

Firms Growth Strategies in Greece – the case of Kri Kri S.A.

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Abstract:

The aim of this project was to examine firms' growth strategies followed by Greek enterprises, focusing in the case of Kri Kri SA: a firm that produces dairy products located in Serres, a province of North Greece. The analysis was based exclusively in the usage of secondary data. The result indicated that Kri Kri follows four types of growth strategies, namely: 1) Market penetration, 2) New product development, 3) Diversification, and 4) International Growth. The firm has successfully implemented the aforementioned practices and this is reflected in its overall business performance (Sales, Profits, EBITDA, etc.). In conclusion, the project highlighted the importance of growth for firms and organizations as a key element for increasing their profitability and ensuring their viability. It is also indicative that the firm achieved a substantial growth despite the economic crisis that affected negatively the Greek economy (OECD, 2021) and the appearance of the COVID 19 outbreak.

Keywords: Development strategies, Penetration, Differentiation, New product, Redemption-Joint venture, Innovation, Performance, Classification, Profitability, Sustainability.

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1. Introduction

The aim of this project was to examine firms' growth strategies followed by Greek enterprises, focusing in the case of Kri Kri SA, which is a firm that produces dairy products located in Serres, a province of North Greece. The study includes five sections that outline: an analysis of the academic theory that is relevant with the importance of growth in the firms' context, research methods followed by the author in the current study, an analysis of the case of Kri Kri and the conclusions of the project.

2. Literature review - Firms' growth theory

As it is stated by Doyle (2000), growth strategies play an essential role for firms and organizations, since they determine their future viability. Doyle (2000) adds that corporate growth creates value for shareholders by increasing the future level of cash flow, accelerating the level of cash flow, extending the duration or reducing the risks attached to future returns. For that purposes, Doyle (2000) developed an integrated model that is called the "growth ladder", which shows the steps that a firm should follow for achieving growth (see figure 1).

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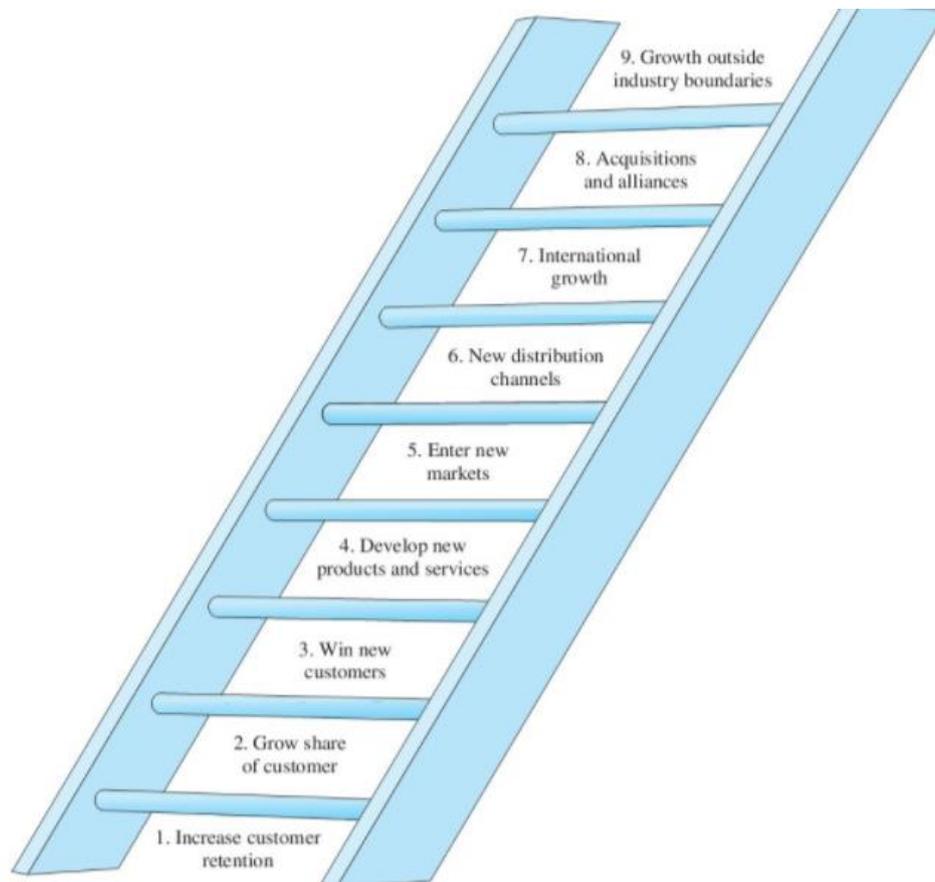


Figure 1: The ladder of Growth, *Adapted from Doyle (2000)*

As shown above, the model distinguishes 9 strategies of corporate growth that should be followed gradually. Since one step is completed, the firm can move to the next one. These strategies are: 1) focus in increasing customer retention rate, 2) further development of customer's share, 3) acquire new buyers, 4) development of new products and/or services, 5) entering new markets, 6) develop new distribution channels, 7) achieve international growth by entering into foreign markets, 8) make acquisitions and alliances and 9) achieve growth outside current industry boundaries. In sum, the model of Doyle (2000) gives emphasis in all the dimensions of marketing (product, price, distribution, communication) and indicates how they can be used for delivering value. For that reason, Doyle's (2000) theory is called "value-based marketing".

