RESEARCH OF PRODUCT POSITIONING IN THE MARKET OF EX-YUGOSLAVIA UNDER THE INFLUENCE OF BUSINESS INNOVATION BY APPLYING THE QUALITY SYSTEM

Zoran, STOJKOVIĆ[1], Maja, ANDRIJAŠEVIĆ[2] and Dušica, KARIĆ[3]
[1]Megatrend University, Belgrade, Serbia, e-mail: zoran.stojkovic@fmz.edu.rs
[2]Megatrend University, Belgrade, Serbia, e-mail: maja.andrijasevic@fmz.edu.rs
[3]Alfa University, Belgrade, Serbia

ABSTRACT: This paper examines the product positioning in the market as a result of the improvement of business by introduction and implementation of the quality system. Research of the positioning of the leading consumer products in the region (where the region includes Slovenia, Croatia, B&H, Macedonia and Serbia) was conducted for the period from 2005-2007 with indicating the characteristics of the application of quality management system, i.e. ISO standards. Research of the influence of the application of certain standards of the quality system, observed from the majority of relevant sources, highlights the importance of the quality system for positioning in the market in Serbia and the region. The results are compared with research segment of Serbia, i.e. domestic (Serbian) brands and their market positions.

KEY WORDS: innovations, research and development, quality system, product positioning;

1. INTRODUCTION

This paper tracks and analyzes the data on the changes of position and power of certain brands, their entrance or exit from the list of top brands of consumer products in Serbia, region or among top ten domestic brands. The strengthening or weakening of their position is tracked parallelly with business improvement by introduction, implementation and certification of quality system standards and a particular degree of correlation between these events is attempted to be proved, which could indicate the importance of introducing the quality system for improving the market position of a certain brand.

For the needs of this paper, i.e. for positioning and tracking the position change of certain brands of consumer goods, the results of PGM (Product Group Manager) research are used; the research is conducted and provides the data (for the period from 2005-2007) on the positioning of the leading brands in Serbia, as well as in the region. The region implies: Serbia, Croatia, Slovenia, B&H and Macedonia.

PGM measures the power of the brands of consumer goods in the region. It is a strategic market tool and a model for monitoring the situation in the market for the field of consumer goods. In that case, the market position is assessed on the basis of 15 indicators available for each measured brand. Among them, there are five indicators of the brand performance: recognition, experience, purchase consideration, use and loyalty. Based on these five indicators, the Brand Performance Index (BPI) or the index of brand effectiveness was formed, by which it is possible to rank the brands according to their effectiveness on the particular market. At the moment, the research has the available information for 2,500 brands that are contained within 90 categories. PGM is a product of Valicon Ltd. [10]

2. TRACKING THE CHANGES OF BRAND POSITIONS IN THE PERIOD 2005 – 2007

The current picture of top ten brands of consumer goods (includes all, both foreign and regional and domestic – Serbian brands) for the second half of 2007 in Serbia is somewhat different than it used to be in the previous period of measuring (in the first half of 2007). The data of PGM research for Serbia have shown that six domestic brands have nested among the top ten brands in Serbia [9, 11].

Dishwashing detergent Fairy has kept the leading position and trust of the consumers in Serbia, due to which it was assessed as the strongest brand of consumer goods in Serbia, with even higher performance index in relation to the previous period (BPI=68). The results show that more than a half of consumers in Serbia use this detergent. Coca Cola has recorded a remarkable performance and taken the second place in Serbia and maintained the same position in the region. Lenor softener has climbed to the third place. Domestic brand Carnex has taken the fourth place on the list, and it is immediately followed by carbonated water Knjaz Miloš, as a leading Serbian brand. Milka chocolate has come down on the list because its power was, according to BPI, reached and surpassed by other brands. Power of the brand Grand kafa (coffee) has been increased in comparison to the first half of 2007, although it came down from the second to the seventh place. The brand Frikom comes from the category of frozen food and takes the eighth position. C začin (spice), a brand of the company "Centroproizvod", is in ninth place, while the list of top 10 is concluded by Doncafe, as another novelty in comparison with the previous period.

