and/or regarding its organoleptic characteristics, the organoleptic test is lower than 3.5. For comparison’s sake, the author notes that, for instance, extra virgin olive oil’s acidity, as expressed in oleic acid is lower or

¹⁹⁰ International Olive Council (2009)COI/T.15/NC No. 3, Rev. 4, November 2009

¹⁹¹ Joint FAO/WHO Food Standards Programme, Codex Alimentarius Commission, Codex Alimentarius (2001) Vol. 8, Second Edition (STAN 33-1981 (Revised 1 – 1989)

equal to 0.8 grams per 100 grams, whereas the organoleptic test is higher or equal to 6.5].

Apart from lampante virgin olive oil, Virgin Olive Oil that is fit for consumption without undergoing any treatment is classified by its quality, as derived from chemical analysis, into three categories.

- Extra Virgin Olive Oil. As mentioned above, it is virgin olive oil with a free acidity expressed in oleic acid of not more than 0.8 grams per 100 grams and the other characteristics corresponding to those described in the above mentioned standard for this category.
- Virgin Olive Oil. It is virgin olive oil with a free acidity expressed in oleic acid of not more than 2 grams per 100 grams and the other characteristics corresponding to those described in the above mentioned standard for this category.
- Ordinary Virgin Olive Oil. It is virgin olive oil with a free acidity expressed in oleic acid of not more than 3.3 grams per 100 grams and the other characteristics corresponding to those described in the above mentioned standard for this category. For this designation, the International Olive (Oil) Council notes that it may be sold directly to the consumer only if this is permitted in the country of the retail sale. In the case that it is not permitted, the designation of this product has to comply with the legal provisions of the country.

2. Refined Olive Oil, is “the olive oil obtained from virgin olive oils by refining methods which do not lead to alterations in the initial glyceridic structure. It has a free acidity, expressed as oleic acid, of not more than 0.3 grams per 100 grams and its other characteristics correspond to those fixed for this category in this standard”. This designation can only be sold to consumers if permitted by the country of the retail sale.

3. Olive Oil. It is the oil that consists of a blend of refined olive oil and virgin olive oils fit for consumption as they are. Its free acidity, expressed as oleic acid, can not be more than 1 gram per 100 grams and its other characteristics correspond to those in this category provided by the fore mentioned standard.

Regarding olive-pomace oil, it is classified into:

- Crude olive-pomace oil, which is intended either for refining in order to be used for human consumption or for technical use,
- Refined olive-pomace oil, which is obtained from crude olive-pomace oil by refining methods not leading to alteration in the initial glyceridic structure; its acidity, expressed as oleic acid, can not be more than 0.3 grams per 100 grams and its other characteristics should correspond to the characteristics

6.5. The olive oil extraction: a 6,000 year-old tradition in Greece

As many scholars note [for example Angles (1999)¹⁹²], the olive tree is one of the characteristic elements of the Mediterranean landscape: according to geographers, proof for entering the Mediterranean region is meeting even one olive tree, while according to S. Angles [ibid, S. Angles (1999)], the cultivation of the olive tree identifies the climate; it is undeniable that the olive is an emblem of the Mediterranean.

There have been many and long disputes over the origin of the olive tree, as well as over its domestication, with Israel and the Middle East being a major “rival” [as for example N. Liphshitz et al, all members of the University of Tel-Aviv, argue¹⁹³] for Greece. Mesopotamia, Palestine [as the Israelis D. Zohary and P. Spiegel – Roy suggest, based on biological remains found in archaeological contents (refer to their article “Beginning of Fruit Growing in the Old World”, Science, Vol. 187 in 1975)¹⁹⁴], Phoenicia [as for example Van Zeist suggests, cultivation began in Phoenicia and was spread from East to the West, from the Phoenicians, toward the Etruscans, to Greeks and the Romans, noting though that it was brought to Greece around 2500 B.C., as read in Terral J.-f. et al' s “Historical Biogeography of olive domestication(*Olea europaea*) as revealed by geometrical morphometry applied to biological and archaeological material” in 2004¹⁹⁵], and other regions of the Mediterranean basin “argue” for being the origin of the olive tree and of its domestication and origin of propagation of its cultivation: the oldest, the most ancient olive mill that has been discovered in north-western Mediterranean areas dates back to the end of the first millennium B.C. [refer to Terral J.-F. et all, cited earlier (2004)].

From the literature review on the origin of the olive tree and its domestication as well as the origin of the systematic production of olive oil that the author conducted, it can be derived that among the Mediterranean countries – and more specifically the Middle East and Greece – scholars seem to favor their own countries, based on evidence.

It is true that it is neither the specialty of the author nor the purpose of this paper to resolve the dispute over the aforementioned origin. Nevertheless, there seems to be a vast part of non Greek literature to support that the domestication and cultivation of the olive tree started from Greece, and specifically in the island of Crete and the Minoan civilization.

¹⁹² Angles, S. (1999) “The Changes in the Olive-growing geography of Andalusia”, *Olivae*, Vol. 78, 12 – 22

¹⁹³ Liphshitz, N., Gophna, R., Hartmana, M. and Bigerh, G. (1991) “The Beginning of Olive (*Olea Europaea*) Cultivation in the Old World: a Reassessment”, *Journal of Archaeological Science*, Vol. 18, 441 – 453

¹⁹⁴ Zohary D. and Spiegel – Roy P. (1975) “Beginning of Fruit Growing in the Old World”, *Science*, Vol. 187, No. 4174, 319 – 327

¹⁹⁵ Terral, J.-F., Alonso, N., Buxó i Capdevila, R., Chatti, N., Fabre, L., Fiorentino, G., Marinval, Ph., Pérez Jordá G., Pradat, B., ovira, N. and Alibert, P. (2004) “ Historical Biogeography of olive domestication (*Olea europaea*) as revealed by geometrical morphometry applied to biological and archaeological material”, *Journal of Biogeography*, Vol. 34, No. 1, 63 – 77

For instance, in Jane MacIntosh's *Handbook to Life in Prehistoric Europe*¹⁹⁶, one can read that: "cultivation of the grape, olive and fig began at some point in the Bronze Age in the Aegean" (p.105), while other scholars and archaeological findings support this suggestion [for example, the findings of the experienced Minoan archaeologist Paul Faure, whose surveys were conducted in the island of Crete, and support the argument that the Cretans (the Minoans) were the ones to whom humanity owes the creation of the "liquid gold" [a characterization attributed to olive oil by Homer], as the olive oil is named for its value towards health and well-being. Furthermore, Colin Renfrew, analyzing the rise of the Bronze Age civilization in the Aegean in the publication "The Emergence of Civilization, the Cyclades and the Aegean in the Third Millennium B.C." in 1972, suggests that olive growing became widespread first in the Aegean in the Early Bronze Age¹⁹⁷, while it is indisputable that during the Minoan Age in Crete island – at least for the Late Bronze Age – the cultivation of olive trees and the production of olive oil was systemic, based on evidence of stone olive press beds, pollen, carbonized olive wood, organic material where olive stones were included etc. at rural residences, country villas and the Minoan palaces, according to the studies of Van Effenterre in 1983¹⁹⁸, Rehak and Younger in 1998¹⁹⁹ and other scholars. Moreover, in the study of F. Visioli, F. Marangoni and C. Galli ["Local Wild Foods in the Mediterranean Countries: From Micronutrients to Healthy Effects", published in 2008], one can read that the local traditional knowledge regarding olive oil and olive cultivation started in 5000 B.C. in Crete and by 1400 B.C. it had spread to Syria, Palestine, and other countries, moving then westwards over the millenia; it is indicated for instance that cultivation of the olive tree in Italy probably did not occur until the 5th century B.C.²⁰⁰.

Besides, as found in the study of J. Mataix and F.J. Barbancho entitled "Olive Oil in Mediterranean Food"²⁰¹, according to many authors and scholars of related fields, the olive must have been cultivated before the Late Bronze Age in the Greek territory, since both in Crete and in continental Greece high percentages of olive pollen were found that date back

¹⁹⁶ MacIntosh, J. (2009) *The Handbook to Life in Prehistoric Europe*, Oxford University Press, United States of America, 105

¹⁹⁷ Renfrew, C. (1972) *The Emergence of Civilization, the Cyclades and the Aegean in the Third Millennium B.C.*, Methuen, London

¹⁹⁸ Van Effenterre, H. (1983) "The Economic Pattern of a Minoan District: The case of Mallia", in Krzyszkowska, O. and Nixon, L. (Eds) *Proceedings of the Cambridge Colloquium*, Bristol, 61 – 67

¹⁹⁹ Rehak, P. and Younger, J. G. (1998) "Review of Aegean Prehistory. VII Neopalatial, Final Palatia and Postpalatial Crete", *American Journal of Archeology*, Vol. 102, No. 1, 91 – 173

²⁰⁰ Visioli, F., Marangoni F. and C. Galli (2008) "Local Wild Foods in the Mediterranean Countries: From Micronutrients to Healthy Effects", in De Meester, F. and Watson R. R. (Eds) *Wild-Type Food in Health Promotion and Disease Prevention: The Columbus Concept*, Humana Press, New Jersey, 471 – 478

²⁰¹ Mataix, J. and Barbancho, F.J. (2006) "Olive Oil in Mediterranean Food", in Quiles, J.L., Ramirez-Tortosa M.C. and Yaqoob P. (Eds) *Olive Oil and Health*, CAB International, Oxfordshire, UK

to the Neolithic. Regarding the reasoning why more solid evidence related to botanical remains is not to date found, they suggest that excavations that took place in previous years lacked the precision in technological support, namely the precise means to find and examine findings in specialized laboratories. Whereas, it has been reasoned – by for instance Zohary and Hopf in 1993²⁰², Dubur-Jarrige in 2001²⁰³ and Amouretti and Brun in 2002²⁰⁴ – that “it would be illogical for olive cultivation not to have taken hold early in a territory so prone to cultural contact, having an advantageous geographical position between the Near East and the western Mediterranean, where olive cultivation since the Neolithic has been documented and that in the Early Bronze Age”. And he continues, again referring to the studies of Zohary and Hopf, Dubur-Jarrige, and Amouretti and Brun, “[f]or all of these reasons, it appears plausible that the first experiences of olive cultivation begun in the Neolithic and that in the Early Bronze Age it would have had taken hold in insular as well as continental Greece.”

Furthermore, the existence of at least olive trees in the Greek region from a much more distant past is supported by fossils of olives and olive tree leaves that have been found in Santorini, aging 60,000 years old.

In light of the above, it is indisputable that the systemic extraction of olive oil from the fruits of the olive tree, according to all definitions presented in the literature review, has been a tradition in Greece for at least 6,000 years, if not as many as 10,00 to 11,000 years.

Especially for the case of Crete, it has been suggested that olive cultivation was occurring earlier than elsewhere in the Aegean – as in Runnels and Hansen's study “The olive in the prehistoric Aegean: The Evidence for domestication in the Early Bronze Age” in *Oxford Journal of Archaeology*²⁰⁵ – based on pollen that dated back to 3900 B.C.²⁰⁶

In any case, though, the accumulation of this knowledge is also beyond discussion, since the tradition goes back at least 6,000 years [at this point, the author notes that from the evidence presented in this paragraph, it is safe to suggest that regarding

²⁰² [as cited by Mataix and Barbancho] Zohary, D. and Hopf, M (1993) *Domestication of Plants in the Old World. The Origin and Spread of cultivated plants in West Asia and the Nile Valley*, Clarendon Press, Oxford, 137, 143, 235

²⁰³ [as cited by Mataix and Barbancho] Dubur-Jarrige, M.A. (2001) *Les Origines de la culture de l' olivier en Méditerranée: le point sur les découvertes paléobotaniques et leurs interprétations*, in *Actes des lères Rencontres Internationales de l' olivier (19 et 20 Octobre 2000) L' olivier dans l' espace et dans le temps*. Institute du monde de l' olivier, Nyons, 10 – 22

²⁰⁴ [as cited by Mataix and Barbancho] Amouretti, M.C. and Brun, J.P. (2002) *Oliviers et huile dans l' Antiquité: découvertes archéologique récentes*, in Amouretti, M.C. and Brun, J.P. (Eds) *Agriculture Méditerranéenne, Variété des techniques anciennes*, Cahier d' histoire des techniques, 5, Publications de l' Université de Provence, Aix-en-Provence, 127 – 140

²⁰⁵ Runnels, C.N and Hansen, J. (1986) “The olive in the prehistoric Aegean: The Evidence for domestication in the Early Bronze Age”, *Oxford Journal of Archaeology*, Vol. 5, No. 3, 299 - 308

²⁰⁶ Gennett, J. (1982) “Three Holocene pollen records from southern Greece”, *Palynology*, Vol. 6, 282

systematically cultivating olive trees to produce olive oil, it is not clear whether it originates from Greece – and specifically from the Minoan Crete – or not, although many scholars do conclude this; but it has been shown that in the Greek territory it occurs for at least 6,000 years, thus hereafter the expression “6,000-year-old” as a characterization of this tradition will be occasionally used to describe it] and since olive oil in Greece, as it will be shown, has been the main source of fat in the Greek – and especially Cretan – diet, since antiquity.

7. The Tradition being clearly recognizable

In this paragraph, the author presents the methods of extracting olive oil in Ancient Greece and the methods of extracting olive oil nowadays, approximately 6,000 years later.

Then, the transformation of the traditional knowledge due to innovation and technological development is presented, along with evidence from related studies to support that the highest value possible for the buyers along the non-visible dimension of differentiation of healthiness, lies not in the transformation of traditional knowledge, but in incorporating the at least 6,000-year-old tradition into modern ways, to appeal to the modern consumers.

7.1. Olive Oil Extracting Process in Ancient Greece

The discussion regarding olive oil extraction in Ancient Greece, as the reader can assume, could be the theme of another dissertation. The issue is of great historical, archaeological, and other, even architectural, interest and importance. It can be viewed from many different fields of study, approaches, and perspectives. The historical view alone has to deal with a period of time as long as the history of Greece, since of course the primitive ways developed, from the stage of the primitive man smashing an olive accidentally to find out the soothing effect of the liquid extracted, to technologically advanced – for their era – machinery, made from wood and rock.

In this dissertation the means for extracting olive oil during the period of the “classical Greek world,” as Mataix and Barbancho characterize it, has been selected to be introduced to the reader. This is due to fact that any ancient process describes the point the author wishes to convey, as it will be shown in comparison with the modern methods that are in use nowadays. Furthermore, it is not the objective of the author to analyze all the means and their development through time, nor the differences of these means between different geographical regions in Ancient Greece. If the reader is interested in such a theme, though, the author suggests referring to the study of Lin Foxhall “Olive cultivation in Ancient

Greece: Seeking the Ancient Economy,”²⁰⁷ where findings of excavations in regions with rich olive oil tradition are also presented – of course, in the study regions of the Minoan Crete are included – regarding the agricultural equipment in use during those times, the buildings, evidence from Ancient Greek pottery, which serve as iconographic sources to identify the means of extracting olive oil, etc. are being presented.

