



Innovation as a competitive advantage issue: a cooperative study on an organic juice and wine producer

A inovação como fator de vantagem competitiva: estudo de uma cooperativa produtora de suco e vinho orgânicos

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Abstract: This empirical article aims at recognizing how innovation contributes to competitive advantage achievement in a company which processes organic juice and wine. To this end, theoretical reference regarding innovation and competitive advantage is presented. In order to methodologically achieve the objective, the study used an exploratory qualitative approach based on in-depth interviews conducted with five managers of the company. The results allowed the innovation introduction analysis, specifically concerning the product and process, reflecting on the competitive advantage achievement. Even though the organic food division is still slightly represented in the market, prospects have shown that there will be a consumption increase of such products nationally and worldwide in the next few years.

Keywords: Innovation; Competitive advantage; Organic juice and wine.

Resumo: Este artigo empírico tem como principal objetivo identificar como a inovação contribui para a conquista de vantagens competitivas numa firma produtora de suco e vinho orgânicos. Para isso, foram apresentados referenciais teóricos a respeito de inovação e vantagem competitiva. Para atingir o objetivo, metodologicamente, o estudo utilizou a abordagem exploratória qualitativa, por meio de entrevistas em profundidade realizadas com cinco gestores da firma. Os resultados permitiram analisar a introdução de inovações, especificamente de processo e de produto, refletindo-se na conquista de vantagens competitivas. Embora o segmento de alimentos orgânicos ainda tenha pequena representatividade, as perspectivas mostram, para os próximos anos, aumento na participação no total dos alimentos consumidos no país e no mundo.

Palavras-chave: Inovação; Vantagem competitiva; Suco e vinho orgânicos.

1 Introduction

Competition is more and more present on the business environment, on the firm's environment and on the management decision taking. Mainly in the last and in the current century, the market globalization deeply influenced how the companies compete among themselves and for their own survival. The frequent need of showing something new, improved or unique to the consumption shows the competitive level that companies are having. What was great yesterday already suffers from contests today and it will possibly not be supported tomorrow.

The market dynamics are affected by many factors - from consumers' socioeconomic conditions

to a firm's capacity to show an innovative product for consumption. Thus, innovation is becoming the companies' main competitive factor to increase and keep their operating area.

Brazil is one of the main food producers and, specifically, Rio Grande do Sul also has an outstanding place in this scenario. Some of the state regions work focused on their productive capacities, for instance, Vale do Taquari region of fresh meat production, candies, milk and dairy processing. Another *gaúcha* region with a food productive record is Serra, with production of chocolates to even juice and wine.

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The rise on people's health concern has caused a growth on the production and offer of differentiated products, such as functional foods (the ones that provide beneficial effects to health besides their basic nutritional functions) and organic foods (free from artificial inputs such as chemical fertilizers and pesticides). Even though the organic product represents a higher cost to the consumer compared to a conventional product, the organic products market has shown an increase in the last years. According to what the document *The Future Report Food* (Printec Comunicação, 2014) mentions that by the end of 2014, the world food market must achieve a volume of approximately US\$ 6 trillion – a rise of 37.2% compared to 2009, with highlights to the growth of the functional and organic foods global market. Initially linked to vegetables, the organic foods are currently being observed in many other sub segments, as an example, the juice and wine produced from organic grapes. In this way, it is understood by organic products, the ones that do not use pesticides (Darolt, 2007).

The firm focused on this study is a cooperative from Serra gaúcha, which produces their juice and wine organically, having started their activities in the 30's (XX century), and it is currently the leader in the muscatel sparkling wine production and it is ranked the fourth on the sparkling wine rank in Brazil (Fanti, 2011).

In addition, the focus of this article is to identify how the innovations contributed to the achievement on the competitive advantages in an organic juice and wine producing firm.

In order to achieve the study's goal, firstly it is shown a referential on innovation, followed by competitive advantage. After, the used methodological procedures are presented, and then the firm's management in-depth interviews are shown. At the end, the main considerations from the research are presented.