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Academics such as Ansoff (1957) developed a more concrete model that includes four main strategies of corporate growth. As shown in figure 2, the model has the form of a matrix with two main dimensions: markets and products. Markets are distinguished in new and existing, whereas products are classified also in existing and new. According to these two dimensions, growth strategies are formulated as follows:

1. Market penetration: existing products in existing markets
2. Product development: new products in existing markets
3. Market development: existing products into new markets
4. Diversification: new products in new markets.

		PRODUCTS	
		EXISTING PRODUCTS	NEW PRODUCTS
MARKETS	EXISTING MARKETS	1. Market Penetration	2. Product Development
	NEW MARKETS	3. Market Development	4. Diversification

Figure 2: Ansoff matrix, *Adapted from Doyle (2000)*

Market penetration strategies can be applied by: increasing purchase use of existing buyers, gaining customers from competitors and converting non users. Market development strategies are achieved mainly through entering in new market segments, developing new distribution channels and expanding in new geographic markets. Product development strategies prerequisite adding new features to existing products/services or developing new products. Lastly, diversification strategies can be

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applied through organic growth, acquisitions and joint ventures (Schlegelmilch & Winer, 2020).

Mascarenhas et al. (2002) also examined growth strategies that were followed by firms and multinationals. The authors in their analysis classified five major strategies that lead to profitable and rapid growth, namely: 1) product proliferation, 2) mass market development, 3) increasing value to select customers strategy, 4) distribution innovation and 5) acquisition and consolidation strategies. Figure 3 shows the sources and illustrative examples of firms that applied each strategy.

<i>Sources of market disequilibrium</i>	Rapid technological change creating products with global demand	A reconfigured product revealing an unexpected mass demand	Challenge to market norms, revealing that a broader product scope targeted to a narrower customer base creates more value	Demand pockets underserved by market incumbents are exploited by new entrants using distribution innovations	Deregulation encouraging acquisitions that tap new scale economies
<i>Resulting growth strategy</i>	<i>Product proliferation strategy</i>	<i>Mass market development strategy</i>	<i>Increasing value to select customers strategy</i>	<i>Distribution innovation strategy</i>	<i>Acquisition and consolidation strategy</i>
<i>Illustrative examples</i>	<ul style="list-style-type: none"> ● Yahoo ● AOL ● PeopleSoft ● Visio ● Legato Systems ● Network Solutions ● Sycamore Networks ● Analytical Graphics 	<ul style="list-style-type: none"> ● Sensar ● Sabinsa ● Starbucks ● Nantucket ● Biogen ● Balance Bar ● Biovail ● Vitesse Semiconductors ● Salton 	<ul style="list-style-type: none"> ● Atlantic Subsea ● Consumers Health Network ● Syncro ● Aviation Sales ● Summa Industries ● Dover Downes ● Holt's Cigar 	<ul style="list-style-type: none"> ● Up and Away ● Dell Computer ● Sagemore Galleries ● Polymedica ● Acttrade International 	<ul style="list-style-type: none"> ● Coach USA, Inc. ● Midcoast Energy Resources ● Family Golf Centers ● InnKeepers ● NCO Group ● USA Networks ● Infinity Broadcasting ● Dental Care Alliance

Figure 3: Five firm growth strategies, *Source: Mascarenhas et al. (2002)*

To begin with, product proliferation can be implemented by: ensuring financial resources and funding in early stages, developing new products and services systematically mainly by investing in research and development, using efficiently marketing practices and methods, expanding to foreign markets, and giving emphasis in enhancing organizational and employee responsiveness. Examples of firms that

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followed the product proliferation paradigm are: Yahoo, AOL, PeopleSoft, Sycamore Networks, etc.

Moreover, mass market development strategy can be implemented by: focus in product segments that illustrate the highest market potential; converse resources for mass market development; reduce costs of production; use marketing techniques for supporting mass market protentional and increase the number of distribution channels that are used by the firm. Examples of firms that followed the mass market development strategy include: Starbucks, Biogen, Salton, etc.

To add value to selected customers firms should: develop metrics for detecting profitable buyer's segments, create, develop and sustain stable, profitable and long-term relationships with shoppers, and increase the value of current product offerings. Illustrative examples of firms that followed this growth strategy are: Atlantic Subsea, Consumers Health Network, Aviation Sales, Dover Downes, etc.

Distribution innovation strategy is applied by: analyzing the viability and the costs of new and alternative distribution networks, developing relationships with key suppliers, achieve economies of scale and focus on distribution innovation mainly through the usage of digital information systems. Examples of firms that followed these practices are Dell computer, Polymedica, etc.

Lastly, Acquisition and Consolidation strategy is implemented by: selecting ideal acquisition targets, developing new business models, refocusing acquisitions on market growth segments and empowering acquisition capabilities. Image 4 summarizes the main features of Mascarenha's et al. (2002) model by showing the scale, the scope and the time orientation of each growth strategy.