If the rank of the top domestic brands is considered, it can be seen that Carnex pasty is at the first place, and at the second, with a little delay, is the carbonated water Knjaz Miloš. The Chipsy chips, which dropped from the list (summary - domestic and foreign) of the top Serbian brands in the second half of 2007, still keeps its power among domestic brands and takes 9th place. Among domestic brands, those from the category of food and beverage mostly prevail. It needs to be stressed that coffee brands, Grand and Doncafe, apart from being the strongest brands, also represent the leaders in the category of fresh coffee in the whole region.

Table 1. Results of the PGM research of the top brands of customer goods for the period from 2005-2007

year	2005.			2006.			1./2 2007.			2./2 2007.		
rank	reg	Serb	dom	reg	Serb.	dom	reg	Serb.	dom	reg	Serb.	dom
1.	Milka				Fairy	Grand kafa	Milka	Fairy		Milka	Fairy	Carnex
2.	Coca-Cola				Grand kafa	Dobro jutro	Coca-Cola	Grand kafa		Coca-Cola	Coca-Cola	Knjaz Miloš
3.	Lenor				Orbit	Carnex	Orbit	Orbit		Orbit	Lenor	Grand kafa
4.	Vegeta				Lenor	Knjaz Miloš	Lenor	Milka		Lenor	Carnex	Frikom
5.	Ariel				Dobro jutro	C-pirinač	Vegeta	Coca-Cola		Gillette	Knjaz Miloš	Začin C
6.	Nivea				Carnex	Perfex	Gillette	Knjaz Miloš		Vegeta	Milka	Doncafe
7.	Orbit				Knjaz Miloš	Chipsy	Paloma	Lenor		Nivea	Grand kafa	Vital
8.	Colgate				Milka	Doncafe	Nivea	Carnex		Cedevita	Frikom	C pirinač
9.	Grand kafa				Coca-Cola	Začin C	Cedevita	Dobro jutro		Ariel	Začin C	Chipsy
10.	Fanta				C-pirinač	Fidelinka	Ariel	Chipsy		Paloma	Doncafe	Polimark

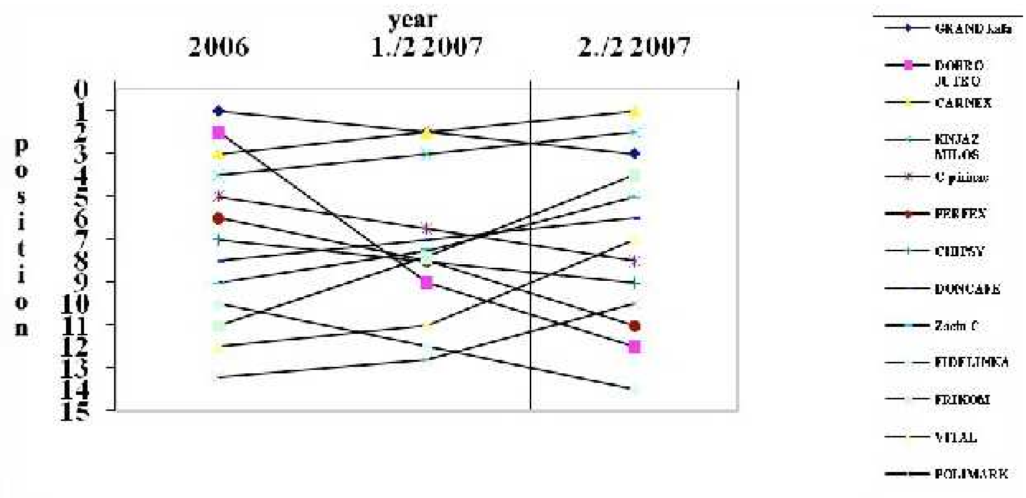

Figure 1. Change in the position of all the brands in Serbia for the period from 2006-2007