2 Innovation

The technological progress and the innovation have contributed to the country's economic development over the decades. A lot is attributed to the workers' qualification and the education levels as one of the most important factors of the productivity growth and improvement in all aspects. In a way, the innovation has become, for many companies, the main surviving competitive strategy and growth strategy, besides the possibility of taking advantage of the market opportunities generating competitive advantages (Porter, 1999).

Schumpeter (1977) was the first to mention the importance of the innovation on business growth when opposing theories supported by classical economists. The classic economic theory foreboded that companies operated in a market without changes,

making it possible for all companies to have space in the operating environment. Facing such situation, Schumpeter (1977) elaborated a set of new findings mentioning that the entrepreneur role in the economy is vital to keep a circular flow of the economic development. These ideas have had continuation and have been deepened by the neo-Schumpeterian authors, highlighting Nelson & Winter (1982) and Dosi (1982). Such authors have included factors which are considered essential for innovation: routines, abilities and learning (Tigre, 1998).

Schumpeter (1977) also mentions that in order to occur innovation in an organization ambit, there must be a combination of materials and strengths. Still in this sense, Nelson & Rosenberg (1993, p. 4) have the idea of innovation as “[...] the process by which firms put in practice projects of the products and manufacturing processes which are new for them”. Also, it is the economic and financial result of the introduction of a new technology in an organization environment, aiming its growth. A firm is considered innovative when it offers goods and services which did not exist previously, using a new organizational method (unused previously) which aids in the production of a new product (nonexistent in the market by then) (Pelegrin & Antunes, 2013).

The Oslo Manual (Finep, 2004), conceived by the Organization for Economic Cooperation and Development (OCDE), aims at orientating and standardizing concepts, methodologies and construction of statistics and P&D research indicators in industrialized countries. According to this document, innovation is the introduction of a new product (good or service) or significantly improved, if a new process, of a new marketing method, of a new organizational method on business practices, on the organization of the workplace or on the external relations, or still the reorganization of part or the whole institution.

As far as the importance of innovation to firms, Hitt et al. (2002, p. 523) postulates that “[...] innovations are crucial, because they distinguish their products and services from the competitors, creating an additional or new value to customers”. Sharing this idea, Zawislak (1995, p. 127) mentions that “[...] the knowledge developed by practice can be a source of competitive advantages” for organizations. For Paiva et al. (2004, p. 69) innovation “[...] is a process of change, such as any organizational activity that can be managed with the goal of bringing future competitive advantages to companies that do so”.

Innovation is becoming more and more crucial for business competitiveness (Giget, 1997), and in sequence, having reflection on the regional development. Results from studies taken in more developed countries indicate that innovation is responsible for 80% to 90% of productivity growth. For Quandt (2013), this productive rise decisively

contributes to expand the economic and social inputs of the cities, regions and countries.

According to the Oslo Manual (Finep, 2004), firms innovate focusing on maximizing profit, therefore obtaining some advantage compared to competitors. Hence, innovation can be understood

[...] as a new productive process or the change in the existing process on machines, equipment, installations, labor methods, management methods, etc., that were different and new to an organization. (Machado, 2007, p. 16).

Thus, innovation is considered a financial and economic result of the introduction of a technology into the organization ambit, aiming its growth.

From this perspective, the main goal of an innovative firm is to become a leader in its segment, with the product or service in which it operates, determining competitors to follow and to be constantly following it. In this case, when introducing a technological innovation (focused on product, materials or processes) or a business model (focused on management aspects or market openings) the firm will also be creating a competitive advantage, therefore contributing to greater financial incomes.

3 Competitive advantage

The markets have become more complex and unpredictable, demanding, from the management, mechanisms which can follow and recognize future trends in the industry in which the firm is inserted. Knowing the competitors' movements have also become more frequent by the firm. It is no longer possible to expect that a competitor implements a new market strategy without having in mind how to react. (Day & Reibstein, 1999).

This dynamic establishes a new paradigm in which firms are constantly seeking to report and to follow the surging of innovations in the processes, products, organization of the production and ways of commercialization. The pace of responses, in which the firm will report to, depends on the internal capacities, the organizational competence and the productive qualification (Ferraz et al., 1995).