Finally, Eiriz et al. (2013) and Kang et al. (2021) support that firm's growth is mainly depended on innovation. Innovation is the key element that can drive enterprises to economic development. In this context, the authors developed a model (see figure 5) that classifies innovation strategies. In particular, innovation can be applied to

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products or/and processes and is distinguished in incremental and radical. Therefore, four types of innovation are created that combine the following features:

1. Product development: it is incremental innovation in products
2. Discovery: radical innovation in products
3. Restructuring: radical innovation in processes
4. Learning by experience: incremental innovation in processes

In sum, companies should rely on the innovation strategy that fits to their needs for achieving economic growth (Kang et al., 2021).

Strategy	Source of advantage		
	Scale	Scope	Time-based
<i>Product proliferation</i>	Low unit production and distribution costs, global demand	Consistency and umbrella brand across products Cross-selling products and markets	Early domination of product category, quick product development and diffusion
<i>Mass market development</i>	Reconfigure product to have mass market demand	Broaden geographic scope Outsource functions to reduce costs and increase capacity	Develop policies that travel Use alliances to hasten international expansion
<i>Increasing value to select customers</i>		Reduce geographic and customer scope Adjust product scope to increase customer value	Seize early the opportunity revealed by challenging industry norms
<i>Distribution innovation</i>	Reduce transaction costs with infrastructure investment Use geographical expansion to gain volume	Focus on underserved market segments Invest in new distribution technologies	Exploit distribution innovation before incumbents can react
<i>Acquisition and consolidation</i>	Capture scale economies in various functions enabled with larger firm size after acquisitions Develop relationships with larger buyers and suppliers	Reorient acquisition towards growth market segments Reevaluate outsourcing decisions in all functions after acquisitions Cross-sell products and markets across acquisitions. Invest in new technologies that help to manage larger firm	Pursue acquisitions early to obtain choice candidates Start integration process early to hasten returns from acquisitions

Figure 4: Scale, scope and time orientation of firm growth strategies, *Source: Mascarenhas et al. (2002)*

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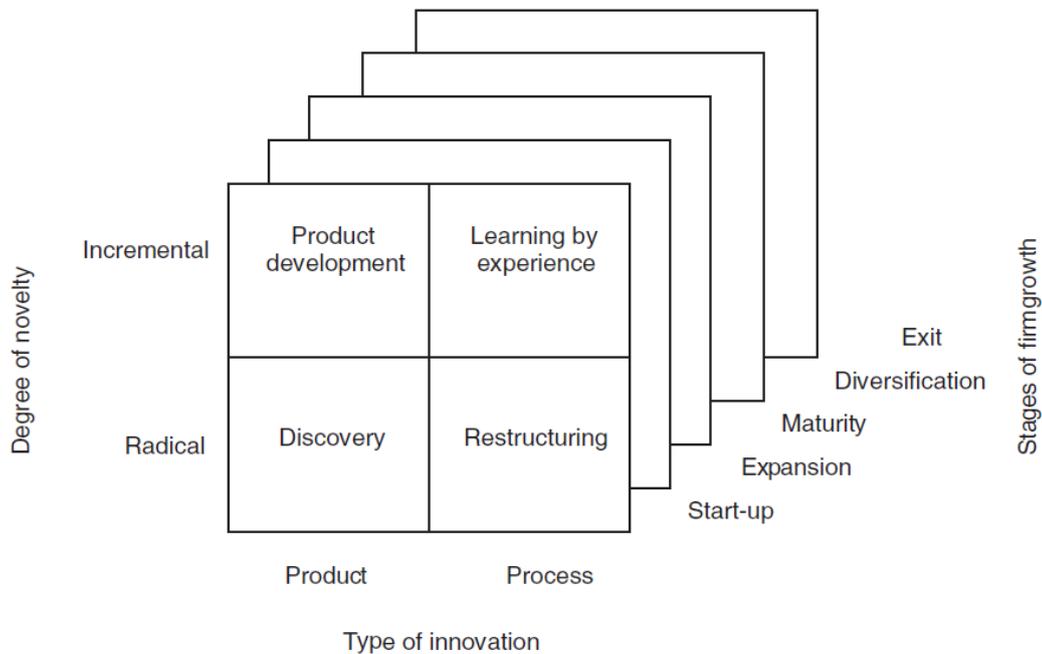


Figure 5: Classification of innovation strategies that lead to enterprise growth,
Source: Eiriz et al. (2013)

Table 1 summarizes the main findings of the literature analysis that was presented in this section. Findings are presented according to their source:

Table 1: Summary of literature review – Classification of growth strategies for firms and organizations

Author	Typology of growth strategies
Doyle (2000)	Increase customer retention rate Further development of customer’s share Acquire new buyers Development of new products/services Entering new markets Develop new distribution channels International growth Acquisitions and alliances Growth outside current industry boundaries.
Ansoff	Market penetration

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	Product development
	Market development
	Diversification
Mascarenhas et al. (2002)	Product proliferation
	Mass market development
	Increasing value to select customers strategy
	Distribution innovation
	Acquisitions and consolidations
Eiriz et al. (2013); Kang et al. (2021)	Focus in innovation
	Product development
	Discovery
	Restructuring
	Learning by experience

In conclusion, the analysis showed that there is a different typology of firm growth strategies mentioned in the literature. However, there are several common aspects in the classification mentioned by each researcher. Considering the growth strategies identified in the literature, in the next sections the author analyzes and evaluates the development practices followed by a certain Greek firm: Kri Kri S.A.