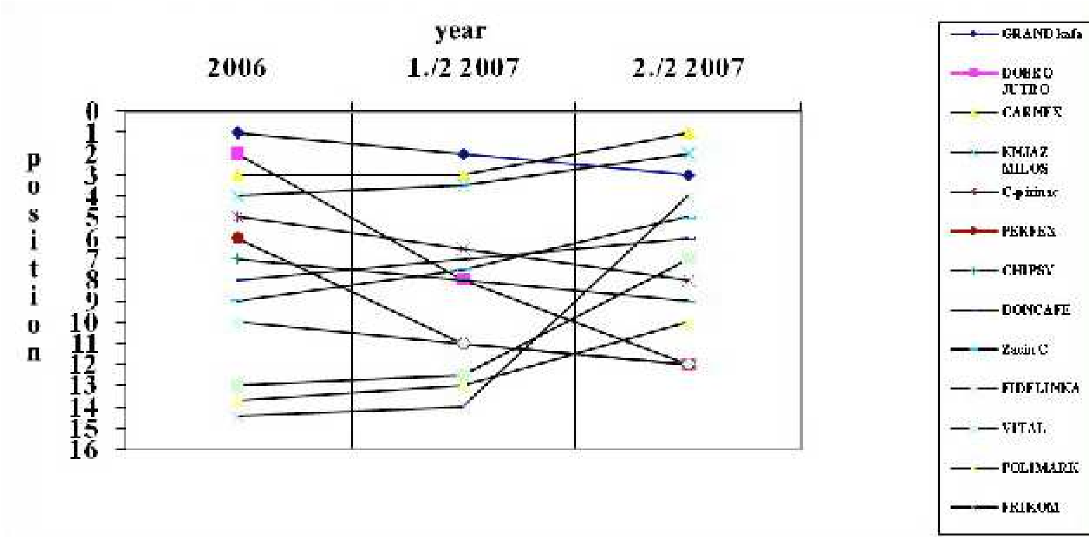

Figure 2. Change in the position of domestic brands in Serbia for the period from 2006-2007

The same as before, the strongest brand in this region is Milka chocolate. The second place belongs to one of the strongest global brands, Coca Cola, and it is followed by Orbit chewing gum, the fourth place belongs to the softener Lenor. It is followed by Gillete, which has become stronger in relation to the previous period (it was at the 6th place), whiles the first brand from the region, Vegeta, has gone one position down. Podravka's brand Vegeta can boast as the strongest regional brand. That brand is followed by Nivea face cream. The eighth place is occupied by the strongest brand that comes from the region, Cedevita, and then Ariel. At the tenth place is Slovenian Paloma (that is another regional brand), which has recorded the decline in relation to the previous period (it was in the 7th place).

It is important to note that among positioned brands, among the first 10 in the region, the foreign (out of the region) globally known brands mostly prevail. Also, it should be observed that the honour of the region is defended by two brands from Croatia (Vegeta and Cedevita) and one from Slovenia (Paloma). Therefore, it is interesting that among the first ten best known product brands, side by side with the world brands, there were also some brands from Croatia and Slovenia, and that there is no product from Serbia, at least not among the top ten. As Andrijašević said: "…consumers in Sebia "love" foreign products and they prefer them a priori, regardless of their quality." [1]

When we are talking about the three above-mentioned brands from the region, we need to say that Podravka has obtained HACCP certificate in 2006 and ISO 9001:2000 certificate in 2008, that Cedevita has ISO 14001 certificate and that Paloma has obtained ISO 9001 certificate in 1999, ISO 14001 - 2001, and OHSAS 18001 – 2002.