- Harvesting

As found in Theophrastus' work (Theophr. C.P. VI, 19, 3) [author's note: Theophrastus (c. 371 – c. 287 B.C.) was the successor of Aristotle in Lyceum, with a wide range of interests from ethics to biology. For some scholars he is considered to be the Father of Botany, due to his study on plants, as for example M. Grene and D. Depew²⁰⁸], harvesting of oil olives occurred between October and December, when the olives were ripe, by knocking the olive tree with a stick for the olives to fall. The fallen olives were then evaluated on the spot and the ones perceived to give good quality olive oil – namely, the olives that were not damaged – were picked by hand and collected in baskets. This technique required special skills from the worker, since the olives could be damaged due to their being knocked.

It was crucial, however, to pick up the desired quantity of olives quickly, as storing the olives for more than one day would damage the quality of olive oil that was to be obtained. This is the reason why Palladius (XII, 17, 1) recommended only the desired quantity of olives that were to be pressed the following night to be harvested²⁰⁹. Before proceeding to the next step, namely milling, the collected olives were left overnight.

- Milling

One of the earliest milling systems was crushing the olives “with a stone roller moving back and forth over a stone table.”²¹⁰ Masses of clean wool soaked in the liquid would then been pressed manually over containers, to gather the juice. For more effectiveness, residues were washed with water; thus, the olive oil would float and be removed. This procedure was typically a task for women and there are many findings of excavations, products of pottery, where it is shown²¹¹.

²⁰⁷ Foxhall, L. (2007) *Olive cultivation in Ancient Greece: Seeking the Ancient Economy*, Oxford University Press, G.B.

²⁰⁸ Grene, M. and Depew, D (2004) *The philosophy of Biology: an episodic history*, Cambridge University Press, U.S.A., 11

²⁰⁹ Mataix, J. and Barbancho, F.J. (2006) *ibid*

²¹⁰ Mataix, J. and Barbancho, F.J. (2006) *ibid*

²¹¹ Foxhall, L. (1993) “Oil extraction and processing equipment in Classical Greece”, in Amouretti M.C. and Brun J.P. (Eds) *La production du vin et l'huile en Méditerranée: Actes du Symposium International (Aix-en-Provence et Toulon, 20-22 Novembre 1991)*, Ecole Française d' Athènes, Athens, 183 – 200

At this point, the author would like to note that although in the study of J. Mataix and F.J Barbancho the stages of milling and pressing are distinguished [Mataix, J. and Barbancho, F.J (2006) *ibid*], the ways that they describe as “milling” and as “pressing” refer to what other scholars, like L. Foxhall, describe as “pressing.” This is, to the author's comprehension, due to the fact that in what they describe as “pressing” procedure J. Mataix and F.J Barbancho include the use of levers, whereas the “milling” procedure includes no use of levers. Therefore, other methods and means used in Ancient Greece to press olives in order to extract the olive oil, are presented in the next stage, the pressing.

Crushing olives into a pulp is necessary for the process of extracting olive oil, and such crushing apparatuses, made of stone, include the rotary mill, which consisted of a bowl with two millstones. In this case, the olives were merely bruised, so that the millstones might not be broken²¹².

- Pressing

The pulp that was produced from the milling process was then placed in bags, pieces of cloth or baskets, to be stacked on the press bed. Presses that date to Classical Greece include the lever and weight press. As one can read in L. Foxhall's *Olive cultivation in Ancient Greece: Seeking the Ancient Economy* [*ibid*], “There are several techniques by which weight can be applied to the press beam in a a lever and weight press. The weights themselves are usually made of stone,” and later [*ibid*], “as is more regularly documented archaeologically in Classical Greece, a large rectangular counterweight block can be cut to take the wooden superstructure of a windlass which is then roped to the press beam and used to pull it down.” In many places of the Mediterranean the fixed end of the press beam was held in place by large orthostates. However it seems to have been most common in Classical, and even later in Hellenistic and Roman Greece, to set the press beam in a niche in a wall or carved in a large boulder. For the lever and weights press, the technique by which a windlass is attached to a press weight, or the fixed end of a press is held in place, may have been more a matter of local/regional preference and tradition than technical efficiency.” When the heap reduced in size, as the mixture of oil and juice had flowed out, the beam was lowered to reach the attachment edge. “Normally, hot water was poured on the olives on the press bed, which released more oil, and the olives were pressed again. This process could be repeated for a third time as well. Beyond a certain point, however, returns diminished and no more oil could be readily extracted from a press of this kind, and the pulp was removed from the press and utilized for fuel or fodder,” as found in L. Foxhall' s study, cited earlier.

Of course, there were many innovations that occurred in order to maximize the effectiveness of the pressing process: it was difficult to press olives; power was needed to

²¹² Foxhall, L. (2007) *ibid*

press them in such a way that the most of the precious liquid would flow out. For example, at around the end of the 2nd century B.C. there emerged the handspike press with a screw over the counterweight. Its endurance and reliability made it gain great success and spread throughout the – at that time Roman – empire and throughout the Middle Ages. “The direct screw press, according to the texts of Vitruvius and Heron, was a Hellenic invention”²¹³.

Specifically in Crete, quoting F. R. Riley, “[t]hree probable olive press beds in Crete, all Late Minoan, are known from Knossos (Evans 1900 – 1901), Palaikastro (Dawkins 1904 – 1905) and Kommos (Shaw 1978) but no recognisable crushing tools have been found (Runnells and Hansen 1986:304)²¹⁴. This suggests that olives were simply crushed with any suitable heavy stone which was later discarded.”²¹⁵ As he continues, though, with an analysis of 41 findings in Crete related to olive oil and/or wine production, there appear to have been found two types of Minoan stone presses [for further discussion, the reader is encouraged to refer to the study of F. R. Riley that is cited]. Among them, what is referred to in Riley’s study as “Type II” stone press, is identified to be “a stone press mounted on a permanent base with the spout positioned over a hole in the ground,”²¹⁶ whereas regarding what is referred to as “Type III,” it “is rough stone, concave and the example from Kommos appears free-standing with a spout at one end to allow the oil and wash water to run off.”²¹⁷

- Separation of the Olive Oil

A common procedure in Ancient Greece, in order to separate olive oil from the toxic olive juice and water, was for the resulting product of the pressing to be ladled into large tanks or vats, after being removed from the “catchment vessel positioned at the spout of the press bed” [Foxhall, L. (2007) *ibid*]. After its having been settled, the olive oil that was floating could be collected from the top. Alternatively, the remains could be let out from the bottom of the tank through a bung or a spout²¹⁸.

Such tanks have been found in many places in Crete, in Late Minoan contexts, called “lekanai” or tubs, which have spouts flush with the base. As Riley says [Riley, F. R. (1999) *ibid*], “the function of these containers has been interpreted as olive oil separators by Bosanquet and Boyd-Haws [...], and as wine presses by Marinatos and Hirmer [...] and

²¹³ Mataix, J. and Barbancho, F.J. (2006) *ibid*

²¹⁴ [as cited in Riley] Runnells, C. N. and Hansen, J. (1986) “The Olive in the Prehistoric Aegean: The evidence for domestication in the Early Bronze Age”, *Oxford Journal of Archaeology*, Vol. 5, No. 3, 299 – 308

²¹⁵ Riley, F. R. (1999) *The Role of the Traditional Mediterranean Diet in the Development of Minoan Crete: Archaeological, Nutritional and Biochemical Evidence*, BAR International Series 810, Biddles Ltd, England, 40

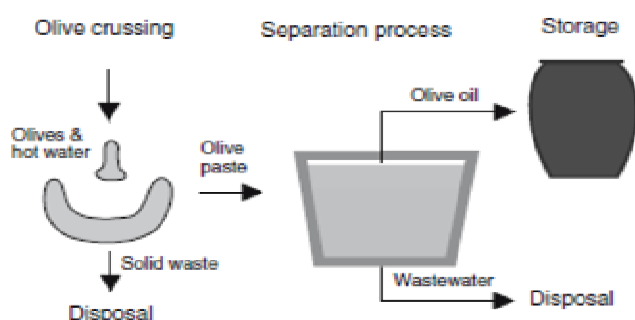
²¹⁶ Riley, F. R. (1999) *ibid*, 41

²¹⁷ Riley, F. R. (1999) *ibid*, 42

²¹⁸ Foxhall, L. (2007) *ibid*

Platon [...],” but he suggests that there is no reason why they could not function as both.

Figure 36. Flow diagram of the olive oil and by-product production during the Bronze Age (not to scale)



source: Kapellakis, I.E., Tsagarakis, K. P. and Crowther, J. C.²¹⁹

7.2. Virgin Olive Oil Extracting Process Today

Nowadays there exist many types of machinery, that alter to some point the process, according to the technological development of the machines used, the investment of the olive oil producer in technology, etc. However, the objective of this paragraph is to describe the process in general, in order to be comparable with the methods used in Ancient Greece, as described above. Furthermore, the information provided below is not exclusively for modern production of olive oil in Crete, but a general approach. It could be argued that the methods used in modern Crete should be presented, however nowadays the standardization of the process and the detailed definitions that have already been presented to the reader, which are strict and according to how olive oil is globally traded, make the details of how the oil is produced irrelevant. The essence of the production is of the interest of the author, to show the continuity of the traditional knowledge and how innovation – namely in this paragraph the centrifugation process of extraction – provides not as good a quality as the traditional cold-press method does. Therefore, the below analysis being more general, does not affect the point the author wants to make negatively, but rather helps the reader see from the point of view of the author.

1. Harvesting

²¹⁹ Kapellakis, I.E., Tsagarakis, K. P. and Crowther, J. C. (2008) “Olive Oil History, Production and By-product Management”, *Reviews in Environmental Science and Biotechnology*, Vol. 7, No. 1, 1 – 26

As suggested by Mataix, J. and Barbancho, F.J, the process of harvesting has not changed. Today, harvesting is often done by knocking the olive fruits down from the tree, with the ability of the modern worker to reach the top of the tree easier, by mechanical support. Otherwise, technological development has helped the efficiency in terms of productivity of the workers, replacing the wooden stick with a harvester, which consists of a portable generator and a T-shaped, 2-to-3-meters-long rod with elastic sticks attached to its head, connected to the generator. As the head of the rod rotates quickly, the elastic sticks hit the olives and throw them under the tree, where special nets or pieces of synthetic fabric are placed for the harvested olives to be thrown on. When one tree is fully harvested, the worker proceeds to the next one and the net needs to be emptied in order to be placed under it²²⁰. However, it is only during the last fifteen or twenty years that this method is being applied; until that time, and even today, when the weather does not permit the use of the harvester described above – namely, when it is rainy or windy, which usually happens during the harvesting period – the traditional method of manually knocking down the fruit is being applied.

2. Feeding, Leaf removing, Washing

Having been collected, the olive fruits are put into a feed hopper, to which a moving belt is attached. All foreign materials have to be removed from the olives, such as leaves and dirt, so the olives are washed, generally by recycling potable water in the same machine for removing the leaves. Should such material be not removed, they can affect the taste, color and characteristics of the oil produced²²¹.

3. Crushing

As in Ancient times, crushing – or milling – the olive fruits is essential. Obtained then by empirical observation maybe, now by scientific explanation, releasing the oil from the vacuoles of the olive is facilitated by their being crushed. In this stage, the olives are put into a large bowl, in which generally two (or three) heavy wheels rotate, turning the olives into pulp. In ancient times this was done – as shown earlier – not in that high a speed, due to the limitation of manpower – or animal power – however, the exact same procedure was followed.

4. Mixing – Malaxation

The paste that is produced by crushing is then stirred at low speed for approximately 30 minutes, for the percentage of the available oil to be increased. During this stage, oil

²²⁰ Information gathered from interview with olive oil producer in Crete.

²²¹ Di Giovacchino, L., Sestili, S. and Di Vincenzo, D. (2002) “Influence of Oil Processing on Virgin Olive Oil Quality”, *European Journal of Lipid Science and Technology*, Vol. 104, No. 9 – 10, 587 – 601

drops coalesce and form bigger drops, thus making easier the separation of olive oil and water; also, it facilitates breaking up the emulsion drops of oil and water.

When the olive mill is equipped with a pressing system, the phase of malaxation is not important. According to Di Giovacchino et al, this is due to “i) the slow rotation speed of the granite millstones does not cause the emulsification of oil with the other liquid and solid phases of olive paste; ii) the slow movement of olive paste during the crushing process represents a partial malaxation. For that reason, in an olive oil mill operating with a pressure system, the malaxation time for olive paste is 10-20 min and the temperature is not higher than 20-25°C.”²²² However, when an olive oil mill is equipped with a centrifugal decanter system, “malaxation is very important both to break or reduce the emulsion state of oil, originated from the violent crushing operation by the metallic crusher, and to favour the formation of ‘free oil’ in olive paste by increasing the time and temperature of malaxation,” as Di Giovacchino et al continue.

The “pressure system” and the “centrifugal system” refer to the actual extraction of the olive oil, which is the phase described immediately below.

5. Olive Oil Extracting

i. pressure process

It is the oldest method, its main characteristic being that no high temperature is produced, thus retaining all of the olive's nutritional characteristics. It is often being characterized as “traditional,” due to its similarity with the ancient method; the olive oil is obtained by pressing the pulp from the previous phase. The introduction of the hydraulic press was revolutionary, since it enabled old mills to improve their productivity.

In this phase, the 2-or-3-cm thick paste is placed in oil diaphragms, and then placed in units with a central shaft. To ensure stability of the load and maximum uniformity, a metal tray and a piece of cloth separate a set of 3 to 4 diaphragms on the aforementioned unit. The unit then is placed under a hydraulic pressure unit and the liquids run through the olive cake²²³.

ii. centrifugation process

Based on the differences in density of the ingredients of the pulp, namely olive oil, water, and olive juice, centrifugal action is applied through a horizontal centrifuge. The olive oil is either already released or inside microgels, in which case is facilitated to be released with the adding of water. As Kapellakis et al note, decanters (the horizontal centrifuges) “consist of a cylindrical conical bowl,” inside of which there is a “hollow,

²²² Di Giovacchino, L., Sestili, S. and Di Vincenzo, D. (2002) *ibid*

²²³ Kapellakis, I.E., Tsagarakis, K. P. and Crowther, J. C. (2008) *ibid*

similarly-shaped component with helical blades.” The difference in the speed of rotation of the bowl and that of the inner screw, “results in the movement of the pomace to one end of the centrifuge, while the two other constituents of the olive paste (oil and olive mill wastewater – OMW) are pushed to the other end. The oily must (oil with a small amount of water and water containing a small amount of oil) passes through vertical centrifuges which revolve at 6,000- 7,000 rpm for the final separation of the oil” [ibid].