In this way, the competitive advantage is accomplished when a firm can create a value in a product or in a process that goes beyond its production cost and that cannot be concomitantly implemented by the current or potential competitors (Porter, 1989; Barney, 1991). In addition, it is a competitive measure because it indicates the position of a firm over its competitors or over the industry. Besides, it is possible for a firm to produce and offer a high technology product which does not have a competitive advantage and other companies commercialize a low quality product, but for being the only one in the market, it enjoys the competitive advantages (Barros, 2001).

In another work, Porter (1990) questions the reason why some nations develop more than others. Delimitating the discussion in order to aid the answer, when analyzing an industry, it is noticed that some firms have more market power while others are followers of the first ones and they constantly have difficulties in following the sector's move. In other words, the firms can take advantage of their capacities and competences having the goal of promoting activity growth and achieving competitive advantage. This way, some countries are more developed and, consequently, more competitive than others, because they use the capacities and internal productive capacities that are able to be transformed into competitive advantages, something which firms, from other countries, are not able to. Besides such competitive advantages, firms can enjoy the comparative advantages that, according to Ricardo (1982), refer to the natural conditions of a place. For instance, the climate and the soil from specific region can be more propitious for grape production over another region. Also, competitive advantages can be added to the comparative advantages, turning a region or a firm highly competitive.

Lower production cost and differentiation of products and services are two important sources of competitive advantages, according to Porter (2000). The lowest production cost is reached when the firm produces a product, offers it and commercializes it comparatively more effectively than its competitors, adopting similar or lower prices. The differentiation of products refers to the capacity of offering buyers an exceptional and superior value as far as product quality, special features or assistance services. Both are eagerly inserted into the competitive process and are directly involved in the creation of the competitive advantages and in their support (Porter, 2000).

4 Innovation as a competitive advantage factor

It is necessary to emphasize the causal link of innovation, making the competitive advantages generation possible for the firm. It is common that managers seek the survival of the organization in the initial moments and, later, the expansion of their activities through strategies that unfold in differentiation or competition for costs, either having a broad or specific focus. In this process, it is also natural to imagine that the challenges appear and that firms seek adaptation to the context, preferably in a unique way over their competitors. Giving these assurances, in order to achieve sustainable competitive advantages, there is the need of implementing new procedures and attributes, internal or external, which so far has not been used by the market or by the organization. It is in this context that the function of innovation is inserted as a competitive advantage generation factor.

Firms operate in a competitive environment, and one of the adopted ways to face the competition is the adoption of strategies which aim at strengthening the organization in the market. The way that the company will model its strategies to face the challenges and the way that will take advantage of the opportunities will result or not in the achievement of competitive advantages (Porter, 1989). However, Barney (2001) mentions that the company must take into consideration the available sources, which can be the difference on the construction and consolidation of the advantages. In this way, the competitive advantage is achieved when the organization effectively implements a strategy or an innovation capable of creating value for the market (Bharadwaj et al., 1993).

Thereby, the innovation can be the main mechanism for a company to achieve sustainable competitive advantage facing the other competitors. According to Hall (1980), the source of differentiated competitive advantages is achieved by the reduction of prices, the use of advertising means and the innovation of products. In accordance with this purpose, Coyne (1986) argues that the existing difference between the firm's product or service and its competitors must be a long-lasting difference under the market's supervision. Hence, the competitive advantage becomes sustainable when none of the other rival firms can replicate the benefits of the adopted strategy (Barney, 2001).

Thus, the existing relation between innovation and competitive advantage is in the organization's fact to use more efficient its sources, in a way to manage them to generate innovations and those to be subjected to achieve competitive advantage (Ito et al., 2012). In this way, according to Figure 1, it will only be considered an innovation if there is (viable) economic result and (quantitative) financial result and this innovation will be able to determine if the firm will obtain competitive advantage facing its competitors. This advantage is characterized by the market perception on the differentiation and the value creation of products and services, which so far were not available to consumers. It is reinforced in this assurance the *ex post facto* character of innovation.