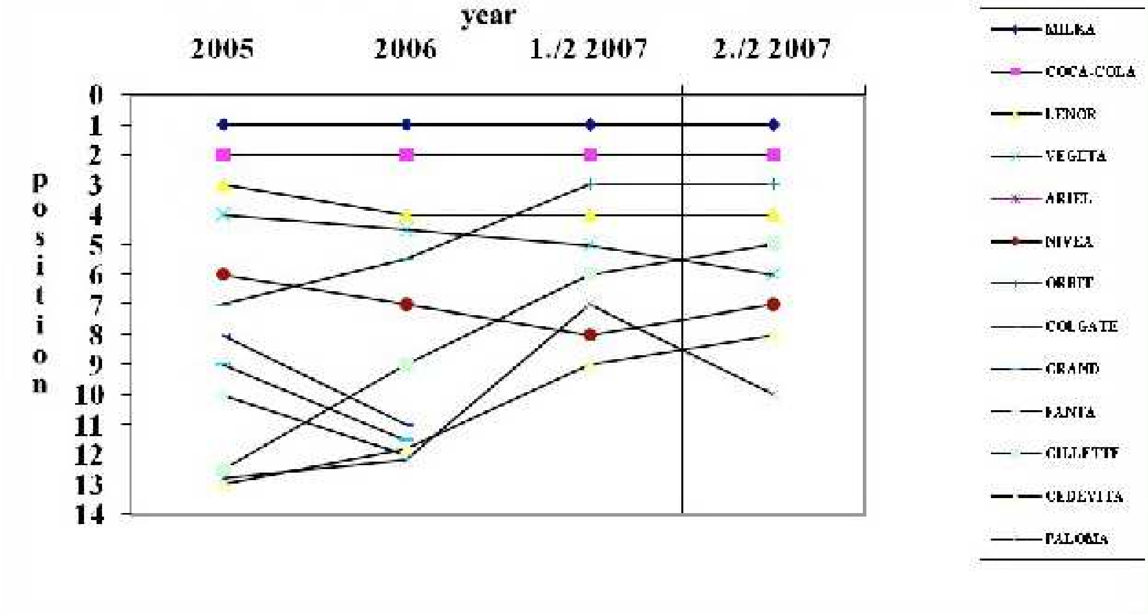

Figure 3. Change in the position of all brands in the region for the period from 2005-2007

For further analysis and, perhaps, identification of correlation and cause-effect relationships between introduction and application of the standards and quality management systems and change in the market position of a brand, we need to pay attention on the data given in Table 1, related to the change in rank of the particular brands in the past few years, as well as the data given in Table 2, which, on the other hand, show the number, type and time of introducing particular quality standards and obtaining the certificates for the quality system implemented in those companies.

Results from the research in 2005 indicate the existence of one regional brand from Serbia, as well as that the list contains some brands that are not found on the newer lists. Perhaps it is about the coincidence and weaker competition in the region, but it needs to be mentioned that in the research year – 2005, Grand kafa has concluded a strategic partnership with Droga Kolinska from Slovenia and obtained ISO 9000 certificate.

In 2006, apart from Grand kafa that records a progress from 9th place in 2005 to the second place, another domestic company, Centroproizvod, appears on the list of the strongest brands in Serbia, with its product – C pirinač (rice). Another thing is interesting – in this period, Centroprom has introduced and obtained the certificates ISO 9001:2008, ISO 1400 (2004), ISO 22000:2005 (although there are no precise data for the exact time of introduction), therefore, it started the production according to the international quality standards in that period.

In comparison with the second half of 2007, there are some domestic brands that are not anymore among the first ten – margarine Dobro jutro, Fidelinka's Fida and Perfex, which means that they are repressed by Vital, Chipsy and Frikom. These three factories that have repressed them have an introduced and certified quality system (mostly certified in 2006 and 2007 or earlier).

If we look at the order from the first half of 2007, we will see that the number of domestic brands that participate among the first ten with foreign is abruptly increased, i.e. that the ratio is five to one. Among the first ten brands there are five foreign and five domestic. Should that be related with the fact that the largest number of companies in Serbia has introduced, applied the standards and certificated various quality systems in the period 2006/2007?

On the list of top ten brands in the region and in the first half of 2007, there are no brands from Serbia. As Andrijašević said: ",, …by purchasing a particular product, and choosing it among ten similar products, the consumer shows his trust in the manufacturer and product, in which case the price does not play a decisive role. For, if the customer wants to buy a product, he is ready to pay for it… In contrast to the opinion mentioned, it is almost general attitude of manufacturers in Serbia that "high quality with reasonable price" need to be offered to the consumers, although numerous studies indicate that there is a negative correlation between the low price and quality". [1]

When it is spoken about Serbian companies that are in top ten places of the strongest domestic brands, having in mind the essence of this paper, it is very important to mention the data about whether they apply the quality standards and quality management system, whether and which certificates do they own and when have they obtained them. All of this is done in order to draw parallels, and possibly to spot the correlation between the change in their position, i.e. positioning in general, and innovation of all the processes in organization by the application of the quality management system [11, 12]. In order to spot, if it exists, the connection between introduction of the quality system and certification of the same, and the reduction of the total costs of the enterprise, improvement of the production, which leads, potentially, to the change in the market position of those brands [6]. Those data are given in the table 2.