For the advantages and disadvantages of the process, A. Kritsakis²²⁴ [cited by Kapellaki et al] notes the advantages to be: A. the limited labor force needed, due to continuity and automation of the process, B. the protection of the oil from contamination, due to the use of stainless materials, C. the elimination of this risk due to the non-use of diaphragms and D. the better amount of performance, due to maximization of the oil yield collected. On the other hand, A. it is a water- and energy-demanding process, B. a significant amount of nutrition (namely, phenols, which are natural antioxidants) is lost, C. the pomace contains a high percentage of moisture and D. the production of olive mill wastewater is 50 percent more than that of the pressure process.

iii. selective filtration process

This process is also known as “Sinolea,” from the name of the company that introduced this system in the extraction of olive oil process. The separation of olive oil to the water and the olive juice is achieved due to the difference in interfacial tension of the three liquid phases, when coming in contact with a steel plate; because of the lower interfacial tension of oil compared to that of water, when a steel plate is plunged into the olive paste it will be coated in oil. The Sinolea unit, which is the most common unit for extracting olive oil with this method, can process 350 – 370 kg of olive paste. The Sinolea unit has a stainless steel grating unit at the bottom, and 5,000 – 7,000 moving steel sheets slotted through the slits in the grating unit, which slowly penetrate the olive paste moving forwards and backwards. The olive oil then that coats the steel sheets drips off, along with a very small amount of the other liquid phases. Frequent repetition of this process results in a high-yield extraction of olive oil. The olive oil obtained thus is called Sinolea oil.

For further separation of the olive oil, the process of the aforementioned centrifugation is followed. The olive oil after this process is called Decanter oil.

This method (combined with centrifugation) is very effective regarding the amount of olive oil obtained per olive, however it is not widely applied as a method of extraction, due to the high operating and maintenance costs and the high energy demand²²⁵.

²²⁴ [as cited by Kapellakis et al] Kritsakis, A. (1998) Olive Oil, From the Tree to the Table, Food & Nutrition Press

²²⁵ Kapellakis, I.E., Tsagarakis, K. P. and Crowther, J. C. (2008) ibid

Remarks on the olive oil extracting processes, regarding virgin olive oil

From studies regarding which method produces the best quality olive oil, and specifically the best quality virgin olive oil, A. Ranalli, M. L. Ferrante, G. De Mattia, and N. Constantini in 1999 note that: “Virgin olive oils from percolation (first extraction) have been compared with the corresponding oils from centrifugation (second extraction). The former were characterized by (i) higher contents of total phenols, o-diphenols, hydroxytyrosol, tyrosol-aglycons, tocopherols, trans-2-hexenal, total volatiles, and waxes; (ii) higher values of resistance to autoxidation and of turbidity; (iii) higher sensory scores; (iv) higher ratios of campesterol/stigmasterol, trans-2-hexenal/hexanal, and trans-2-hexenal/total volatiles; (v) lower contents of chlorophylls, pheophytins, sterols, and aliphatic and triterpene alcohols; (vi) lower alcoholic index and color indices; (vii) similar values of acidity, peroxide index, and UV (ultraviolet) spectrophotometric indices; (viii) similar percentages of saturated and unsaturated fatty acids, triglycerides, and diglycerides; and (ix) similar values of glyceridic indices. Stigmastadienes, trans-oleic, trans-linoleic, and trans-linolenic acid isomers were not detected in the two genuine oil kinds. Hence, the qualitative level of the first extraction oil was superior to the second extraction one.”²²⁶

Therefore, “First Extraction” oil is of better quality compared to that of the second extraction. It is of high importance to note at this point that Creta Farm for its innovative En Elladi production line uses exclusively “First press extra virgin olive oil,” as also clearly stated on the bottle of the company's exported Cretan extra virgin olive oil in the U.S.A., although its cost compared to the centrifugation-extracted olive oil is much higher.

The author at this point would like to note, that “first extraction” olive oil (or “first cold press”, or “cold pressed”), according to the regulations of the EU [Regulation 1019 of 2002] refers to the olive oil that during the stages of its extraction, the olive oil must be proved not to have gained a temperature higher than 27°C. This is because when the olive oil reaches during its processing temperatures higher than that, its nutritional value is affected; the olive oil loses much of its nutrition.

5. Final Centrifugation of Olive Oil

It is noted in the study of Kapellakis et al that inevitably, a final centrifugation is necessary in order to remove all water and olive juice that has remained, following the same process of centrifugation that was described above. However, in Di Giovacchino et al's study regarding how each phase in the olive oil extraction process affect the quality of olive oil, no such phase is implied. From the author's experience, too, the existence of such

²²⁶ Ranalli, A., Ferrante M. L., De Mattia G. and Constantini N. (1999) “Analytical Evaluation of Virgin Olive Oil of First and Second Extraction”, *Journal of Agricultural and Food Chemistry*, Vol. 47, No. 2, 417 – 424

a phase does not sound familiar. Nevertheless, the author refers to it as a final phase in the described process.

7.3. Remarks on the recognizability of the traditional knowledge and Creta Farm

From the above presented data, it is clear that Creta Farm has been continuing the same tradition in modern Crete, as the Minoan ancestors did 6,000 years before. The olive oil incorporated in the En Elladi range is the best form an olive oil can take: extra virgin, first cold pressed olive oil is the olive oil that was obtained so many thousands years before, in the same land of Greece, Crete.

Apart from the mechanical support, where presses have taken the place of heavy rocks and man- or animal-power, the process remains unchanged in its essence, regarding the “cold press” olive oil.

In this section are the other modern methods for extracting olive oil, which clearly have changed the tradition. However, as indicated earlier, this has only been good for the efficiency of olive oil extraction in regards to the volume of the extracted olive oil. From the qualitative point of view, though, in the case of olive oil extracting, innovation that has occurred in the form of transforming the tradition, has altered the quality of the olive oil obtained: as shown earlier, the temperatures of the centrifugation method ruins a large proportion of the nutritional value of the olive oil.

Thus, tradition incorporated by Creta Farm in its innovation, is clearly identified and recognizable; olive oil obtained by the traditional method (named by several scholars as “traditional cold press olive oil”, as for example F.R Riley), which is the one used by Creta Farm, is clearly the best olive oil that can be obtained.

7.4. The Quality of Minoan olive oil and modern Cretan olive oil

Apart from the fact that the Cretan olive oil is considered to be better than many other Greek olive oils according to several studies due to its biochemical characteristics [as for example F. R. Riley mentions in his study regarding the Mediterranean diet in Crete, (1999) *ibid*] – although the Greek olive oils are ranked to the highest levels regarding their quality –, in the same study of F. R. Riley it is indicated that from the biochemical perspective, the olive oil obtained in Minoan Crete and the olive oil obtained in modern Crete with the so called cold extraction – namely, the pressure process – are similar, if not the same, since the conclusions of F.R. Riley regarding how the Minoan diet would be, are based on the nutritional characteristics of modern Cretan olive oil.

This is noted, to underline even further that the continuity of the tradition of olive oil in Greece and especially in Crete, is clearly recognizable and has remained unchanged in

its essence.

Thus, what the author means by incorporating tradition, while tradition remains unchanged in the sense that it retains its characteristics, as E. Shils suggests, as presented earlier in the literature review, has been explained and illustrated within the Creta Farm S.A. case study, where the element of tradition is expressed in the form of olive oil, and more specifically in the form of the traditional way of extracting olive oil, that retains its nutrition and characteristics, the same, clearly recognizable way that the Minoans did in the same land (the island of Crete) 6,000 years earlier.

Similarly, regarding the Value-Tradition-Innovation framework, tradition represents the traditional knowledge, knowledge that comes from the deep past, accumulates and although being resilient to some extent, its elements are the same as they were.

8. The olive oil today

Nowadays, olive oil remains a utility, and the world market of olive oil can be summarized in the below tables, created by data obtained from the International Olive (Oil) Council.

8.1. Production

From the tables shown above, it is remarkable that a good 98 to 99% of world production of olive oil occurs in the Mediterranean basin (the main production countries within the EU countries are Spain, France, Greece, Italy and Portugal, as presented in the next figure).

Furthermore within the EU, Spain is the main production country, producing almost half of olive oil production in the EU, followed by Italy and Greece. France and Portugal's production volume accounts for only 2% of the total production of olive oil in the EU.

Spain therefore being the first producer worldwide is followed by Italy and Greece in the second and third place respectively.

Table 5. World Production of Olive Oil [Source: IO(O)C]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 (prov)	2009/10 (prov)	Average 1997/98-2002/03		Average 2003/04-2008/09	
Albania					4.0	5.5	13.0			4.8	0.2%
Algeria	69.5	33.5	32.0	21.5	24.0	59.0	50.0	28.3	1.1%	39.9	1.4%
Argentina	13.5	18.0	23.0	15.0	27.0	23.0	16.0	8.4	0.3%	19.9	0.7%
Cyprus	2448.0	2357.0	1928.5	2031.0	2118.5	1933.0	2148.5	2008.1	79.6%	2136.0	75.8%
EC								4.4	0.2%		
Croatia	3.0	5.0	5.0	4.0	4.5	6.0	5.5	5.1	0.2%	4.6	0.2%
Egypt	2.0	2.5	2.5	10.5	7.5	5.0	2.0	1.8	0.1%	5.0	0.2%
Iran	2.5	4.0	4.5	4.0	4.5	4.5	3.0	2.5	0.1%	4.0	0.1%
Iraq					0.0	0.0	0.0			0.0	0.0%
Israel	3.0	9.0	3.0	8.5	4.0	8.0	3.5	4.9	0.2%	5.9	0.2%
Jordan	25.0	29.0	22.0	37.0	21.5	18.5	27.5	18.5	0.7%	25.5	0.9%
Lebanon	7.5	6.0	5.5	6.0	10.5	24.5	9.0	5.4	0.2%	10.0	0.4%
Libya	12.5	12.5	9.0	11.0	13.0	15.0	15.0	6.4	0.3%	12.2	0.4%
Morocco	100.0	50.0	75.0	75.0	85.0	85.0	95.0	52.5	2.1%	78.3	2.8%
Montenegro	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.7	0.0%	0.5	0.0%
Serbia					0.0	0.0	0.0				
Syria	110.0	175.0	100.0	154.0	100.0	130.0	150.0	114.7	4.5%	128.2	4.5%
Tunisia	280.0	130.0	220.0	160.0	170.0	150.0	140.0	125.8	5.0%	185.0	6.6%
TOTAL A	3077.0	2832.0	2430.5	2538.0	2594.5	2467.5	2678.5	2388.0	94.7%	2656.6	94.3%
Saudi Arabia				2.5	3.0	3.0	3.0			2.8	0.1%
Australia	2.5	5.0	9.0	9.0	12.0	16.0	18.0	6.4	0.3%	8.9	0.3%
Brazil											
Canada											
Chile				5.0	6.5	8.5	8.5			6.7	0.2%
USA	1.0	1.5	1.0	1.0	2.0	2.5	3.0	0.8	0.0%	1.5	0.1%
Japan											
Mexico	2.5	2.5	2.0	0.0	0.0	0.0	0.0	1.9	0.1%	1.2	0.0%
Norway											
Palestine	5.0	20.0	10.0	31.5	8.0	20.0	5.5	12.7	0.5%	15.8	0.6%
Russia											
Switzerland											
Taiwan											
Turkey	79.0	145.0	112.0	165.0	72.0	130.0	147.0	110.0	4.4%	117.2	4.2%
Other prod. c.	7.0	7.0	8.0	15.0	15.0	18.0	18.0	7.3	0.3%	11.7	0.4%
Other non-p. c.											
TOTAL B	97.0	181.0	142.0	229.0	118.5	198.0	203.0	133.5	5.3%	160.9	5.7%
TOTAL WORLD	3174.0	3013.0	2572.5	2767.0	2713.0	2665.5	2881.5	2521.5	100.0%	2817.5	100.0%

Table 6. Production of Olive Oil (European Union) [Source: IO(O)C]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 (prov)	2009/10 (prov)	Average 1997/98-2002/03		Average 2003/04-2008/09	
Cyprus	7.0	7.5	7.2	8.3	4.0	3.5	5.0		0.0%	6.3	0.3%
Spain	1412.0	989.8	826.9	1111.4	1236.1	1028.0	1200.0	964.0	48.0%	1100.7	51.5%
France	4.6	4.7	4.4	3.3	4.7	7.0	5.0	3.6	0.2%	4.8	0.2%
Greece	308.0	435.0	424.0	370.0	327.2	305.0	348.0	411.7	20.5%	361.5	16.9%
Italy	685.0	879.0	636.5	490.0	510	540.0	540.0	593.0	29.5%	623.4	29.2%
Portugal	31.2	41.2	29.1	47.5	36.3	49.0	50.0	38.4	1.9%	39.1	1.8%
Slovenia	0.2	0.0	0.5	0.3	0.4	0.5	0.4			0.3	0.0%
TOTAL A	2448.0	2357.2	1928.6	2030.8	2118.7	1933.0	2148.4	2008.2	100.0%	2136.1	100.0%
Germany											
Austria											
Belgium											
Bulgaria											
Denmark											
Estonia											
Finland											
Hungary											
Ireland											
Latvia											
Lithuania											
Luxemburg											
Malta											
Netherlands											
Poland											
Czech. Rep.											
Romania											
UK											
Slovakia											
Sweden											
EBLU											
TOTAL B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
TOTAL EUROPE	2448.0	2357.2	1928.6	2030.8	2118.7	1933.0	2148.4	2008.2	100.0%	2136.1	100.0%

8.2. Consumption

The value of olive oil obviously recognized for many centuries now, approximately 88% of the world production is consumed within the Mediterranean countries, as indicated by the following figure.

Within the countries in the Mediterranean, Italy consumes the majority of the produced volume, followed by Spain and Greece in the second and third place respectively. However, according to Giacco and Riccardi's study²²⁷, the everyday consumption within the Mediterranean countries favors Libya and Greece, by far consuming high levels of olive oil daily, around 65 gr/day for Libya and 60 gr/day for Greece, while in Italy the per day consumption of olive oil is restricted to approximately 30 gr/day and in Spain around 16 gr/day.