3. Methods

3.1 Type of Research

In business research there are two main types of research that derive from different research philosophies: positivism and interpretivist (table 2). Each paradigm uses different research methods for addressing the examined scientific problems. The main difference between these two paradigms is that positivism focuses in measurement whereas interpretivist gives emphasis in understanding (Saunders et al. 2009; Malhotra & Bricks, 2006). In the current project the interpretivist approach was used since the author attempted to understand the key drivers of firm growth strategies in the Greek market. The case study approach was used that is defined as follows:

*“The case study approach is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence”*Robson (2007, p.178).

The case that was analyzed was that of Kri Kri SA.

3.2 Secondary data

The analysis was based exclusively in secondary data. Secondary data are defined as data that are previously gathered for some other purpose (Wrenn et al. 2007, p.79). Figure 6 shows the types of secondary data that are mentioned in the literature. Considering the model that is provided by Saunders et al. (2009), in the current project the author used: academic journals, organizations’ surveys, data from organizations’ web sites, industry statistics and reports, etc.

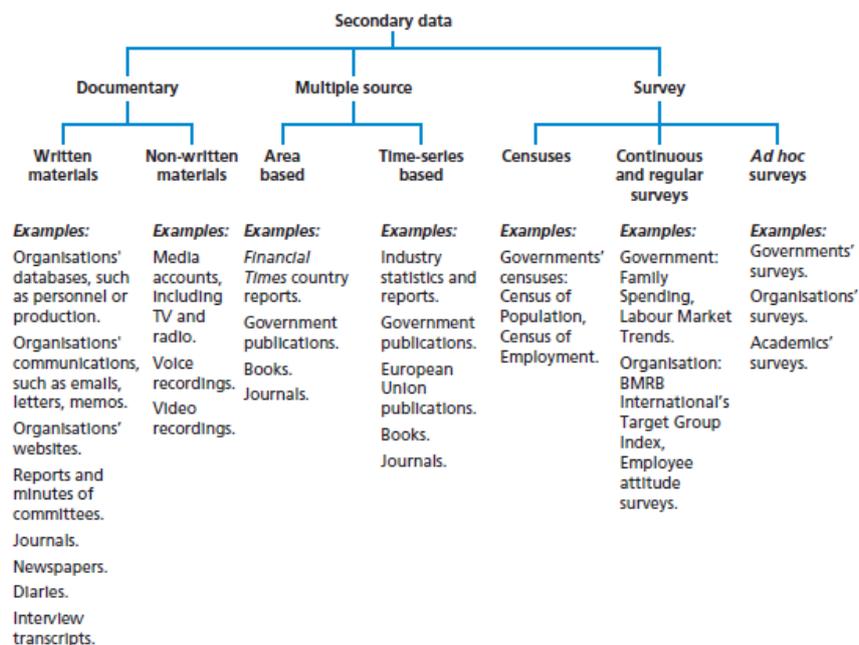


Figure 6: Types of secondary data, Source: Saunders et al. (2009)

Table 2: Comparison between positivism and interpretivist

Issue	Positivist	Interpretivist
Ontology: <i>the researcher's view of the nature of reality or being</i>	External, objective and independent of social actors	Socially constructed, subjective, may change, multiple
Epistemology: <i>the researcher's view regarding what constitutes acceptable</i>	Only observable phenomena can provide credible data and facts.	Subjective meanings and social phenomena. Focus upon the details of situation

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<i>knowledge</i>		
Aim	The aim is to measure the examined problems	The aim is to understand the discussed phenomena
Values	Value free= unbiased	Value laden = biased
Research language	Formal and impersonal	Informal and personal
Method	Measurement of the examined phenomena with statistical techniques	Hermeneutics- the required information may be loosely defined
Theory and research design	Simple determinist Cause and effect Static research design Context free Laboratory Prediction and control Reliability and validity Representative surveys Experimental design Deductive	Freedom of will Multiple influences Evolving design Context bound Field/ethnography Understanding and insight Perceptive decision making Theoretical sampling Case studies Inductive
Alternative names	Quantitative Objectivist Scientific Experimentalist Traditionalist	Qualitative Subjectivist Humanistic Phenomenological Revolutionist

Source, Malhotra et al. (2003), p. 139 ; Saunders et al. 2009, p 119

3.3 Limitations

As it is for every study, the current project has certain limitations. In particular,

- The analysis was based exclusively in one firm. The examination of more cases would provide a more spherical view of the examined issues.
- The usage of secondary data involves disadvantages, such as: level of accuracy, timeliness of the information, quality, sufficiency and relatedness (Malhotra and Bricks, 2003; 2006).
- Firm growth strategies may be influenced by factors that were not mentioned in the current project.