5 Methodological procedures

This article is characterized for being an exploratory quantitative study, aiming at identifying how the innovations have contributed for a firm to achieve competitive advantages (Figure 1). The chosen studied firm is one of the oldest and most important cooperatives of Rio Grande do Sul, having more than 80 years of existence and having many awards achieved by the quality of its products. It started the production of organic juice and wine in the state, with strong commercial appeal products, focused on a market niche which has significantly grown in the last years.

Aaker et al. (2011, p. 94) state that the exploratory research is used “[...] when seeking the understanding of the general nature of a problem, the possible alternative hypotheses and the relevant variables which need to be considered”. Malhotra (2001, p. 106) also states that the exploratory research aims at “exploring a problem or a situation to provide criteria and comprehension”. In addition, he affirms that the exploratory research is highlighted by the flexibility and versatility in relation to the methods, which are responsible for providing the researcher enough knowledge and understanding to proceed with the research project. Aaker et al. (2011) add that the exploratory research can be considered useful, mainly when much background for the questions to be researched is not obtained, aiding in the establishment of priorities, in a way to provide greater understanding about many of the practical problems in the course of the research work.

According to Sampieri (2006), the qualitative interview is more flexible and open. It is a conversation between the interviewer and the interviewee. The semi structured interviews, in turn,

[...] are based on a guide of topics or questions and the researcher has the freedom to introduce more questions to the accuracy of the concepts or to obtain more information about the desired topics (Sampieri, 2006, p. 381).

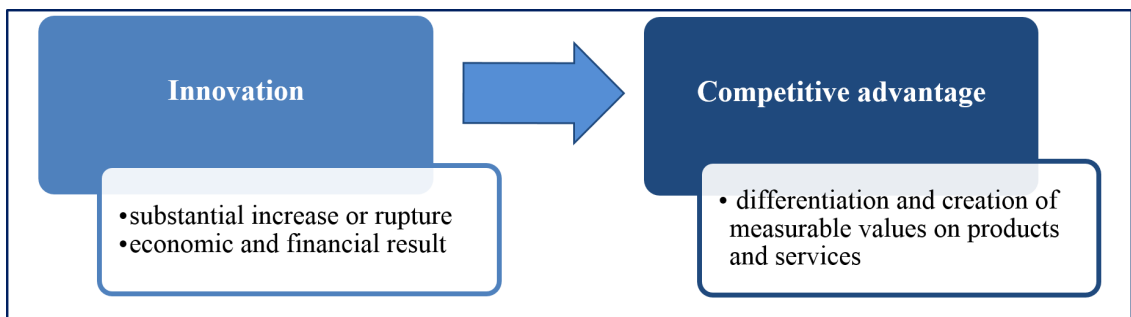


Figure 1. Innovation and competitive advantage relation. Source: elaborated by the authors.

In this way, the data and information collection was done through five in-depth interviews, exploring the questions focused on the achievement of the study's goal (Figure 2). The cooperative's president, the administrative director, the commercial manager, the farming manager and the production manager were interviewed. The interviews were recorded and later transcribed, *ipsis litteris*, for their content analysis. The five interviews were done in different days. In order to facilitate the identification of the interviews' content, it was determined that the Interviewee 1 was the president, the Interviewee 2 was the administrative director, the Interviewee 3 was the commercial manager, the Interviewee 4 was the farming manager and the production manager was the Interviewee 5. The script of the questions for the in-depth interviews was elaborated based on the theoretical reference used, considering the structural aspects and the operation market characteristics, the productive chain and the production processes, the operation market strategies and the perspectives of the firm and the perspective of the activities.

In addition, the article is characterized as being a case study, which many historical research technics are used, added by direct observation and interviews, which are crucial for this research model. Besides, it is a quite broad research strategy, which planning logic is used in order to incorporate specific approaches to the data collection and data analysis (Yin, 2001).