Table 2. Domestic (Serbian) „top ten"companies in 2007 with types of certificates and year of initial certification

Company	Certificate	Year of initial certification
Carnex AD Vrbas	ISO 9001:2000, HACCP	2008
Knjaz Miloš	JUS ISO/IEC 17025:2001, JUS ISO/IEC17025:2006,SRPS ISO 9001:2001, SRPS ISO/IEC 17025:2006,SRPS 14001:2005, OHSAS 18001:1999, HACCP,	2004/2006/2008
Grand kafa	ISO 9000 HACCP	2005 2007
Frikom AD Beograd	HACCP	2006/2007
Centroproizvod	ISO 9001:2008 ISO 14001(2004) ISO 22000:2005	2006 2009 2009
Marbo product Ltd. (Chipsy)	HACCP, ISO 22000:2007, ISO 14001:2004	2007/2008
Vital	ISO 9001, ISO 17025, HACCP	2007/2008
Polimark	ISO 9001:2000, HACCP	2006

3. CHARACTERISTIC EXAMPLES FROM DOMESTIC PRACTICE

In the example of Carnex we can track the position change, income increase (Fig. 4.) and certification of the quality system through the short history of the company.

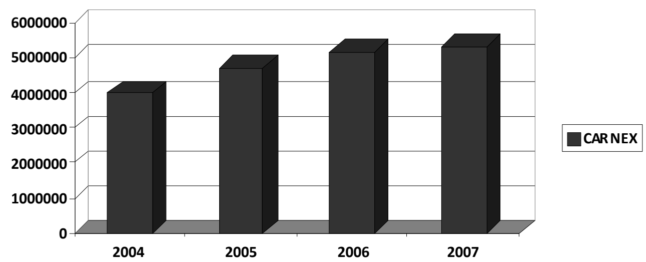

Figure 4. Figure 4. Growth in operating income of Carnex (operating income in 000 RSD)

In 2004 – a few million of Euros were invested in the procurement of the modern equipment for the primary agricultural production. Investment fund Ashmore becomes the majority owner of Carnex in 2006. With the arrival of the new owner, a comprehensive investment process of building new and restructuring the existing capacities, modernization and expansion of manufacturing processes with modern machines and equipment, and all that for the purpose of implementing ISO and HACCP standard (2006/2007). After the successful implementation of standards, the world's most famous certification house SGS has performed the certification of the quality system in Carnex in 2008, in accordance with the requirements of ISO 9001:2000 and HACCP standards [8, 10]. It can be observed that in 2004, there were investments in equipment, which was followed by the increase of incomes in 2005 and 2006, and also the increase of incomes in 2007 without direct investments into production, but only in providing the conditions for implementation of ISO and HACCP standards. It is also significant to track the position change (repositioning) of Carnex in this period (from 2005 – 2007) among domestic brands. In 2005, it was in the 7th place among domestic products (according to the research of Synovate agency), and in the first half of 2006 it was the fourth (source: Synovate), i.e. in the other half of 2006 it was the third among domestic products and the eighth among all brands (both domestic and foreign) in Serbia (source: PGM). After that, in the second half of 2007, it was the first among domestic and the fourth among all (both domestic and foreign) brands of consumer goods in Serbia. This sudden progress in positioning coincides with the purchase of Carnex by the foreign investment fund Ashmore and implementation of ISO and HACCP standards and their certification.

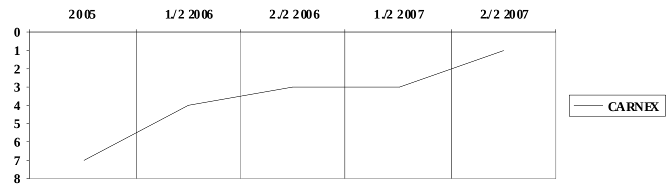

Figure 5. Repositioning of Carnex

In addition, we can take the company Centroproizvod as an example, i.e. its product Začin C, which was not one of the top ten brands in Serbia in 2005, so in 2006 it entered the list and in the second half of 2007 it was among top ten. It does not have to be mentioned that entering the „top ten" domestic products coincides with the application and initial certification of ISO 9001:2008 in the company.

If the changes would be tracked, actually the improvement in the position between the first ten brands in region or in Serbia or only domestic brands in Serbia, a certain coincidence between the entrance on the list or (in) significant improvement on the same can be observed with introduction, application and/or certification of a certain type of quality standard.