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4. The case of Kri-Kri 4.1 About the company

Kri Kri is a firm that produces dairy products located in Serres, a province of North Greece. The company focuses in two main markets: yogurt and ice creams. Kri Kri was founded in 1954 and nowadays sells its products in more than 35 countries. The vision of the firm is to develop and dynamically promote Greek food heritage throughout the world with love and respect to humans and to nature as well. The company operates two different production plants with state to the art machinery. The CEO of Kri Kri is Panagiotis Tsinavos.

4.2 Business model and development strategy

Figure 7 shows the business model that is followed by Kri Kri. As shown below, the firm has developed an integrated framework that re-invests profits in order to develop further its operations. Moreover, the company gives particular emphasis in innovation and marketing initiatives for delivering high quality products to end users.



Figure 7: Business model of Kri-Kri, Source: *Company data*

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Table 3 shows analytically the growth strategies that are followed by Kri Kri. Strategies are classified according to the type of the product (ice-cream and yogurt). In more details, the firm implements four types of growth strategies, namely: 1) Market penetration, 2) New product development, 3) Diversification, and 4) International Growth. Each strategy leads to certain actions. For example, in the yogurt market the firm developed new products such as lactose free and high protein yogurts that meet the needs of modern consumers that demand healthier foods with high nutrition value. One other crucial point of the growth strategies applied by Kri Kri is internationalization. The firm sells its products in more than 25 countries such as Italy, UK, France, Italy, Denmark, Finland, Cyprus, etc. Indicatively, Figure 8 shows the geographic footprint of the company.

Table 3: Growth strategies followed by Kri Kri

Product	Development strategy	Actions
Branded Yogurt	Market penetration	Maintain high margin levels 100 % coverage of the market 96 % brand awareness through efficient marketing practices Competitive pricing
Branded Yogurt	New product development	Production of Lactose free products High protein and super food yogurts Yogurts for silver aged consumers Production of kid's yogurts
Branded Yogurt	Diversification	Entering into the Infant Yogurt category
Ice cream	Market penetration	Increase points of sales Maintain high margin levels Focus in Frozen Yogurt Line
Ice cream	New product development	New products that give emphasis in technology, packaging and texture Production of healthier ice-creams
Yogurt and Ice cream	International Growth	Selling products in more than 25 countries Distribution in 49 supermarket chains

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		<p>42 private label customers More than 21,000 points of sales in the Ice cream market Adjust products to local needs Capture market trends Focus in innovation Adjust commercial and marketing tactics Achieve differentiation in branded products</p>
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Elaborated by the author, Sources: Company data



Figure 8: Geographic Footprint of Kri Kri, Source: *Company data*

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4.3 Performance of the development strategies applied by Kri-Kri

In this paragraph the author evaluated the effectiveness of the development strategies followed by Kri Kri by analyzing the performance of the firm in sales, profits, etc. Firstly, figure 9 shows sales evolution after 2016. As shown below, the firm managed to increase its sales by 88 % in the period 2016-2020.

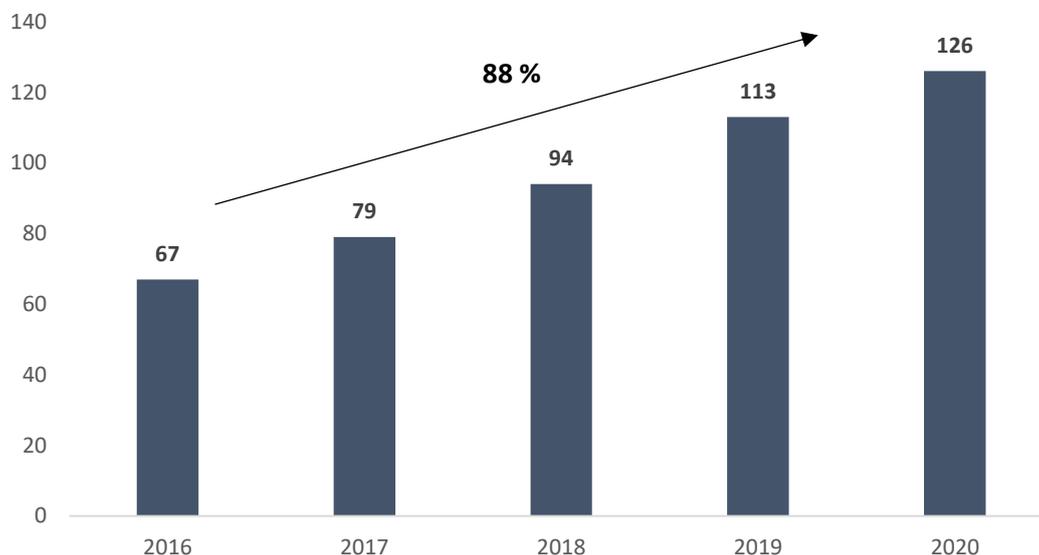


Figure 9: Sales Evolution of Kri Kri in million Euros, *Source: Company data*

EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) also increased by 105 % in the same period, indicating the dynamics of the firm. In particular, in 2016 EBITDA were 10,9 million euros, whereas in 2020 were 22,3 million euros (see figure 10).