6 Data presentation

On January 22nd, 1931, 73 families founded Cooperativa Vinícola Garibaldi. Shortly after the 1929 crisis, a group of farmers, motivated by the ideals

of partnering and encouraged by the cooperative movement leaders, started the one that years later would be considered one of the biggest of its kind in the Americas. Many were the difficulties over the eight decades, mainly financial ones, but nowadays the cooperative shows an average annual growth over the Brazilian average. It is considered the leader in the production of muscatel sparkling wine and the 4th on the sparkling wine rank in Brazil. It employs directly around 110 people in the production and commercialization of its products, which are recognized by many awards achieved over the last years (Fanti, 2011).

The cooperative's income was R\$ 45 million in 2009, R\$ 47 million in 2010, R\$ 52 million in 2011, R\$ 57.2 million in 2012 and R\$ 69 million in 2013, that is, the firm increased its income in 53.33% or R\$ 24 million in the last five years. If we consider that the inflation in the period (from 2009 to 2013) was 28.47%, the real growth of the income was 24.86% or an annual average of 5.64%.

6.1 Beginning of the production

The Interviewee 1 mentions that the organic production begun in 2001 through a partnership with Centro Ecológico de IPÊ, which is

[...] also a nonprofit organization that works only with organic production, providing support and technical assistance to whoever is interested.

Facing this, three associates joined this organic production project converting part of the grapevine block. The cooperative had an interest in producing

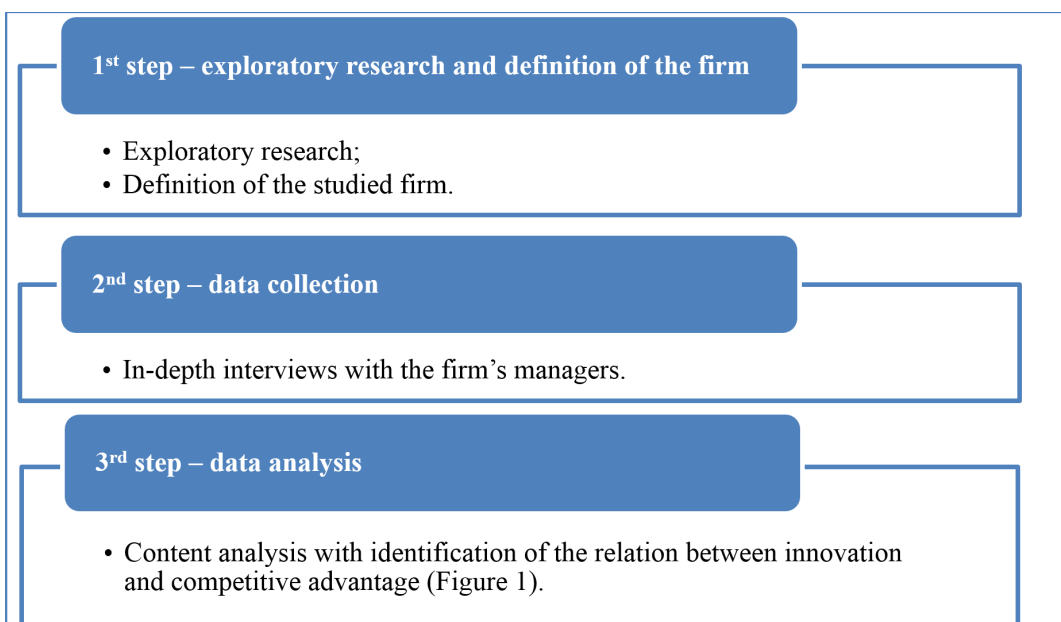


Figure 2. Main steps of the method used. Source: elaborated by the authors.

a different product. The production, of those three associates, represented 2.800 bottles of organic wine in the first year.

Financial difficulties were mentioned by the Interviewee 2, especially in the decade of 1990, and this made

[...] it [the cooperative] stop investing, logically, there was no money, and there was no source. Well, it survived, from a decade to now, 10, 15 years to now, especially in the current president's term that it started to focus on products with higher added value in order to survive, in order to be in a better condition. If it had kept with the same production master and commercial focus from 15 years ago, it would probably have been with the income of roughly 25, 30 million, and this year, we are heading to about 70, because back then it focused on low added value products, especially bulk wine, which has, has been dying, the bulk wine sale has dropped a lot.