²²⁷ Giacco, R. and Riccardi, G. (1991) "Comparison of current eating habits in various Mediterranean countries, in Spiller, G. A. (Ed) *The Mediterranean diets in health and disease*, Van Nostrand Reinhold, New York

Table 7. World Consumption of Olive Oil [Source: IO(O)C]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 (prov)	2009/10 (prov)	Average 1997/98-2002/03		Average 2003/04-2008/09	
Albania					4.5	6.5	14.0			5.5	0.2%
Algeria	60.0	38.0	35.0	23.0	25.0	59.0	50.0	31.6	1.3%	40.0	1.4%
Argentina	5.5	5.0	5.5	3.0	7.0	7.0	7.0	6.7	0.3%	5.5	0.2%
Cyprus	1997.5	2079.0	1918.0	1905.0	1866.0	1854.5	1856.5	1798.4	71.4%	1936.7	68.9%
EC								4.2	0.2%		
Croatia	4.0	4.5	5.0	5.0	5.0	7.0	7.0	5.4	0.2%	5.1	0.2%
Egypt	2.0	2.5	2.0	8.0	7.0	5.0	5.0	1.6	0.1%	4.4	0.2%
Iran	3.5	5.0	6.5	5.5	7.5	7.0	7.0	2.6	0.1%	5.8	0.2%
Iraq			0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Israel	13.5	16.0	16.5	15.0	16.0	16.0	16.5	11.9	0.5%	15.5	0.6%
Jordan	24.0	25.0	19.0	21.0	23.5	23.5	29.5	18.2	0.7%	22.7	0.8%
Lebanon	5.0	5.0	5.5	5.0	9.0	20.0	9.5	7.4	0.3%	8.3	0.3%
Libya	14.5	12.0	9.0	11.0	13.0	15.0	15.0	9.6	0.4%	12.4	0.4%
Morocco	70.0	38.0	55.0	65.0	65.0	70.0	70.0	55.0	2.2%	60.5	2.2%
Montenegro	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.7	0.0%	0.5	0.0%
Serbia			0.0	0.0	0.0	0.0	0.0				
Syria	150.0	135.0	79.0	110.0	80.0	110.0	120.0	99.6	4.0%	110.7	3.9%
Tunisia	56.0	44.0	38.0	45.0	50.0	35.0	35.0	46.2	1.8%	44.7	1.6%
TOTAL A	2406.0	2409.5	2194.5	2222.0	2179.0	2236.0	2242.5	2098.9	83.3%	2274.5	80.9%
Saudi Arabia	7.5	5.5	4.5	6.0	7.5	6.5	6.5	5.2	0.2%	6.3	0.2%
Australia	34.5	32.5	34.5	47.5	35.0	37.0	37.5	26.2	1.0%	36.8	1.3%
Brazil	23.5	26.5	26.0	34.5	40.0	42.0	42.5	24.3	1.0%	32.1	1.1%
Canada	26.0	32.0	30.0	32.5	29.0	17.0	17.0	22.1	0.9%	27.8	1.0%
Chile				4.5	5.5	7.5	7.5			5.8	0.2%
USA	216.5	215.5	223.0	248.0	246.0	254.0	260.0	171.7	6.8%	233.8	8.3%
Japan	32.0	32.0	30.0	30.5	29.0	29.5	29.5	30.3	1.2%	30.5	1.1%
Mexico	12.0	12.0	11.5	10.0	10.0	10.0	9.5	6.8	0.3%	10.9	0.4%
Norway				3.5	3.5	3.0	3.5			3.3	0.1%
Palestine	12.0	10.0	10.0	15.0	13.0	16.0	12.5	7.3	0.3%	12.7	0.5%
Russia	7.0	9.0	9.5	10.5	17.0	17.5	18.0	3.4	0.1%	11.8	0.4%
Switzerland	11.0	11.0	11.5	12.0	12.5	10.0	12.0	7.8	0.3%	11.3	0.4%
Taiwan	4.0	4.5	4.0	3.5	4.0	4.0	4.0	5.0	0.2%	4.0	0.1%
Turkey	46.0	60.0	50.0	80.0	85.0	97.0	98.0	68.0	2.7%	69.7	2.5%
Other prod. c.	13.5	13.0	10.0	13.5	13.5	13.5	13.5	13.1	0.5%	12.8	0.5%
Other non-p. c.	31.0	50.5	41.5	25.0	25.0	25.0	25.0	27.4	1.1%	33.0	1.2%
TOTAL B	476.5	514.0	496.0	576.5	575.5	589.5	596.5	419.7	16.7%	538.0	19.1%
TOTAL WORLD	2882.5	2923.5	2690.5	2798.5	2754.5	2825.5	2839.0	2518.6	100.0%	2812.5	100.0%

Table 8. Consumption of Olive Oil in the European Union [Source: IO(O)C]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 (prov)	2009/10 (prov)	Average 1997/98-2002/03		Average 2003/04-2008/09	
Cyprus	6.8	6.6	7.4	8.2	4.9	4.6	5.5	#DIV/0!	#DIV/0!	6.4	0.3%
Spain	613.9	615.7	477.8	538.7	546.3	561.4	560.0	564.1	31.4%	559.0	28.9%
France	94.0	97.1	99.5	101.8	101.6	110.1	108.8	86.7	4.8%	100.7	5.2%
Greece	270.0	283.0	265.0	269.5	264.0	221.1	220.0	260.0	14.5%	262.1	13.5%
Italy	785.0	840.0	848.2	730.0	705	710.0	710.0	725.2	40.3%	769.7	39.7%
Portugal	67.0	74.5	71.6	76.8	75.8	74.0	74.0	64.8	3.6%	73.3	3.8%
Slovenia	2.0	1.1	1.5	1.5	1.7	1.8	1.9	#DIV/0!	#DIV/0!	1.6	0.1%
TOTAL A	1838.7	1918.0	1771.0	1726.5	1699.3	1683.0	1680.2	1700.8	94.6%	1772.8	91.5%
Germany	38.5	46.3	45.3	48.3	48.0	49.5	51.4	33.6	1.9%	46.0	2.4%
Austria	6.0	7.3	7.0	7.9	9.5	9.0	8.8	3.7	0.2%	7.8	0.4%
Belgium	11.4	12.3	11.7	6.2	3.2	4.9	8.6	12.3	0.7%	8.3	0.4%
Bulgaria				0.6	0.7	0.7	0.8			0.7	0.0%
Denmark	3.1	2.9	1.9	3.5	4.3	4.8	3.5	2.5	0.1%	3.4	0.2%
Estonia	0.1	0.2	0.1	0.2	0.2	0.1	1.0			0.2	0.0%
Finland	1.3	1.4	1.2	1.7	1.6	1.7	0.6	0.8	0.0%	1.5	0.1%
Hungary	1.1	1.2	1.2	1.7	1.8	1.9	1.4			1.5	0.1%
Ireland	2.3	2.0	2.7	7.8	6.1	5.5	8.3	1.8	0.1%	4.4	0.2%
Latvia	0.6	0.5	0.5	0.7	1.1	1.5	1.4			0.8	0.0%
Lithuania	0.2	0.2	0.2	0.2	0.4	0.5	0.5			0.3	0.0%
Luxemburg	0.8	0.9	0.8	0.9	0.8	0.9	1.4	0.7	0.0%	0.9	0.0%
Malta	0.5	0.5	0.5	18.8	0.5	0.5	0.8			3.6	0.2%
Netherlands	11.1	13.4	14.2	16.1	12.8	9.3	15.0	6.3	0.4%	12.8	0.7%
Poland	3.2	3.3	3.2	3.4	3.5	5.2	3.0			3.6	0.2%
Czech. Rep.	2.7	3.2	2.8	3.1	6.0	5.6	2.9			3.9	0.2%
Romania				2.0	2.7	3.1	3.5			2.6	0.1%
UK	71.6	60.1	48.8	47.6	56.1	58.3	55.5	33.6	1.9%	57.1	2.9%
Slovakia	0.3	0.9	0.5	0.7	0.9	1.1	0.8			0.7	0.0%
Sweden	3.8	4.3	4.3	6.7	6.4	7.4	7.1	4.0	0.2%	5.5	0.3%
EBLU								9.7	0.5%		
TOTAL B	158.6	160.9	146.9	178.1	166.6	171.5	176.3	97.6	5.4%	163.8	8.5%
TOTAL EUROPE	1997.3	2078.9	1917.9	1904.6	1865.9	1854.5	1856.5	1798.4	100.0%	1936.5	100.0%

8.3. Imports – Exports

The importing and exporting activity in world scale as well as within the European Union is presented in the tables below:

From the tables, Greece is the only producer country, who does not import any volume of olive oil; the production clearly covers the demand, although a vast volume of the production is exported.

Also, it is remarkable that Italy imports – and also exports – much of the worldwide produced volume of olive oil, although Italy could cover its own demand by its own production.

Table 9. Imports of Olive Oil (World) [Source: IO(O)C]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 (prov)	2009/10 (prov)	Average 1997/98-2002/03		Average 2003/04-2008/09	
Albania					0.5	1.0	1.0			0.8	
Algeria	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.3	0.1%	0.1	0.0%
Argentina	0.0	0.0	0.5	0.0	0.0	0.0	0.0	3.1	0.6%	0.1	0.0%
Cyprus								0.3	0.1%		
EC	231.5	186.0	189.0	224.0	162.0	96.0	103.0	120.5	24.9%	181.4	28.3%
Croatia	0.5	0.5	0.5	1.5	1.5	1.5	1.5	1.0	0.2%	1.0	0.2%
Egypt	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.5	0.1%	0.0	0.0%
Iran	1.0	0.5	2.0	1.5	3.0	3.0	4.0	0.2	0.0%	1.8	0.3%
Iraq					0.0	0.0	0.0			0.0	0.0%
Israel	10.5	7.5	13.5	8.0	12.0	8.0	13.0	6.8	1.4%	9.9	1.5%
Jordan	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.7	0.1%	0.3	0.0%
Lebanon	0.0	0.5	0.0	2.0	1.0	2.0	2.0	2.4	0.5%	0.9	0.1%
Libya	2.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.6%	0.3	0.1%
Morocco	1.5	1.5	1.0	6.0	5.0	0.0	0.0	4.1	0.8%	2.5	0.4%
Montenegro	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Serbia											
Syria	0.0	0.0	0.0	0.0	0.0	5.0	0.0	0.0	0.0%	0.8	0.1%
Tunisia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
TOTAL A	247.0	196.5	206.5	243.0	185.5	118.0	127.5	142.8	29.6%	199.4	31.1%
Saudi Arabia	7.5	5.5	4.5	4.0	5.0	5.5	5.5	5.2	1.1%	5.3	0.8%
Australia	31.0	28.5	29.0	41.5	27.0	28.5	27.5	25.7	5.3%	30.9	4.8%
Brazil	23.5	26.5	26.0	34.5	40.0	42.0	42.5	24.3	5.0%	32.1	5.0%
Canada	26.0	32.0	30.0	32.5	29.0	17.0	17.0	22.3	4.6%	27.8	4.3%
Chile				1.0	0.5	1.0	1.0			0.8	0.1%
USA	226.0	221.0	232.0	250.0	245.0	254.0	260.0	176.4	36.5%	238.0	37.1%
Japan	32.0	32.0	30.0	30.5	29.0	29.5	29.5	30.1	6.2%	30.5	4.8%
Mexico	10.0	10.0	9.5	10.0	10.0	10.0	10.0	5.0	1.0%	9.9	1.5%
Norway				3.5	3.5	3.0	3.5		0.0%		0.0%
Palestine	0.0	0.0	0.0	0.0	0.0	0.0	7.0	0.0	0.0%	0.0	0.0%
Russia	7.0	9.0	9.5	10.5	17.0	17.5	18.0	3.4	0.7%	11.8	1.8%
Switzerland	11.0	11.0	11.5	12.0	12.5	10.0	12.0	7.8	1.6%	11.3	1.8%
Taiwan	4.0	4.5	4.0	3.5	4.0	4.0	4.0	5.0	1.0%	4.0	0.6%
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1%	0.0	0.0%
Other prod. c.	7.0	7.0	5.0	3.0	3.0	3.0	3.0	6.2	1.3%	4.7	0.7%
Other non-p. c.	31.0	50.5	41.5	25.0	25.0	25.0	25.0	27.4	5.7%	33.0	5.2%
TOTAL B	416.0	437.5	432.5	461.5	450.5	450.0	465.5	340.4	70.4%	441.3	68.9%
TOTAL WORLD	663.0	634.0	639.0	704.5	636.0	568.0	593.0	483.3	100.0%	640.8	100.0%

Table 10. Imports of Olive Oil (EU) [Source: IO(O)C]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 (prov)	2009/10 (prov)	Average 1997/98-2002/03		Average 2003/04-2008/09	
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0%	0.0	0.0%
Spain	49.4	39.2	48.0	67.9	40.3	10.8	8.0	32.5	26.9%	42.6	23.5%
France	0.2	0.4	1.2	2.5	3.7	4.4	4.0	1.4	1.1%	2.1	1.1%
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Italy	180.2	144.0	135.6	149.3	116.6	79.5	90.0	111.4	92.5%	134.2	74.0%
Portugal	1.4	1.8	3.2	2.2	0.1	0.1	0.0	1.4	1.1%	1.5	0.8%
Slovenia	0.1	0.1	0.1	0.1	0.1	0.1	0.1			0.1	0.1%
TOTAL A	231.3	185.5	188.1	222.0	160.8	94.9	102.1	120.3	99.8%	180.4	99.5%
Germany	0.1	0.3	0.2	0.0	0.3	0.3	0.1	0.1	0.1%	0.2	0.1%
Austria	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0%	0.0	0.0%
Belgium	0.1	0.1	0.1	0.2	0.1	0.2	0.1	0.0	0.0%	0.1	0.1%
Bulgaria				0.0	0.0	0.0	0.0			0.0	0.0%
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Estonia	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Hungary	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Ireland	0.0	0.0	0.0	0.9	0.0	0.0	0.5	0.0	0.0%	0.2	0.1%
Latvia	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Lithuania	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Luxemburg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Malta	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Netherlands	0.2	0.2	0.2	0.4	0.3	0.2	0.1	0.1	0.1%	0.3	0.1%
Poland	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Czech. Rep.	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Romania				0.0	0.1	0.1	0.0			0.1	0.0%
UK	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.0	0.0%	0.2	0.1%
Slovakia	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Sweden	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0%	0.0	0.0%
EBLU								0.1	0.1%		
TOTAL B	0.5	0.7	0.6	1.7	1.2	1.1	1.1	0.2	0.2%	1.0	0.5%
TOTAL EUROPE	231.8	186.2	188.7	223.7	162.0	96.0	103.2	120.5	100.0%	181.4	100.0%