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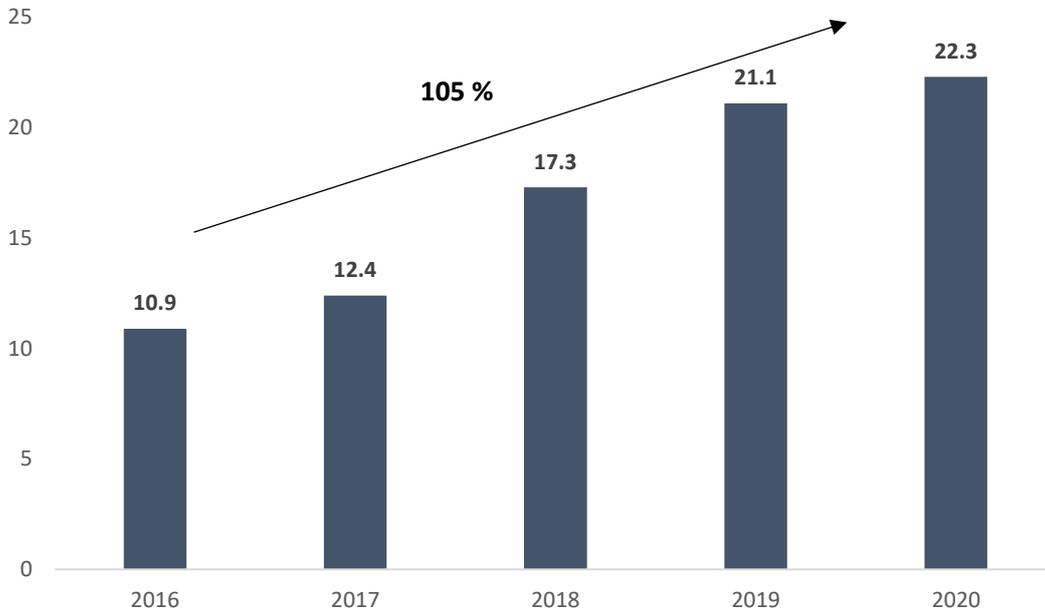
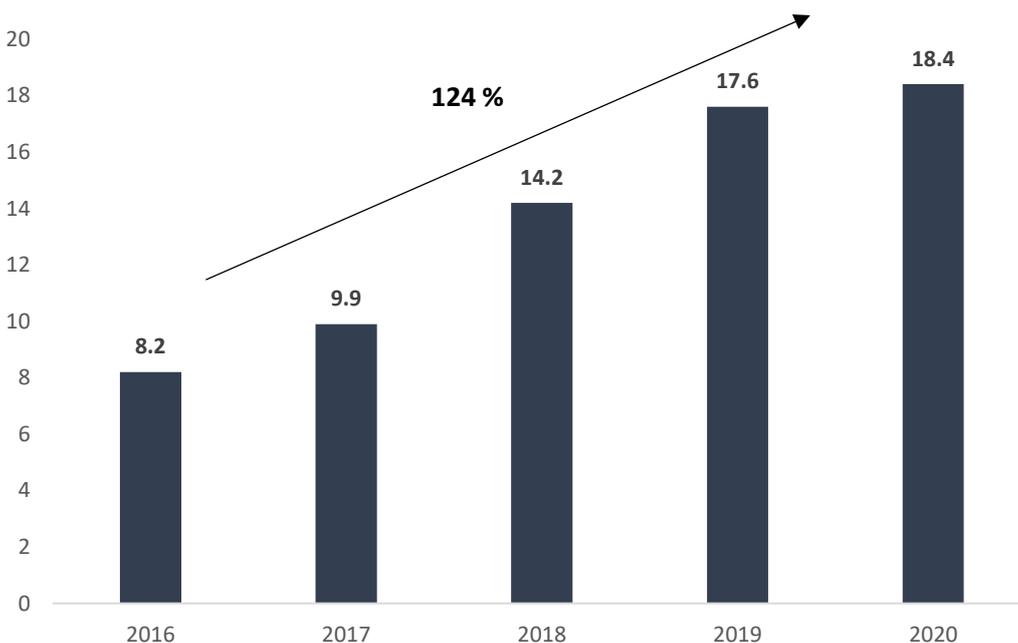


Figure 10: EBITDA of Kri Kri in million Euros, *Source: Company data*

In the same length, Profits before taxes in the last five years increased by 124 % (see figure 11). More specifically, in 2016 Profits were 8,2 million and in 2020 grew in 18,4 millions, despite COVID 19 outbreak.



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Figure 11: Profits Before Taxes of Kri Kri in million Euros, *Source: Company data*

In the Greek market, sales of Yogurt after 2014 grew by 52 %. As shown in figure 12, in 2014 yogurt sales were 33 million Euros and in 2020 climbed to 50 million euros.