Thus, one of the solutions, found by managers, was to direct part of the production of higher added value products, in this case, the organic ones.

The initial difficulties were given specially by the suspicion from cooperates towards the organic production, which is reported by Interviewee 1,

[...] because in their minds, it was really difficult to produce without chemical pesticides, without, right, so it was a difficult reason... But since there has been this project for a while, the first ones that started and kept the project end up being, serving as a role model to others.

Besides,

[...] the market return was something that was just beginning, since it has been twelve years ago, there was practically none or very little room for organic products in the market. So, there was a certain resistance of the differentiated product in the market, sure, I will pay more to leave it with a conventional product. So, that was the main resistance that was found in the beginning.

It is noticed, in this aspect mentioned by the cooperative's president, an initial difficulty in overcoming the cultural barriers of the wine producers. The majority of the associates had a high average age, which contributed to the suspicion in the adoption of a new production method. One of the advantages reported by the Interviewee 4 (farm manager) is about the purchase guarantee on the organic production,

[...] you will make the member produce, plant, and when the time comes say to us that we are not going to get paid, and it would be very bad for us and to the member too, imagine the product being ready and say that he or she will not get paid for it. Then, we can guarantee so, if you want to produce the organic grape, we will get the grape.

However, some organic grape producers, who are not members, drew the attention to it and are committed to hand their production to the cooperative through a verbal agreement "*fió de bigode*" (on my word). In 2013, the volume of processed organic grape was one million kilograms.

However, there was internal resistance in the firm in adopting this new productive method, mainly from the commercial department

[...] that it is a product that will be sold... with a higher added value, I will have more difficulties in selling it. Sometimes it is much more comfortable to sell a product when you can compete with the price, right? And then there was a certain resistance (Interviewee 1).

It was decided by the presidency that it would be a bet and that the investment at that moment was low. Another justification for the bet was that the producer's remuneration would be more than on the conventional production. This way, the cooperative would be contributing to increase the remuneration of the members and to create a differentiated product, according to the report from the Interviewee 1:

[...] and there has always been that pressure to pay more for the product, but you have limits, right? You cannot exaggerate... and then on this product you find a way to value more, but with convincing arguments, okay, with the organic product, I can sell it more expensive, I can add value, and then consequently, I can value a bit more the feedstock.

This matter of encouraging the producers is highlighted by the farm manager (Interviewee 4) when mentioning that it is

[...] about 0.70 cents the Isabel grape, on the conventional of 15 degrees Celsius, a good grape, he gets 0.57 cents and he will get R\$ 1.10 also for the organic grape. Then you will ask why such difference, in order to encourage people to produce Isabel grape, we had to pay a bit more because the production is harder and the waste rate is higher; because it is a more sensible to diseases variety, so the chance of going wrong is bigger.

Still, the grading of the grape aims at valuing those producers who offer a better quality product

[...] today they accept normally and amazing as it might seem, in the last years, with this kind of grading we have increased the value of the harvest, because in fact we ended up prizing who produced quality and who did not, end up getting less, but between those who got more and got less, the outstanding one is the grape with greater quality (Interviewee 4).

In addition, there is certification that attests the quality and the product as being organic. Different from the conventional juice, which does not need certification,

[...] it is issued a certificate for the organic grape which attests that the product is contaminant free, and we are all benefited by the end of the certification, archiving all the requirements, having a certificate that proves an organic product.

As the new productive activity had been developing and growing, the producers, who had not adopted this model, began to notice that members, who had already been producing organic grapes, were having a greater income (per hectare) compared to the ones who were on conventional production (with the use of pesticides). However, the increase on the offer was greater than the demand, mentioned by the Interviewee 1:

[...] because in the begging, what happened was... there were 4000 kg of grape, it went to 10, to 18, went to 30, I think it went to 60, I think it went to 80, to 120 and so on, it was about 3, 4 years ago that we have been always having more demand than the product's offer, so we even stimulated them to increase production, but that ended up over stimulating it and the production, which was 200, 300.000 kg, went up to 1.000.000 kg and the market did not absorbed it, so we had an oversupply problem, the market increases about 10, 15, 20% and the production increased much more than that.