Table 11. Exports of Olive Oil (World) [Source: IO(O)C]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 (prov)	2009/10 (prov)	Average 1997/98-2002/03		Average 2003/04-2008/09	
Albania					0.0	0.0	0.0			0.0	
Algeria	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0%	0.1	0.0%
Argentina	5.5	12.5	16.0	15.0	18.5	15.5	13.0	5.7	1.2%	13.8	2.2%
Cyprus								0.3	0.1%		
EC	324.5	330.5	310.5	351.0	357.0	373.5	385.0	277.2	60.8%	341.2	55.3%
Croatia	0.0	0.5	0.5	0.5	0.5	0.0	0.0	0.6	0.1%	0.3	0.1%
Egypt	0.0	0.0	0.5	2.0	1.0	1.0	0.0	0.8	0.2%	0.8	0.1%
Iran	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Iraq	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Israel	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0%	0.1	0.0%
Jordan	4.0	5.0	3.0	2.0	2.0	1.5	3.0	0.7	0.1%	2.9	0.5%
Lebanon	1.5	1.5	1.0	3.0	2.5	2.5	3.0	0.6	0.1%	2.0	0.3%
Libya	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.1	0.0%
Morocco	20.5	31.0	21.0	4.5	2.0	16.0	18.0	4.5	1.0%	15.8	2.6%
Montenegro	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Serbia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Syria	28.0	36.0	35.0	40.0	20.0	15.0	30.0	9.3	2.0%	29.0	4.7%
Tunisia	209.0	98.0	115.5	175.0	130.0	110.0	110.0	93.5	20.5%	139.6	22.6%
TOTAL A	593.0	515.5	503.5	593.5	533.5	535.0	562.0	393.4	86.2%	545.7	88.5%
Saudi Arabia	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.0	0.0%	0.3	0.0%
Australia	0.5	1.5	3.5	2.5	4.0	6.5	8.0	0.0	0.0%	3.1	0.5%
Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Canada											
Chile	0.0	0.0	0.0	1.0	1.5	2.0	2.0	0.0	0.0%	0.8	0.1%
USA	9.0	12.0	10.0	3.0	3.0	2.5	3.5	5.7	1.2%	6.6	1.1%
Japan									0.0%		0.0%
Mexico	0.5	0.5	0.5	0.0	0.0	0.0	0.5	0.0	0.0%	0.3	0.0%
Norway											
Palestine	8.0	10.0	10.0	11.5	0.0	3.0	0.0	1.5	0.3%	7.1	1.1%
Russia											
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Taiwan									0.0%		0.0%
Turkey	46.0	93.5	73.0	45.0	15.0	24.0	48.0	55.3	12.1%	49.4	8.0%
Other prod. c.	0.5	0.5	3.0	5.0	5.0	7.5	7.5	0.3	0.1%	3.6	0.6%
Other non-p. c.											
TOTAL B	64.5	118.0	100.0	68.5	29.0	46.0	70.0	62.8	13.8%	71.0	11.5%
TOTAL WORLD	657.5	633.5	603.5	662.0	562.5	581.0	632.0	456.2	100.0%	616.7	100.0%

Table 12. Exports of Olive Oil (EU) [Source: IO(O)C]

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 (prov)	2009/10 (prov)	Average 1997/98-2002/03		Average 2003/04-2008/09	
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0%	0.0	0.0%
Spain	114.2	110.9	99.0	124.8	133.9	153.8	160.0	89.2	32.2%	122.8	36.0%
France	1.3	0.0	1.3	1.6	1.5	1.6	1.7	1.2	0.4%	1.2	0.4%
Greece	10.0	10.0	10.0	12.8	9.8	11.3	13.0	9.4	3.4%	10.7	3.1%
Italy	181.5	191.5	181.7	185.8	180.2	176.9	175.0	160.6	57.9%	182.9	53.6%
Portugal	15.9	16.6	16.7	23.2	29.0	27.3	33.0	19.7	7.1%	21.5	6.3%
Slovenia	0.0	0.0	0.0	0.0	0.1	0.0	0.0			0.0	0.0%
TOTAL A	322.9	329.0	308.7	348.2	354.5	370.9	382.7	276.1	99.6%	339.0	99.4%
Germany	0.2	0.4	0.7	0.9	0.8	0.7	0.5	0.2	0.1%	0.6	0.2%
Austria	0.0	0.0	0.0	0.2	0.3	0.3	0.2	0.0	0.0%	0.1	0.0%
Belgium	0.1	0.2	0.3	0.3	0.3	0.6	0.3	0.1	0.0%	0.3	0.1%
Bulgaria				0.0	0.0	0.0	0.0			0.0	0.0%
Denmark	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.0%	0.1	0.0%
Estonia	0.0	0.0	0.0	0.0	0.0	0.1	0.0			0.0	0.0%
Finland	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Hungary	0.1	0.1	0.1	0.0	0.1	0.0	0.1			0.1	0.0%
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Latvia	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Lithuania	0.0	0.0	0.0	0.2	0.1	0.2	0.2			0.1	0.0%
Luxemburg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
Malta	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Netherlands	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.1	0.0%	0.1	0.0%
Poland	0.3	0.1	0.0	0.2	0.1	0.1	0.3			0.1	0.0%
Czech. Rep.	0.0	0.0	0.0	0.0	0.0	0.0	0.5			0.0	0.0%
Romania					0.0	0.0	0.0			0.0	0.0%
UK	0.6	0.6	0.7	0.7	0.5	0.2	0.4	0.5	0.2%	0.6	0.2%
Slovakia	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0%
Sweden	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0%	0.1	0.0%
EBLU											
TOTAL B	1.5	1.5	1.9	2.7	2.5	2.6	2.6	1.1	0.4%	2.1	0.6%
TOTAL EUROPE	324.4	330.5	310.6	350.9	357.0	373.5	385.3	277.2	100.0%	341.2	100.0%

8.4. The Greek olive oil in Japan

Regarding Japan and consumption of olive oil, the numbers do not suggest a preference by Japanese consumers towards olive oil. There have been many attempts, seminars etc, to intimate to the Japanese consumer the benefits of olive oil compared to all the other oils, however the degree of awareness is not very high²²⁸.

The olive oil imports in Japan are as follows:

Table 13. Main Imports of Olive Oil in Japan for 2008

(in thousands of Yen)	Customs tariff			sub-total
	15.09.10	15.09.90	15.10.00	
Italy	6.529.596	3.701.619	443.718	10.674.933
Spain	4.270.942	2.175.475	28.032	6.474.449
Turkey	730.280	325.831	8.158	1.064.269
Greece	270.929	3.538	11.065	285.532
(%)	(2,24%)	(0,05%)	(2,25%)	(1,52%)
total	12.048.160	6.223.378	490.973	18.762.511

Source: Data from Commercial and Economic Affairs Office of the Greek Embassy in Japan

Table 14. Main Imports of Olive Oil in Japan for 2009

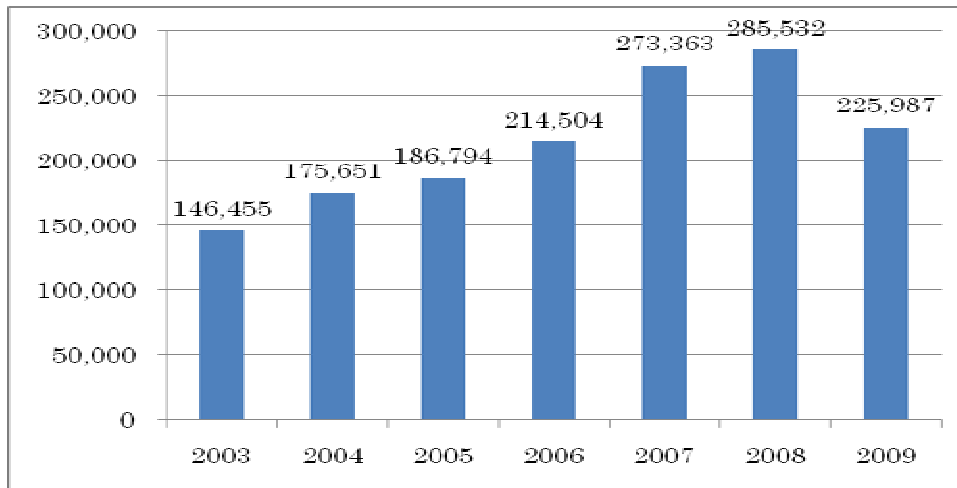
(in thousands of Yen)	Customs tariff			sub-total
	15.09.10	15.09.90	15.10.00	
Italy	5.415.856	2.627.524	403.362	8.446.742
Spain	3.423.111	1.564.915	17.761	5.005.787
Turkey	521.320	127.337	6.602	655.259
Greece	212.627	3.764	9.596	225.987
total	9.827.699	4.331.621	437.321	14.596.641

Source: Data from Commercial and Economic Affairs Office of the Greek Embassy in Japan

²²⁸ From the Commercial and Economic Affairs Office of the Greek Embassy in Japan

Imports in Japan from Greece of olive oil are summarized in the following figure, indicating a positive trend until 2008, while 2009 presented a small decline in figures, due to the global recession.

Table 15. Imports of Greek Olive Oil in Japan



Source: Data from Commercial and Economic Affairs Office of the Greek Embassy in Japan

However, the positive trend, which is expected to continue after 2009, is a positive sign for Japanese consumers to be informed and choose the most valuable for health oil in the world, according to clinical surveys: olive oil, the liquid gold.

9. The Value for the modern consumer

Based on the framework that has been proposed in the previous chapter, it could be argued that this specific tradition, as described earlier, the olive oil and especially the first cold press extra virgin olive oil, is a tradition that can be put forward, in the sense that it does not need adapting to modern times: the olive oil traditionally continues being a utility among the countries in the Mediterranean basin.

To this, the author's argument is that of course olive oil does not need adopting to modern times. Its value, as it will be presented in this section, among with the value of the diet it supports, the so called Mediterranean diet, is indisputable, as will also be shown. However, the Value-Tradition-Innovation framework is about creating a blue ocean through tradition, about creating an innovation that holds supreme value for the buyer via tradition. Olive oil is not an innovation – at least for the modern times – but a priceless tradition. In the framework that the author proposes it serves as the tradition used to

create innovation and value for the buyers, in the form of En Elladi deli meat, in the case of the Creta Farm case study.

It could also be argued that tradition, which in the Value-Tradition-Innovation framework it is clear that it has to be recognizable and its essence must remain unchangeable, since it is clearly seen, it is not invisible anymore – thus the non-visible dimension of differentiation must be excluded. However, the non-visible dimension of differentiation that is being discussed in this dissertation, is not the tradition itself, but the value that tradition provides to the final product – or process – in which it is being incorporated. And although this value is also recognizable, it is not easy to imitate, as discussed earlier in the proposing of the framework, since the precondition of creating a tradition is time. In this case, the case of the Greek olive oil, this time is more than 6,000 years, as it has been shown. To compete with this value, based on time, would require another at least 6,000 years!

In this sense, tradition can only be seen as a non-visible dimension of differentiation because of its value, which is going to be presented in the upcoming section.

9.1. Mediterranean Diet and Cretan Diet

With En Elladi, it all started as an idea based on the Cretan diet, or the so called Mediterranean diet, as Mr. Domazakis explains. But what is the Mediterranean diet? And what is it that makes it so special?

Mediterranean diet is the dietary habits of people who live in the Mediterranean basin, one could assume. Partly, this is right.

As a term, “Mediterranean Diet” is credited to Ancel Keys, an American physiologist who conducted a survey on how the dietary patterns of the Mediterranean relate to the occurrence of cardiovascular disease. Examining the serum lipid levels of males in rural areas of Yugoslavia, Finland, the Netherlands, Greece, the United States of America, and Japan, Keys noted a particularly low occurrence of such disease in the Mediterranean and Aegean regions. Thus, he suggested that this could be explained by the differences in the types of fats found in dietary intake²²⁹.

It has been argued though, that since the Mediterranean basin includes many countries, with different dietary habits, this term needs to be further defined. Nowadays, after related studies and findings of dietary patterns common to the majority of the countries within the Mediterranean basin, by “Mediterranean Diet” scholars refer to the

²²⁹ Keys, A. (1970) Coronary heart disease in seven countries, *Circulation*, Vol. 41, No. 1, 1 – 211

dietary habits characterized by A. low consumption of fats, B. low consumption of animal protein, C. high consumption of complex carbohydrates, and D. high consumption of leguminous and vegetable fiber, characteristics of the Cretan diet in the early 1960s²³⁰. In other words, “the diet is characterized by abundant plant foods (fruit, vegetables, breads, other forms of cereals, potatoes, beans, nuts, and seeds), fresh fruit as the typical daily dessert, olive oil as the principal source of fat, dairy products (principally cheese and yogurt), and fish and poultry consumed in low to moderate amounts, zero to four eggs consumed weekly, red meat consumed in low amounts, and wine consumed in low to moderate amounts, normally with meals. This diet is low in saturated fat (< or = 7-8% of energy), with total fat ranging from < 25% to > 35% of energy throughout the region.”²³¹ This pattern of dietary intake has proved to be the best for human health, in the sense that life expectancy of adults with such dietary habits – in the Mediterranean – is among the highest worldwide, while the rates of chronic disease – coronary heart disease and some forms of cancer inclusive – are among the lowest [Willett et al (1995) *ibid*].

To illustrate the degree of the prevention of related diseases due to the Cretan diet, the following data are provided, regarding death rates from coronary heart attacks per 10,000 in 15 years, related to the fat and carbohydrate contents of diets in some countries of Europe, the Mediterranean and the Far East, based on F.R. Riley²³²:

Table 16. Death rates from coronary heart attacks per 10,000 in 15 years, related to the fat and carbohydrate contents of diets

country	total fat (percent of total calories)	saturated fat	mono-unsaturate	poly-unsaturate	carbohydrates	coronary heart
United States	38	16.2	16.2	4.8	43.7	773
Eastern Finland	38.5	23.7	11.9	2.9	53.9	1202
the Netherlands	38	20.2	12.5	5.4	45.3	636
Italy	27	8.9	11.4	3.2	50.2	424
Yugoslavia	31.9	13.6	13.3	3.4	49.8	389
Crete	36.1	7.7	25.8	2.5	49.4	38
Corfu	33	6.4	18.3	3.5	47.6	202

Source: F.R. Riley [*ibid*]

²³⁰ Wahrburg, U., Kratz, M. and Cullen, P. (2002) “Mediterranean Diet, Olive Oil and Health”, *European Journal of lipid Science and Technology*, Vol. 104, 698 – 705

²³¹ Willett, W. C., Sacks, F., Trichopoulou, A., Drescher, G., Ferro-Luzzi, A., Hesling, E., Trichopoulos. D. (1995) “Mediterranean diet pyramid: a cultural model for healthy eating”, *American Journal of Clinical Nutrition*, Vol. 61

²³² Riley, F.R (1999) *ibid*

This dietary pattern is being identified not as a “Mediterranean” pattern, but as the Cretan pattern [mentioned for example in all cited literature in this paragraph], on which Creta Farm based its idea, although the above presented notably low rate of deaths from coronary heart disease is difficult to be attributed only to the dietary factor, as Riley notes.

However, according to evidence of many studies, one of the most valuable contributors to the benefits of this diet towards many heart diseases and some forms of cancer [for example it has been concluded that it might be responsible for reducing the risk of breast cancer²³³], has been identified to be olive oil.

9.2. The Value of Olive Oil

The nutritional value of olive oil is undeniable; numerous studies containing chemical, biochemical, and related data exist, which the author is not familiar with. However, to all of such studies, the value of olive oil among all other fats consumed by humans has been praised for its benefits.

The literature regarding olive oil and its value in form of its benefits for human health seems endless; most of it is based on highly specialized chemical and biochemical characteristics the author is not fully versed on. Therefore, here the author will describe most of the findings that are comprehensible to the average reader, who is assumed not to have highly specialized knowledge of chemistry, biochemistry, and related sciences. This does not affect the validity of the main point the author intends to underline in the paragraph: that olive oil is indeed the most valuable present of Nature, or Goddess Athena, to humans.