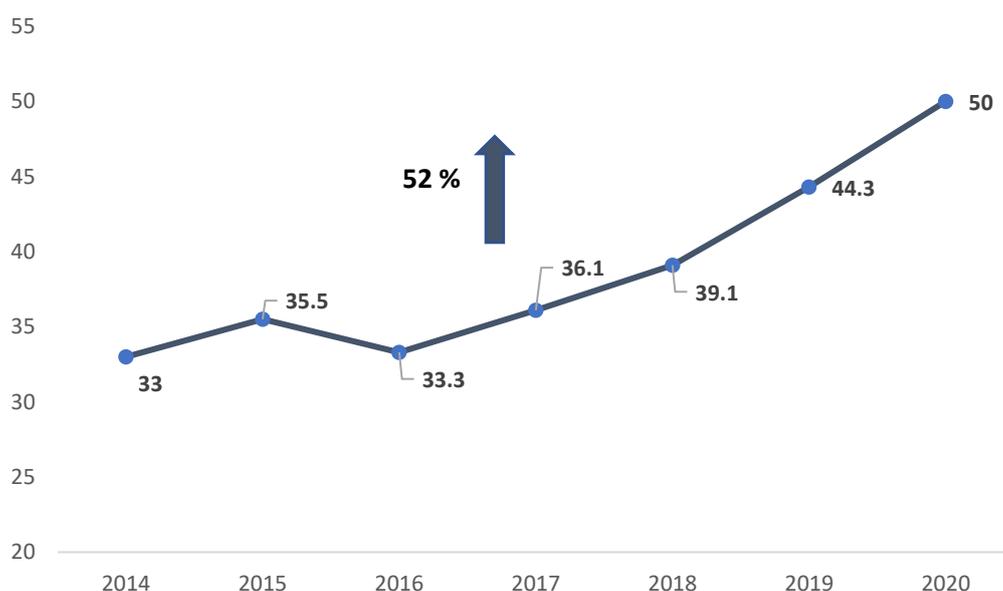


Figure 12: Sales of yogurt in Greece, in million Euros, *Source: Company data*

However, the most important growth rate was exhibited in the sales of yogurt in foreign markets. More particular, exports grew by 622 %, revealing that internationalization is one of the key development strategies of Kri Kri. In 2014, exports of yogurts were only 6,9 million, whereas in 2020 the value of exports was close to 50 million euros (see figure 13).

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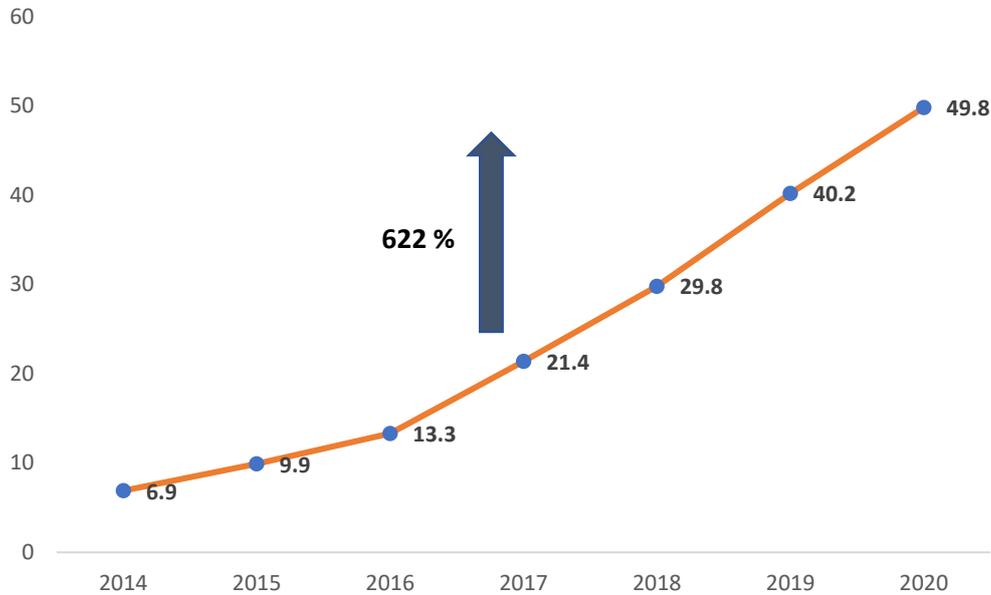
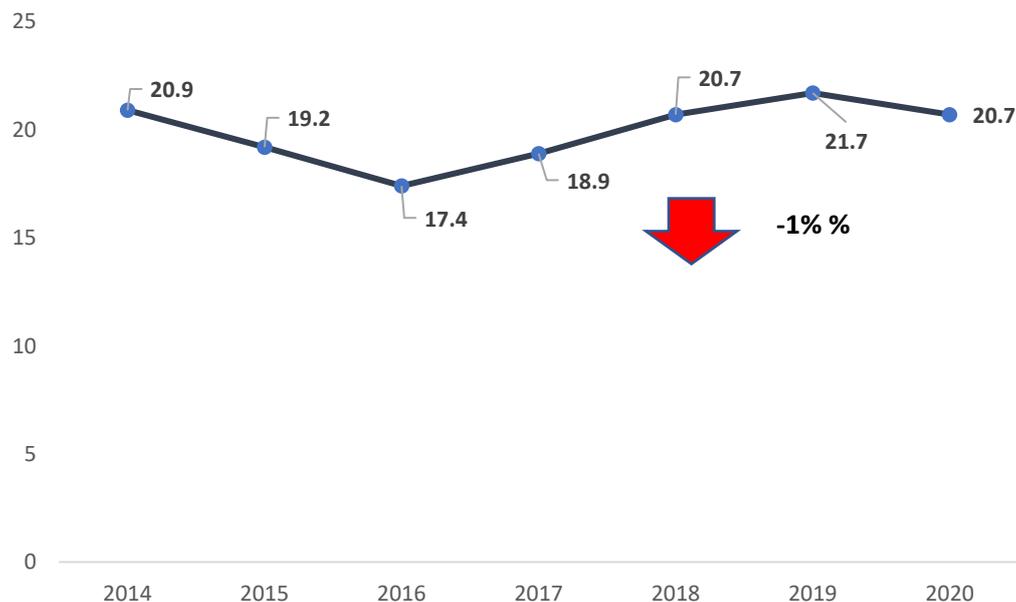