The same can be observed when the brands from environment are considered, more precisely from Croatia and Slovenia, which can be found in the joint list of all (both domestic and regional and foreign) the strongest brands in the region and that refers to a longer period. It is about the brands such as Podravka's Vegeta, Cedevita and Paloma. It is characteristic that their appearance on that list happens somewhere in the initial period of introduction and application of particular standards and/or at the time of initial certification of some of the applied standards (in case of Podravka's Vegeta, the first certification – HACCP in 2006, ISO 9001:2000 in 2008; in case of Cedevita – ISO 14001 in 2007 and in case of Paloma– ISO 9001 in 1999, ISO 14001 in 2001, OHSAS 18001 in 2002).

4. CONCLUSION

On the basis of all the above-mentioned, it can be concluded that there is a certain degree of correlation between the introduction, application and certification of particular standards from the part of certain companies and change in the market position of their brands. Of course, it is not claimed that it is legality or a particular pattern for the increase of strength and progress in rank of certificated brand in relation to other brands, but it can be said that it is too indicative to be random. More precisely, the impact of the application of particular standards and innovation of all the processes enveloped with those standards in organization and change in market position of the given company, i.e. products, cannot be minimized, on the other hand. Especially if it is considered that each of the strongest world brands in the region (Milka, Coca – Cola, Lenor...) operate in accordance with implemented and certificated ISO quality standards, i.e. that there is no place on the list for those companies whose processes in organization develop according to the accepted and certified ISO standards.

It can be clearly observed, especially in case of Carnex, that certification and implementation of the quality system has also led to income increase, since the application of standards also imply the investments in modern equipment that is necessary for the production prescribed by the same, although it is necessary to mention that it is difficult to reach financial indicators of the impact of application and certification of ISO standards on the income of the company [3, 5].

We also need to consider the fact that it cannot be claimed that the application of ISO standards is the only determinant for improvement in market positioning, without the analysis of much stronger and tangible instruments such as marketing, segmentation, big investments, consulting services, changes in consumer preferences, breakthrough of some other brands and, consequently, the loss of market share by increasing the competition etc, but it should not be negated as the factor that can influence the product positioning. This is corroborated by the fact that particular brands and companies that were among the first ones one applied and certified the quality system and came among the strongest domestic or even regional brands, repressed from the list and they have not returned among the top ten (Dijamant's margarine Dobro jutro was certificated in 1997 JUS ISO 9002 and in 2004 ISO 9001:2000 and HACCP; Fidelinka's fida, ISO 9001, HACCP...) [2,4].

It means that the influence of introduction, application and certification of ISO standards is not the only one and perhaps not the most significant, but it certainly is the significant factors of product positioning in the market and progress in rank, but only if it is followed by genuine efforts aimed at the increase of the quality and innovation of all the processes in organization, as well as other instruments that influence the power of brands [7].

REFERENCES

1. Andrijašević M., Troškovi kvaliteta – faktor uspešnosti privrednih društava u Srbiji, PhD thesis, pp.166-207.
2. Amidon D.M., Innovation Strategy for the Knowledge Economy, pp. 61-76.
3. de Chernatony L., From Brand Vision to Brand Evaluation (Third Edition), pp. 81-110.
4. Ettlie J., Managing Innovation (Second Edition), 95-143.
5. Fifield P., Marketing Strategy, pp. 119-125.
6. Hoyle D., ISO 9000 Quality Systems Handbook - updated for the ISO 9001:2008 standard (Sixth Edition), pp. 23-37.
7. Verloop J., Insight in Innovation, pp. 91-116.
8. www.pks.rs
9. www.emg.rs
10. www.carnex.rs
11. www.ekapija.com
12. Eric Waarts, Yvonne M. Everdingen, Jos van Hillegersberg, The Dynamics of factors affecting the adoption of innovations, Journal of Product Innovation, Vol. 19, Issue 6, pp. 412-423 (2002).
13. Penny M. Simpson, Judy A. Siguaw, Cathy A. Enz, Innovation orientation outcomes: The good and the bad, Journal of Business Research, Vol. 59, Issues 10-11, pp. 1133-1141, (2006).