There is evidence to support that olive oil is not only an ideal source of fat to be ingested, but it also prevents various diseases, both serious and relatively benign, from occurring. The amount of 73-80% of oleic acid in the olive oil, as well as the plethora of vitamins (like vitamin A, E, D, K) and other ingredients provide olive oil with its color, taste, and aroma, and its beneficial attributes as well.

Consumption of olive oil, preferably uncooked, is beneficial for the digestive system, reducing the probability of the occurrence of peptic ulcers; it helps in the development of bone mass in children and stabilizes metabolism, it is beneficial for bone mass working against osteoporosis, while its antioxidants and vitamin E slow the aging of the cells. Its

²³³ Trichopoulou, A., Katsouyanni, K., Stuver, S., Tzala, L., Gnardellis, C., Rimm, E., Trichopoulos, D. (1995) “Consumption of Olive Oil and Specific Food Groups in Relation to Breast Cancer Risk in Greece”, *Journal of the National Cancer Institute*, Vol. 87, No. 2, 110 – 116

role in curing diseases related to the bile, while preventing choleliths (gallstones) from being formed. Its benefits for the heart have been already mentioned. Furthermore, it lowers mortality rates due to brain diseases, forms of cancer – like breast cancer, as mentioned – and it reduces “bad” cholesterol, while increasing the “good” type. The consumption of olive oil combined with consumption of fish, reduces to 25% the probability of rheumatoid arthritis. There has been evidence for olive oil being notably beneficiary in cases of diabetes, and it prevents thrombosis from occurring.

The list of benefits is about the same as the number of surveys and researches dedicated to the olive oil: numerous. One last characteristic the author notes regarding the benefits of olive oil, is about the findings of a research held in the University of Philadelphia, according to which extra virgin olive oil from cold extraction (cold press) whose acidity is less than 1, contains an ingredient called oleocanthal, has similar effects to an analgesic medicine, while also protecting against forms of cancer. Its action has been recognized to be against Alzheimer’s disease [research by Paul Breslin].

Specifically for the Cretan olive oil, which is the one used in the En Elladi production, “chemical analyses of Cretan and Greek olive oil samples for lipid content and composition confirm that oil produced in Eastern Crete was an important source of the mono-unsaturated oleic acid and the nutritionally essential n-6 (linoleic) acid. Cretan olive oil has a higher linoleic acid content than many other olive oils. These important fatty acids were clinically shown to lower total serum cholesterol. Analyses indicate that the linoleic acid content of the Cretan oil samples (9.4%) is higher than two of the Greek oils at 6.5% and 7.6%. [...]. [T]he traditional consumption of olive oil on Crete is reportedly greater than for Greece as a whole and exceeds by 50% the intake of fats and oils in the United States of America” [Riley (1999) *ibid*].

9.3. Cretan Diet of the 1960s transferred in time and place

It has been questioned whether the dietary habits of ancient Cretans – or Greeks – or even the dietary habits of Cretans – or Greeks – in the 1960s, which were not much different from those of their ancestors in Minoan Crete, could be achieved in a modern environment, away from the Mediterranean.

For this, Kouris-Blazos et al conducted a survey on whether the advantages of the Mediterranean diet could be transferred to other populations, in different parts of the

earth²³⁴. They conducted the survey in Melbourne, Australia, comparing the dietary habits and the death rates between one group of elderly (more than 70 year-old) Anglo-Celt (the sample amounting 141 individuals) and a similar group of Greek -Australians (the sample amounting 189 individuals). An extensive validated questionnaire regarding the food-frequency was used, to obtain information and evaluate the consumption of food of the subjects. Scoring it, they compared the actual diet with the traditional Mediterranean diet, as defined earlier, to conclude that 81% of the Greek-Australians and 28% of Anglo-Celts had four or more Mediterranean-diet characteristics.

The Greek-Australians had remarkably higher legume intakes and mono-unsaturated fat ratios, compared to the Anglo-Celts, and a considerably lower mortality. Notable in the conclusions of the survey is that “in both groups the principles of the traditional Mediterranean diet were associated with lower mortality rates,” as D. Lairon²³⁵ notes. Commenting on the findings of the survey, he notes: “Thus, nowadays in Australia in Greek– Australian as well as in Anglo–Celt elderly people the Mediterranean diet provides benefits. The positive message derived from this observation is that important traits of the Mediterranean diet can be conserved in the 1990s even in population groups not culturally familiar with this kind of diet. Comparable data have recently been obtained by these authors in a rural Greek population. The data reported also suggest that legumes and olive oil are major food items discriminating subjects at lower or higher mortality rates. This relevant observation could be particularly used in counseling people to adopt a Mediterranean-type diet.”

And he continues, “[i]t is interesting to recall that a Mediterranean α -linolenic acid-rich diet was shown, a few years ago, by De Lorgeril et al. (1994) to markedly reduce mortality due to re-infarction in patients (53×5 years) compared with the usual post-infarct prudent diet. The main differences in food intakes were higher legume (‘ 2×0), bread (‘ 1×15) and fish (‘ 1×18) intakes and lower meat (‘ 1×48) and butter and cream (‘ 5×93) intakes with the Mediterranean diet than the prudent diet. Regarding fats, the Mediterranean diet and the prudent diet provided different amounts of total fats (30×5 v. 32×7% energy), saturated fatty acids (8×3 v. 11×7 %), oleic acid (12×9 v. 10×3 %), linoleic acid (3×6 v. 5×3%) and linolenic acid (0×81 v. 0×27 %). As early as 6 months after the study started, a reduced rate of re-infarction was observed under the Mediterranean diet, the difference increasing

²³⁴ Kouris-Blazos, A., Gnardellis, C., Whalqvist, M. L., Trichopoulos, D., Lukito, W. and Trichopoulou, A. (1999) “Are the advantages of the Mediterranean diet transferable to other populations? A cohort study in Melbourne, Australia”, *British Journal of Nutrition*, Vol. 82, No. 1, 57 – 61

²³⁵ Lairon, D. (1999) [Invited Commentary] “Mediterranean Diet, Fats and Cardiovascular disease risk: What News?”, *British Journal of Nutrition*, Vol. 82, No. 1, 5 – 6

with time until 5 years (-76 %).”

It is clear, therefore, that Mediterranean diet – or Cretan diet, as most scholars agree – advantages are indeed transferable in time and place, even in today's Australia, so far away from Greece and the Mediterranean. Thus, the benefits of it could also be transferred to Asia, including Japan.

Chapter 5

Conclusion

1. In the light of the above

The purpose of this dissertation is to provide a different point of view, to link seemingly opposite concepts – the way tradition and innovation are thought to be, as thoroughly analyzed – in order to propose a new framework in business and corporate strategy, for designing a successful strategy

The Research Question was concerned with tradition bearing innovation and how it is possible for innovation to occur with tradition as a starting point, in a modern environment.

It seems that never before has tradition been looked at from a completely different angle: that of business studies, which is the author's main originality. As shown in this dissertation, many examples exist – not only in Japan, Asia, and Greece, where all the cases shown, analyzed, and discussed come from, but also worldwide. Tradition is in fact being used already as a strategy, but no such framework seems to exist in related literature, within this field of study. Why? Why would tradition be not considered – from the business angle – as a tool towards success, when so many cases prove that it could be?

Under this logic, the Literature Review revealed scopes under which tradition can be viewed as a means towards innovation, especially today, in modern times, when consumers seem to have lost trust in what they are consuming, regarding their quality of life.

The up to now known, tested, and widely used approaches of business strategy, that firms and scholars in Japan and worldwide accept, seem to have led to a difficult situation for firms. In this situation the will to supersede other firms has indeed blocked many firms and continues to do so. Firms are urged to compare with other firms in the same industry, and have mostly ended up concerning with this comparison more, and less with what they are doing individually.

In such an environment, it is necessary for firms to change their point of view, to focus on their offerings – not those of others – and on their strategy; obviously, when every company focuses on what the others do would lead to all companies having the same strategy – from the strategic point of view – which in fact none can say that is not happening right now.

An approach for creating new market space, for breaking away from this situation is

the Blue Ocean Strategy, which requires, among others, an offering of superior value to the buyers. However, to the author's opinion, the barriers that the creators of the concept of the Blue Ocean Strategy propose can be seriously argued, not only with logical arguments, but also with counterexamples.

For the author, an answer towards sustainability of the new created market space can be the non-visible dimension of differentiation, a concept created in Japan. The non-visible dimension of differentiation requires an abstract concept to be added to the offering, one that is not measurable, that is not easily imitable.

The Resource-Based View also underlines the importance of barriers to prevent imitating, like the "isolating mechanisms" that Rumelt identifies in his "Theory, Strategy and Entrepreneurship,"²³⁶ in other words, the phenomena that – among others – protect firms from imitators. Time that is needed for knowledge to be formed serves the same purpose; how can someone imitate something that needs at least some generations' time to be finalized?

However, it is important to conclude to, and test, a framework for today's needs, an updated framework of business strategy that takes into account what the modern consumer wants and needs. Therefore, it is essential to view the modern consumer and how firms – or, productive institutions – react

Maslow's pyramid regarding the hierarchy of needs is followed not only by individuals, but by social teams – societies – and institutions – among them, productive institutions – as well. This means that depending on the needs developed societies have in a given time, the productive institutions react accordingly and that the institutions' activities reflect the level of needs that consumers need to meet.

Today, it cannot be argued that although developed societies become increasingly more developed, quality of life – one of the high level needs to be met – of the same societies is in question; basic needs from the aforementioned pyramid are thought to be met, but in fact they are not. Examples that reflect the changing of the consumers' attitude towards mistrust of what has been offered to them by productive institutions include various issues with worldwide effect, especially regarding health, one of the basic human needs. This is exactly the reason why the so-called "Wellness Revolution" has been raised the last years. Well-being is undoubtedly the modern need to be met by productive institutions.

From the business point of view, tradition, as Traditional Knowledge – namely

²³⁶ Rumelt, R. P. (1987) "Theory, Strategy and Entrepreneurship", in Teece, D. (Ed) *The Competitive Challenge*, Ballinger, Cambridge, MA, 137 – 158

practices and products that have lasted, have been tested and people perceive them as effective – is proposed by the author as an answer. Tradition holds value on its own: superior value that can be offered to consumers, who in turn realize this value in the form of trust, depth, safeness (Blue Ocean Strategy approach). It cannot be imitated, since its concept is completely abstract, non-measurable, and falls on people's perceptions (Non-Visible Dimension of Differentiation). And it cannot be imitated due to the time that is required to pass so as for the tradition to be formed and tested – thus “eligible” to lie under the characterization of “Traditional.” This is illustrated by the case of Toraya Confectioneries, as revealed by the interview the author had the chance to make. The history of the company, namely the time needed for this history to be created, resulted in the accumulated knowledge that, as the company suggests, is inimitable.

For productive institutions to approach this challenge, there are two ways: the conventional and the non-conventional. In the first case, it is very possible that there will be yet another market, where the strategy will focus on imitating to some point or another. In the second case, a new blue ocean can be created, a new market can arise, as the author concluded and illustrated the conclusion with case studies presented (Issey Miyake, Kajirushi Hamono etc.).

There arises a new issue though: how to give tradition, which can be also attributed as “out of date,” value for the modern consumer. This, in the author's opinion, is the barrier for modern productive institutions to overcome.

The author identifies two ways: bringing tradition forward, as it is. However, there is no guarantee that customs, beliefs, habits, tastes, etc. of the consumers have not changed, compared to the time the tradition was formed and implemented. In fact, it is almost certain that consumers of today have changed completely – as societies have developed – regarding their attitudes.

Therefore, the only road remaining is adapting tradition to the modern environment, by incorporating it in existing products and services. It is of great importance to distinguish here what the author refers to as “adoption” from “transformation.” “Transformation” would mean that tradition will have been changed and not clearly recognizable. But “adoption,” as the author means it, refers to the incorporation of the tradition, with the latter being clearly recognizable and identifiable.

It could be argued that since tradition is clearly recognizable, it cannot serve as a non-visible dimension for differentiation. The author notes, however, that what is non-visible is not the tradition itself, but the value and the depth that it provides. This cannot be seen, touched or measured. But it can be sensed and trusted.

In this sense, as the research of related case studies revealed, innovation is being born. A new market, new product, new environment for an existing method or an existing raw material etc., based on the definition by Schumpeter. And it has been concluded, that by incorporating tradition, it is possible for product innovation and process innovation to occur.

This is supported also by the main case study presented in this dissertation, where tradition as strategic choice led the case under study to success, globalizing its business and continuing expanding even further, to more markets: from this case study it is concluded that should the business strategy be different – and not tradition – there could not have been such a success for the company, since tradition and what it allows the firm to offer to the customers is in fact the competitive advantage – with its meaning in its conventional environment. The same is the conclusion deriving from all the case studies of this dissertation, either in business level or in a broader, corporate level.

Thus, tradition is wrongly perceived as the opposite concept of innovation. It can lead to innovation, if adopted as strategy within the modern – and future – environment.

The past leading to the future!

In order to support this result from a more practical point of view, a case study has been selected, on criteria of the company's results and potential, the vast majority of which can be attributed to its business strategy to differentiate in a completely new way: based on tradition, as being shown.

More specifically, it is interesting to find out that the success of the firm in the case study comes as a result of only one of its production lines, the one where tradition (the olive oil) is incorporated to a product very mature and not likely to undergo many – if any at all – substantial changes, as supported by related studies presented in this research (the deli meat).

By this incorporation, the company managed to create something completely new, without changing the tradition (tradition clearly being identified and recognized) and without leaving the market in which it was already active for a completely new one. Namely, its strategy was not diverging toward another market.

What the company managed to do was to create a new concept in the existing market, a concept that was aligned with the wants and needs of the modern consumer, as explained. The response to the modern consumer's needs in such a way, is part of the company's successful strategy of incorporating tradition in its products. Always with the consumer being the center in the company's philosophy (customer-orientation), the company decided to offer supreme value to its customers. As such, it identified the

tradition to utilize: offering the world the value of the Cretan diet, in a more accessible way for consumers in other parts of the world, who have no access to this kind of diet due to cultural, gastronomical tastes, likes and dislikes, high cost of such products in parts of the world where products to support such a diet are not the easiest to find. However, the value of this diet – also under the name “Mediterranean diet” – is undoubted. It is exactly where the idea came from: offering healthiness to buyers everywhere, at low cost.

Looking across non-buyers could be a point of how this new market was created. Nevertheless, the author thinks that this is the result and not the beginning; as a result of offering healthiness (healthy deli meats), non-buyers could – and many of them did – become buyers. Therefore, what the author suggests is that the way to this new market, the creation of this new concept (healthy deli meats) was the fruit of the framework suggested: Tradition – Value – Innovation.

In addition, all of the case studies discussed and presented in this dissertation have this in common: they all utilize the value tradition offers in response to buyers' wants and needs, especially from the quality of life point of view, namely, in their attempt to improve quality of life for the buyers.