Figure 13: Sales of yogurt – Exports, in million Euros, *Source: Company data*

The only segment that illustrated decline was ice-creams in the domestic market. In more details, sales of ice-creams slightly decreased (-1%) in the period 2014-2010. Probably the Greek market is saturated but still the total turnover of the sector is fluctuated in satisfactory levels.



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Figure 14: Sales of ice-cream in Greece, in million Euros, *Source: Company data*

In contrast, exports of ice creams increased significantly (see figure 15) in the last seven years. In 2014, the value of exports in the ice-cream market was 2,2 million euros, while in 2020 the value was 4,7 million euros. Exports reached in their highest levels in 2019.

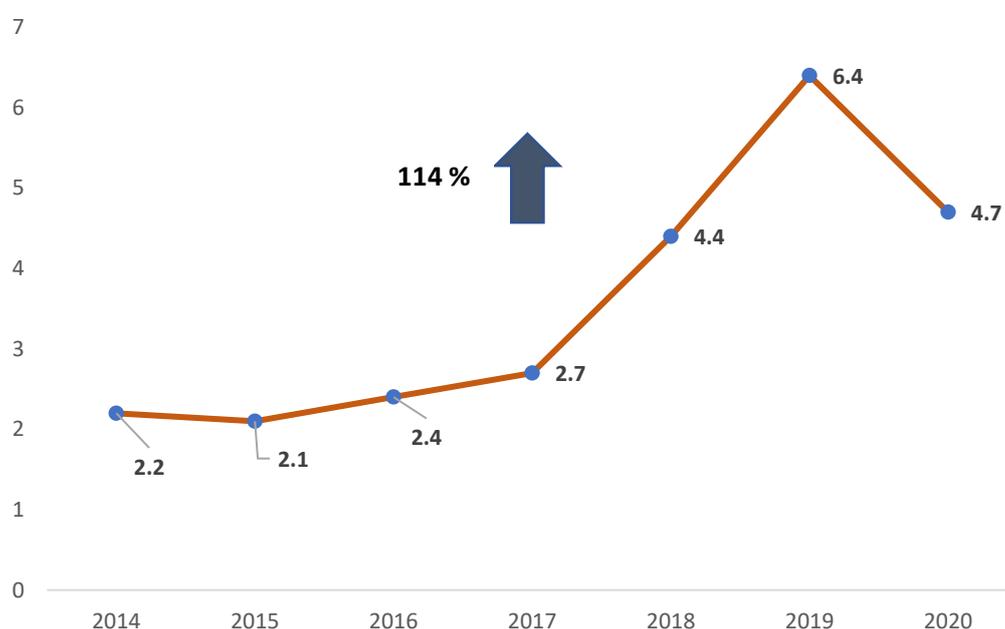


Figure 15: Sales of Ice cream – Exports, in million Euros, *Source: Company data*

5. Conclusions

The aim of this project was to examine firm growth strategies followed by Greek enterprises, focusing in the case of Kri Kri SA. Firstly, the analysis indicated that there is a different typology of firm growth strategies mentioned in the literature. However, there are several common aspects in the classification mentioned by each researcher. Considering the growth strategies identified in previous studies, the empirical research showed that Kri Kri follows four types of growth strategies, namely: 1) Market penetration, 2) New product development, 3) Diversification, and 4) International Growth. The firm has successfully implemented the aforementioned practices and this is reflected in its overall business performance (Sales, Profits, EBITDA, etc.). In conclusion, the project highlighted the importance of growth for firms and organizations as a key element for increasing their profitability and ensuring

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their viability. It is also indicative that the firm achieved a substantial growth despite the economic crisis that affected negatively the Greek economy (OECD, 2021) and the appearance of the COVID 19 outbreak.

Proposals

The executives of the company KRI KRI are advised that they should not forget that in the modern international environment every company in order to survive with the rules of fierce competition, the products produced by the company must be accepted by the general consumer and in order to survive it is necessary to pump consumers beyond the borders of their country of origin and especially when the internal market is small or medium in size, such as Greece and the consumer public for a company the size of KRI KRI is limited and the strategies saturated positions.

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