The second point in common for all the case studies discussed, is the fact that tradition is completely visible and recognizable when incorporated in the modern environment. To some cases, it is the tradition being incorporated – like in the case of Issey Miyake – but retaining a what-could-be-called secondary role, offering its value and recognizability in the background: it is a cloth by Issey Miyake, made in the traditional way. To other cases, it is the tradition coming to a modern environment, like in the case of the Sou Sou jika-tabi; it is more something modern applied to the tradition. Finally, there is a third category, of the mix being blurred, like in the case of Kaijirushi Hamono; the limits of where the concept of the Japanese sword-making stops and the modern knife-making technology starts are not easy to identify. To all three categories, though, tradition is there to be seen and appreciated.

The diversity of the case studies discussed is also very interesting, since it shows that the proposed framework can have implications for most probably every market; tradition can be found into all aspects of human life, simply because human life and lifestyle has been there since the creation of humans! In this sense, tradition can provide solutions for all aspects of human life, at least at a theoretical level. In a modern environment, of course, this is appears restricted, since many of the traditional means and methods are obsolete. The question is, are these means and methods really obsolete? Do they not offer or can they not offer value, when incorporated in the new, modern environment? This is for companies to decide, having in mind the value they want to offer to the consumers and

potential buyers, as well as the creation of new market spaces, where competition does not matter – ideally.

Furthermore, it is not for anyone to label something as obsolete, hence non-utilizable. Simply because someone has not yet thought of a utilization, it does not mean that utilization cannot occur. Besides, this is exactly how all markets are and have been created: just because people thought they could not fly, there were no markets literally up in the sky!

The message, therefore, of this dissertation, is for companies and productive institutions to open their minds, focus on the buyers, and create new markets with the help of any means that is thought to be not useful or even blocking, when it comes to expanding a business. The strategy designers should consider factors as non-useful as tradition – as it is thought to be – in order to design a successful and leading strategy.

Especially Japan, a country with a long tradition and distinguished endogenous knowledge, could benefit by its long tradition, if companies considered it as a path towards creating new demand and – consequently – new markets. Acting as a non-visible dimension of differentiation, Japanese companies, like the ones presented in this dissertation as case studies, could achieve continuous sustainability, by boosting the willingness to pay of modern buyers not only in Japan, but worldwide.

The case study of Creta Farm shows a way how incorporating endogenous knowledge adds even more value – and, most importantly, non-imitable value – to a final product for the modern buyer, by adding exactly the value that the modern buyer seeks.

2. Limitations

This research focuses on tradition being a strategic path towards innovation, analyzing case studies of traditions, as tradition is defined in the Literature Review, that have been successful in achieving good results and creating new market spaces. What it does not do, is analyzing traditions under the same definition that have not been successful. The number of traditional ways and traditions that have led to innovation is not identified, and is not being compared to the number of traditions that are not – or, better, cannot – lead to innovation. Therefore, although the framework suggested in Chapter 3 seems, from the research presented in this dissertation, to be valid for traditions that are successful in the sense just explained, it cannot guarantee that every tradition leads to success.

It could be true that under different scopes and different “tradition management,”

every tradition could lead to innovation. However this is not proved in this dissertation.

Also, this research is limited to developed societies. There is no indication in this dissertation that the same results could be achieved in developing societies. There is no indication for the opposite either. Nevertheless, the conclusion is based on research and theoretical frameworks with developed societies as units of analysis and therefore must be limited accordingly.

Furthermore, it should be noted that the discipline of this dissertation is business strategy and not anthropology or related fields of study. Therefore, the methodology followed – as also mentioned in the first chapter – is not according to the anthropological disciplines. Defining tradition and attempting to identify characteristics that could be utilizable from the business point of view could be limited, due to the fact that it is the first time that tradition is seen from such a different point of view as it was up to date.

3. Future Research

Regarding themes and issues that the author finds extremely interesting for future research to be concluded, the mechanisms that render a given tradition a successful way towards innovation or not are particularly of note. In other words, what is it that makes the Mediterranean Diet, and more exclusively the Cretan Olive Oil, or the Japanese *jika-tabi*, the traditional Japanese confectioneries or the *nokaji* spirit and the katana-making Japanese tradition a successful path towards innovating in modern times, while so many traditions that exist worldwide seem to have no such attribute? What makes a tradition successful if selected as a business strategy, and what makes another tradition “doomed”? And, if looking even further, is there such a divide? Or could any tradition be a successful strategy from the innovation point of view?

These are questions that need to be answered in order to form a concluded theory. The author urges the interested readers to further investigate this matter.

In an attempt to suggest some possible roads for further investigation, the following thoughts could be helpful.

According to Schumpeter, the input in order for an innovation to be the output, is the entrepreneur. Since here we are looking for what is it that makes a tradition an innovation, where again the output is innovation, the entrepreneur’s role is undeniable; the entrepreneur is needed to take the tradition, diffuse it, and make it an innovation for the benefit of society.

But this is not enough, since another very significant step is necessary; tradition needs to be valuable for the modern user and then the entrepreneur would diffuse it, turning it

into an innovation.

Therefore, the initial question changes into a new one: how can a tradition become valuable for the modern user. Similarly to what Kim and Mauborgne recognize as the significant input for creating value for the modern buyer, it is the idea. Here, in the aforementioned question, it would be the idea that someone will have to make a tradition valuable for the modern user, recognizing the modern user's wants and needs, that maybe not even the user is not aware of yet.

So, in order for a tradition to become an innovation, both inputs are needed: the idea and the entrepreneur.

But this would mean that any tradition has the potential to become an innovation. It is left to further study whether or not this is so.

If we accept that not all traditions bear innovation, then the author believes that it is the attributes and the characteristics of a given tradition that should be examined, to determine what exactly makes some traditions utilizable and some others non-utilizable in the sense described above.

This is because from what has been analyzed in this dissertation, tradition always carries a value; it is this value that has turned a practice, a product, a method into tradition (according to the definitions of tradition given) in the first place. Therefore, it is the tradition itself that should be analyzed.

From the business utilization point of view, it could be that if the tradition is "flexible" enough and has characteristics that could be utilized by the initiator of the idea for the benefit of the modern consumer, then it would be possible for the tradition to lead to innovation. These characteristics of the given tradition could be that they respond well with some characteristics of the modern buyer, as in the case of Creta Farm; the tradition incorporated (the olive oil and the value of the Mediterranean diet) comes indeed as an answer to the modern buyer's need of healthiness and well-being, as described in chapters two and four, thus offering a way out for the modern consumer, who cares about his or her diet and seeks to fulfill the need of consuming healthy products, even if these products are considered to be unhealthy, like deli meat. Tradition in this case has at least some characteristics (flexibility to be incorporated, ability to respond to buyer's needs) that make it utilizable for business. After identifying those critical characteristics, it is then the idea, as the author suggested earlier in this paragraph, of how to incorporate them to the characteristics of the modern buyer in the best way that would allow offering supreme value to the modern buyer, and at the same time appeal to the modern buyer.

The author sincerely wishes for this question to become a future research question for

further investigation: what makes some traditions leading to innovation and some others not, if there can be such a divide between traditions.

Appendix

1. Toraya Confectioneries case study – the interview on which all primary data are based

The interview took place at Toraya Confectioneries HQ (Tokyo, Japan), at December 14, 2010. The interviewees were Mr. Matsudaira, Head of the PR Department of the Company, of the President's Office, and Mr. Masudo of the PR Department of the Company, of the President's Office. The following is the translation of the interview, which was in Japanese.

A: Mr. Matsudaira

B: Mr. Masudo

Q. the interviewer, the author (or the interpreter, asking the questions discussed before the interview takes place)

A. Mr. Masudo was working at the near here factory about 15 – 16 years.

B. 16 years.

A. For 16 years he had been hand-making this kind of confectioneries. The last two years he has been transferred to the Public Relations department, in order to communicate the pleasantness and the splendor of creating such confectioneries. Please introduce these two sweets (offered to the interviewers).

B. This one is made by mochi and is called Shin-sazanka. It is for this season's just beginning to bloom Sazanka...

Q. . What is Sazanka?

B. Sazanka... Do you know Camellia flower?

Q. Camellia, yes.

A. The white and red color of Camellia...

B. Well, mostly red color...

A. Around the white center, there is red.

B. Yes

Q. So, it is a kind of flower?

A,B. Yes, a kind of flower.

Q. Noted.

A. There is an old song saying "the road with the blooming Sazanka" . Do you know? It is a Japanese song, which talks about the fact that although this season is characterized by fallen leaves, this flower is blooming.

Q. So, it is autumn's...

A. Autumn's flower.

B. Yes.

A. When autumn is changing into winter, it is a flower of exactly this season.

Q. It is great!

B. Inside (the sweet), there is yellow anko. It is representing the yellow stamens of the flower.

Q. Do you engage in research (to create such designs of the confectioneries)? And base the creation of the confectioneries to it?

A,B. Yes.

Q. Every time, do you change this fact? Or do you always do it – and have been doing it? The way of making the confectioneries.

B. Because Toraya has a lot of traditional confectioneries, every time the confectioneries' making depends on the season. There are not many new products that come out; but there are many products that come from the far past.

A. To start with, will you not eat?

Q. Of course! Itadakimasu!

A. Because these confectioneries are quickly getting dry, you can enjoy them better if you eat them early.

Q. Noted.

A. What about the introduction of the other sweet?

B. It is called Oridome. It represents the thing used to stop the waving of the traditional Japanese kimono's Obi, after the obi has been folded.

A. What do you think this yellow part is made from?

Q. This is anko, right?

A. Yes. The black part is anko. Ms Leda? Is it OK to call you Ms Leda?

Q. Yes, of course.

A. Do you eat anko? Do you like it? How is it?

Q. I love it!

A. Oh!

Q. So, is it not made from wheat?

B. No, it is not wheat. It is made from potato! Do you know Yamaimo?

Q. Yes.

B. It is yamaimo and...

A. with a slimy feeling, yamaimo.

B. It is made from yamaimo and Japanese rice.

Q. It is very delicious!

A. Toraya has presence also abroad, in Paris. In Paris, at the beginning, although people

were eager to try (the Japanese sweets), it took effort (for the people to eat), as we heard. It has already been 30 years since the establishment (in Paris) was open, and now customers enjoy, like Ms Leda now, Japanese confectioneries with Japanese tea, as naturally as they enjoy coffee and western tea with cakes. However, 30 years ago, people were seeing youkan and were asking “is this black soap?”. Such a huge culture gap there was!

Q. Then, what was the reason for opening an establishment at Paris?

A. The year before opening the store, we had participated in an International Confectioneries’ exhibition. There, along with the other sweet-makers, we exhibited our products in a “liquor shop” style. We were offering not only Japanese confectioneries. We were also offering amazaki, also Komegashi. Because of this exhibition, Toraya decided that if it is going to go abroad, if it were in Paris it would be probably received well. Moreover, like the in Kyoto, people live every day, respecting and recognizing the value of old traditions. In this sense, Paris was similar to Kyoto, having this traditional aroma. Looking at it this way, Toraya thought that Paris would receive the traditional Japanese confectioneries well. The next year, 1980, the Paris store was opened.

At the same time, Japanese economy was improving: it was called “the economic animal” for its success. Toraya wanted to show abroad, that Japan was not only its economic growth at the time, it was also culture. Wagashi is a small part of Japanese culture, but if Toraya could show abroad and make people understand even such a small part of the Japanese culture, Toraya would be satisfied.

Q. At that time, were any adjustments necessary, to meet with the Parisian culture? Or...

A. At first, when we were selling the same traditional Japanese confectioneries (as in Japan), we were told that “this is black soap”! People were not trying out our confectioneries. So, we decided to try go closer to the French habits, in order to introduce little by little, step by step the real Japanese tradition. Thus, we used framboise, apricot... We used ingredients from France and mixed them with our traditional ones, then we tried different servings: for example, we were serving “blanc manger” with shiruko as sauce! In Japan we eat like that (soup), but in France we were serving it over blanc manger, as a sauce. French customers were eating blanc manger but they were asking what this sauce is. So, we were explaining them, how oshiruko is eaten in Japan. Thus, little by little, we managed to bring French people closer to the real Japanese confectioneries’ taste.

Q. So, today you are selling in Paris the exact same confectioneries as in Japan?

A. Yes, now we are offering also confectioneries, like the ones that Mr. Masudo was making. Also, we are offering a lot of original confectioneries, created for French people to meet Japanese confectioneries. Nowadays, the most selling products in Paris, are Japanese tea with Japanese confectioneries. Traditional Japanese confectioneries.

Q. Then, do you also continue offering sweets like the ones you mentioned, with framboise and apricot, or the oshiruko-sauce-sweet? Or was it only to change the perception of French potential customers? Did it change?

A. Well..

B. Well, many of the customers were Japanese... Even now, about 70 – 80% of the customers in France...

Q. What is the longest selling confectionary here in Japan?

A. Well, it doesn't come to my mind right now...

Q. About how long? Of course Toraya has a very long history....

A. Yes.. a bit of it is written here... Japanese confectioneries came to their up to the present shape by 1600.

Q. Was it that it were made by anko?

A. Yes. Anko.

Q. The way of making, the methods of making these sweets, are they the same as the old days?

A. Yes. Do you know Sen no Rikyu? The person who created Nihoncha Sadou. Until 1600, it was hoshigaki or kobu, such artless things. They were simple things. However, during the Edo Period, the Heiwa Period, there was a cultural blooming. At that time, in Kyoto, confectioneries started having design and name. The oldest catalog of Toraya goes back to 1695. At that time there were only 17, 20 kinds of confectioneries. However, after a few years, the variety increased. The confectioneries stated on this catalog (of 1695) are often made today too.

Q. Of course, there have been adjustments among these centuries, right? The amount of sugar, for example. How about other adjustments?

A. We do not know how the confectioneries were made in the old past (in Toraya).

Q. Oh.

A. Yes. In the old days, sugar was not all-white, as it is now...

Q. It was made from other raw sources, like kabu? Today it is made of kibi...

A. Yes.

Q. Also, from a story heard that Mr. Kurogawa told, after WWII the sugar that was imported was completely different than the one used until then (by Toraya).

A. Yes.

Q. Then, Toraya, who was using the same recipe until then, had to change the recipe, to adjust the sweetness of the new sugar to the current customers. Are there other changes that Toraya made to its tradition, to adjust the taste of the confectioneries to current modern customers' tastes?

A. Toraya is preserving taste and techniques. However, if taste changes, this is also good. In fact, because our customers have an image of Toraya's confectioneries good taste, we do not change it mainly. However, if the modern customers (at any time) do not think the taste is good, then we do change it according to the current modern customers' taste. There is no meaning in preserving a taste that does not satisfy the customers. However, there was not such a need to change the taste dramatically.

Q. So, we could say this is a tradition of Toraya? Changing bit by bit, in order to meet the current customers' tastes.

A. Yes. Like 2,3 years ago, when we decided that oshiruko of koshian was too sweet. At that time we slightly changed the taste. It was not that the customers actually realized the change, but we always think what would be most tasteful for our customers, our current customers, and make appropriate adjustments to improve the taste according to the current tastes.

Q. Is there any product of Toraya that has been the same since the old days? Exactly the same! Taste, design, method of making...

B. Of the exact same design, there are products, but maybe not of the same taste or way of making.

Q. This is because you adjust it to each time's tastes?

A. Yes. For example, youkan. As Mr Masudo knows, it is made by hand, in hundreds or thousands of pieces. However, it was difficult to stir up by hand. Therefore, we decided to stir it up by machine. It can be stirred up evenly and nicely with the machine. If it were people instead of machine, there would be parts that are not stirred up properly, people would be exhausted, or stop doing it to rest. Therefore, if we use machine, the quality becomes better. So, would it be better in order to create tasteful sweets for our customers, to have a machine? Or (preserve the traditional method and) do it by hand? What we are seeking is not produced volume, nor increased sales volume. It is quality. This has not changed throughout the years. We do not think that sales volume is the most important. Therefore, we inserted the machine in the process, not to maximize the produced volume, but as a means to create the best taste and quality of the products.

Q. Are there employees that hand-make confectioneries, like Mr. Masudo does for 16 years, for long time?

B. There are people working for really long time.

Q. For example? How long?

B. A few of them have been working for maybe 40 years.

Q. Is this the norm? Are employees of Toraya hand-making, one-by-one, for 30 years? How long does it take? Is this a tradition of Toraya?

A. Learning to make the confectioneries takes about 10 years. Remembering takes 10 years.

B. Yes, definitely.

A. It takes long, because it is a difficult process. Personally, I am not making confectioneries. I have never made confectioneries. Instead, I was in the store, welcoming the customers. I did that for 6 years. Long-time employees enter the company when they are 18 and now they are maybe 65 years old.

Q. This is astonishing! Usually abroad you do not here about companies with such a long history of 400 years. Of course, it depends on the country.

Q. What is innovation for Toraya?

A. I will introduce you some facts about that.

Q. Also, what was the result of that, what was the target?

A. After WWII, for Toraya too, ingredients were difficult to find. Even that they wanted to make confectioneries, they could not. People that wanted to buy confectioneries did not have the money to. Therefore, for the first time in its 480-years-old history, was closed for 2 months. For these 2 months, Toraya was making bread. During this time, there was the big drum where youkan was made, but there were no ingredients to make it. So, there was also the thought to turn the place into an ofuro, as the head of the store said. Therefore, it was not that Toraya wanted to be only a confectionery maker, or to preserve that, the spirit was to do something, to create.

Then, after the war was over, about 1946, Toraya decided that if it was only to be a confectionery maker, it would be difficult. Therefore it decided to open a coffee shop. Coffee, cocoa, ice cream, even live performance of bands, there is a period in Toraya's history when Toraya was doing that.

To talk about a bit older years, at the time of the Great Kanto earthquake in 1923, the customers of Toraya were quite affluent, but they lost their fortunes. At that time Toraya depended on a limited base of high-status customers, and it realized that it had to broaden the channel. So, it decided to start advertising in the newspapers, engaging in direct mail advertisement, and to invest in a car with Toraya's brand mark on.

Q. At that time Toraya was present in Tokyo, yes? When did it come to Tokyo?

A. At the time when the Court was moved from Kyoto to Tokyo, Toraya was providing the Court in Kyoto with confectioneries. When the Emperor decided the transfer, Toraya had to decide if it was to remain in Kyoto, or move to Tokyo. Finally, it decided to retain the store in Kyoto as it was, and follow the Emperor in Tokyo, opening a new store. This was in 1869.

Q. Surely, Toraya faced many challenges after WWII. Then, when did Toraya come back to

confectionery making, after engaging in the coffee shop?

A. The coffee shop was opened in 1946 and was closed the next year, in 1947. All the time Toraya considered confectionery making very important, but was taking other risks when the confectionery making was not going well.

Q. In this coffee shop were confectioneries served as well?

A. I think, probably the reason why Toraya opened the coffee shop was because it could not make confectioneries...

Q. Then, when did Toraya finally come back to confectionery making?

A. It was always a confectionery producer... The shop was closed for 2 months, so it was running the coffee shop while making confectioneries...

Q. So, the point after WWII was a challenging point.

A. There were many challenging points!

Q. Could you tell more about that?

A. It is in old years...

Q. Aren't there more current points? Like in the 20th century?

A. It comes to older times... Well, during the Edo period, the turn of Heiwa period, performance was going well. But in the mean time, the Japanese economy went into recession. This led to Toraya not doing well either. At some point, about 50% of Toraya's revenues were orders from the Emperor, but there were no payment from the Palace for two years! With this situation going on for two years, Toraya was not facing a good future, so it had to find a way to overcome these difficult times. It was the time when the Okitegaki was created.

Q. Is this a kind of sweet?

A. It was a paper where the employees were writing their feelings and state of mind, for example "waking up at 6 o'clock, cleaning the shop", or "cleaning the rest room in detail, even if the customers do not see it", "every-day customer is as important as our customer, the Emperor", are written on that.

Q. Like mission of the employees?

A. Yes, like mission. For example in Ritz Carlton hotel at Midtown (Tokyo) there is a card where the state of mind of the employees is written. Customers do not see it, but all employees have it in order for all employees to communicate this same spirit. Otegaki is an old version of this.

Q. This is very interesting. Do you do the same today too?

A. It is not that everyone carries it.

Q. So that everyone's spirit is aligned to the team?

A. Yes.

Q. This alignment of employees spirit, is it also encourage abroad? Like in Japan's Toraya.

A. Well, the way of thinking that is important does not change, I think. It is not that it different because it is Tokyo, Kyoto or Paris.

Q. Are you offering the same sweets all this time? For how long has the way of making them been the same? Do you make anko the same way?

A. It might be that people think that we are continuing with same processes for so long, but this is not true. In fact, it is not that we think that because something was done this way, it would be better if we continue doing it the same way, just because it was done like this up to now. According to each time's needs, we are doing the necessary thing. We are always taking into account what we should do regarding what is going on to the world, how we could make the customers happy, what are the customers looking for. This way of thinking has not changed. Beside this, changes are welcome.

Q. Regarding the ingredients? It seems you use the same old, traditional Japanese ingredients, only in different shapes.

B. Ingredients used are those of old Japan, traditional, like azuki, anko, which is made of azuki, omochi, a mixture of mochigome and gohan. We have also been using kanten since the Edo period. We also have confectioneries made by traditional Japanese sugar, Wasanbontou.

A. This kind of sugar has been produced in Japan since 200, 300 years ago.

Q. So, ingredients are tradition?

A. Yes. Have you been to Toraya Café?

Q. Not yet.

A. Toraya introduced "Toraya Café" in 2003. There, Toraya managed to brake down the wall between traditional Japanese confectioneries and Western-style sweets, creating once more, from the beginning tasteful sweets.

Q. This is innovation!

Q. Why did Toraya create it? What need did Toraya see existing in the customers, to satisfy by creating this mixture?

A. It was not so much a need. What is "okashi"? What is a tasteful sweet? Wagashi, Yogashi, these are words created after the Edo period, during the Meiji period. Until then, there was only "okashi". When western culture came into Japan, sweets were divided into Wagashi and Yougashi. In the old days, we utilized what we could get to create something tasteful. This is something original of okashi. When we thought about that, we decided to do the same: utilize what we could find and create something tasteful from the beginning.

Q. So, what was the result of this mixture? Was it welcomed by the customers?

A. There are many young people.

B. Yes, there are many people around the place where Toraya Café is.

Q. What is the place?

A. Roppongi Hills. Also, Omotesando Hills. Many young people do not have many chances to taste Japanese traditional sweets. However, if we could match a modern place, matched to modern lifestyle, and traditional sweets, that could create the chance for someone to taste our products. There, we are offering sweets like cakes, but in fact they have anko mixed. We are offering sweets that look like cakes, customers try them out and find them tasteful. And it might be that some of the customers are tasting anko for the first time.

Q. It is Japanese ingredients, only in western sweets' shape?

A. Yes.

Q. Like in Paris!

A. Exactly! In Paris, they know nothing about Japan, wagashi or Toraya. Now, people whose parents used to bring them as child to our store 30 years ago, they have grown up and bring their own children. Probably the children do not understand wagashi and yougashi's being divided. But it feels that they do understand that they are eating something tasteful, according to the owner of Toraya Paris. So far, what we have realized from Toraya Paris and from Toraya Café, is that even if customers know nothing about Japanese confectioneries, if we approach them and offer hospitality, if they understand us, they will also welcome the sweets born in Japan. We realized that what we have been creating, wagashi, is good. If we had not engaged to these endeavors, we would not have realized that! Can we say this is innovation?

Q. Yes!

A. Also, there is the Midtown store. We opened the store in Paris, offering Japanese traditional sweets with a touch of western-style sweets. Then, we opened Toraya Café, offering a mixture of ingredients of Japanese traditional sweets and western-style sweets, in western-style shapes. This one, for example.

B. It looks like cake, but it is made of azuki.

A. Azuki and cocoa are the same kind of beans, so they should go well together.

Q. So, you are also mixing the ingredients?

A. Yes. Then, we have anko.

B. Anko-pan.

A. Anko is mixed with maple syrup.

Q. Azuki is one of the most, probably the most traditional ingredient?

A. Yes. This is one way of showing the goodness of "An". Opening the store in Paris, then Toraya Café, realizing that Japanese things are not really known, we created Midtown store, along with people that shared the same thought with Toraya, that we want to make

Japanese culture a bridge with those that do not know it, to correct the image of Japanese culture, even inside Japan.

Q. Also, what I would like to ask about, is the design. Who decides the designs of the confectioneries? How are they created?

A. All people of Toraya have this chance. There are sweets that are the same during all seasons and times, and others which change along with the changes of seasons. Also, for example next year is going to be the “rabbit year”, we encourage all employees to think of a design suitable for the occasion, and we produce it.

Q. How long does this procedure last? When do start thinking of the design? One year earlier?

A. Yes.

Q. Generally, it takes some time for the makers to actually make a specific design, right? To make changes, improve and communicate the new design to all hand-makers, so that they learn. Is there such a “learning period”?

B. No!

Q. But you learn how to make a specific design, no?

B. There s no special need for that.

A. They are professionals! So, for next new year’s rabbit-shaped confectionery, we started thinking about the design the previous January. We decided the design in summer. At about the end of the summer, beginning of autumn, we ask for a real sweet made as decided. Then, we have to decide the date that the sweet is best enjoyed before passing. This type of sweets need 3, 4, 5, one week maximum to decide that. But in the case of youkan, it could take one or two years!

Q. Then, aligning the design with the season, is something you have been doing since the old days?

B. Yes.

A. The essence of Japanese confectioneries, is how they are felt by all the five senses. It is art. Firstly, the eyes. To amuse the eyes. Then, the taste. Then, the feeling when the sweet is cut and its feeling inside the mouth. Then, its smell.

Q. What about the ears?

A. Its name. We are giving each sweet a name. For example, the one we introduced before, Shin-sazanka. Sazanka is a flower, however if you look at the sweet, it does not look like a flower. But if you hear the name, it triggers the imagination! Or this old one, which is a youkan called “Yoru no Ume”. This is a song of the Heian period. Its shape is nothing really special, but these small pebbles, represent the image of slightly blooming ume flowers in the darkest of the night! Also, people of the Heian period were reminded of this

song. You fill with sentiments! You can make it an image!

Q. It surely is an art!

Q. What is the most traditional thing Toraya has, in Toraya's opinion?

Q. Something that none other confectionery maker has.

A. This is my thought, but I think it is its long history. It is something that cannot be copied. This is a strong point. Also, the fact that Toraya has been making confectioneries for the Court. This, in the eyes of some customers, gives status to Toraya. Usually in the eyes of older customers. I do not think this is as special, as the fact that we are making sweets for these people to eat, and they judge us strictly (because we are providing the Court with sweets). I think no other confectionery maker has this characteristic. Therefore, we are very strict in the taste and the shape of each sweet, one by one.

Q. However, the most inimitable characteristic is Toraya's history, don't you agree? For example, the design, this elegant taste, they can be imitated.

A. The taste, no! we hide it!

Q. Are the recipes secret recipes?

Q. Recipes are also traditional?

A. It is approximately the same way that all confectionery makers are making the confectioneries. However, how could a little better taste be achieved, or a little better design and shape, they all do some research on that, but Toraya is also focusing on that.

Q. However, I could take a sweet, take it to a laboratory, open it, analyze it and know exactly what it is made from. Then I could copy it, make it at least approximately as it is!

A. Approximately! It is the skill, the technique.

B. It my thought, but I think that even if we make the recipe known, it is impossible to create the same sweet.

A. Have you tried to make a cake at home? You are making it while looking at the same book, but....

Q. Yes, yes! It is the skill, surely!

A. Yes, the skill.

Q. So, this is why you have people working for so many years!

A. Ad these people, are teaching the young ones.

Q. This is also due to the long history...

A. Yes. If we can call it history.

...

A. When the top of the company, Mr. Kurogawa, visited France and talked to people from the French Ministry of Finance, he was told that all the techniques, the skills, the methods, are open for everyone to see. He was told that what should be protected is the pride! He

was astonished to hear that! Then, if you visit France, it is indeed open to see, they let you see how everything is made, as he said. Then, after coming back, he wondered how the situation is with the other confectionery makers in Japan: this is our hidden taste, which we do not make known outside the company. This is the way of thinking here. But is it possible to deepen further knowledge if this you think like this? Isn't it by learning from others that you move on? So, he made us have the same way of thinking as the French. We believe that you move on by learning from others. In fact, we have employees of other confectionery companies for their practice! But we know that they are not going to go back to their employees and make the same confectioneries. Even if they become able to copy Toraya's taste, it is all right: because this will make us target even higher, as Mr. Kurogawa said. We are a company that targets always high, and holds the knowledge.

Q. This way of thinking was achieved after Mr. Kurogawa came back from France?

A. No. We were already believing that. This is why it fitted well with us.

Q. This is very interesting, indeed!

2. Creta Farms S.A. case study

All material for the analysis of the main case study comes from data provided by Creta Farm S.A. Financial data were provided to the author by the company, whereas data for the history of the company were mainly gained by the Annual Reports of the company.

The strategy analysis is based on further study of the company's history, as well as further study of the strategy within the sector (all data cited and included in the bibliography) from WWII onwards, to identify the differences in the strategic moves of Creta Farm S.A.

Interviews with top management of the company allowed access to financial data (on which the financial analysis is based), data on market shares, the production processes and strategic moves of the company for the recent years (2008, 2009), as well as future expectations from these moves (all data are used for the strategy analysis in chapter four).

At this point the author would like to note that all the aforementioned analyses are original, graphs and tables have noted sources and conclusions regarding the strategy analysis are derived by the data primarily provided by the company.

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