In this way, the cooperative decided to focus more on the production of organic juice and allocate a lower amount of feedstock (organic grape) to the production of wine. This movement, initiated by Cooperative Garibaldi, increased the interest of the competitors, which nowadays also operate in this organic juice and wine market. One of the current challenges, faced by the cooperative, is the low number of buyers which bet on the organic product, and facing this, the production focuses on one big client.

Nowadays, I think that half of the production goes to Pão de Açúcar, which is a great supermarket chain which betted on organic products, there are many other chains with a similar potential as Pão de Açúcar, but they have the product, but it is along the conventional one and the consumer ends up not seeing this differentiated product, right? Supermarket chains do not have the appealing for the differentiated product, so sometimes this matter of retailer chain still has not assumed the importance of offering the organic product to the consumer (Interviewee 1).

The cooperative financial participation in the production of organic products is about 5 to 6% of the total income.

This has increased well in the last years, but like this it does not have a decisive impact, but it surely helps, but it adds up a lot of value and this is interesting, right? From production to sale, because we pay twice as much for the organic grape to the

member. Depending on the kind and quality of the grape, it can get paid almost 100% more compared to the regular, okay. Our organic product sale is normally about 30%, the value is about 30% over the conventional product, which means that it helps adding value a lot, but it still is a respectably low value for the overall business, of course, it helps a lot, but it is not decisive (Interviewee 2).

Another important aspect of the organic production adoption is that producers started being more environmentally concerned, according to the Interviewee 1's report

[...] besides being healthier products, they end up protecting the environmental system because one thing that we also noticed in the country side was that the producer was not much worried about protecting the springs, the streams, they destructed them and did not have this conscience... Nowadays it is totally different, the producer already is, he has this conscience that he must protect the stream, he must protect the things because he is going to end up paying for it tomorrow, right?

6.2 Strategic aspects of organic production

The main competitive advantage, with the production of organic juice and wine, is that, in the beginning, it gave greater visibility (brand) to the cooperative for being offered a

[...] product with greater value, it ended up being an entrance door because there is wine, there is sparkling wine, whatever, there a lot...organic product, ops, there is not this one, so it ended up being the entrance door and eventually it attracted other products, so in the beginning it was like that (Interviewee 1).

Currently, the organic products are considered a segment of the cooperative's operation due to its economic importance, to its profitability and

[...] to work the sustainability matter of being a cleaner product, but it provides greater income to the cooperative's member and this also brings more income so the cooperative can keep on existing, so we see how it is a good deal, it is paying back (Interviewee 1).

In addition, it is considered a differentiated product by the firm, according to Interviewee 4

[...] the apple of our eye, so for Garibaldi's image, it was a differentiated product that we put on the market and it gave us a certain advantage in credibility because it is a totally different product that we actually had inside Garibaldi.

The main difficulty faced by the cooperative was the price of organic products paid by consumers. The supermarket chains still consider that, for being

a differentiated product, it should have a higher price compared to the other products, and with that, limiting the consumption coverage by consumption families. The future perspective is that

[...] as time passes by, with a greater dissemination, with the increase of volume, the price matter is over which also gets a bit more affordable as we can say. Because you end up selling to the market a bit more expensive, okay, but the market gets that price and doubles it and the market does not really care...and on the conventional product, it adds up 30, 40% of the brand, which is something that retailers work with, not on the organic product, it is 100% (Interviewee 1).

This vision is also from interviewee 3 when he mentions that

[...] grape juice is a bit expensive compared to the nectar juice drinks around, so I believe that it is the person with higher economic power and higher education too, right? The grape juice nowadays is not cheap if compared to R\$8.00, R\$9.00, R\$10.00 a liter of juice becomes expensive for daily consumption compared to nectars sold from R\$3.00 to R\$4.00, but I think it is the culture, I think it is predominant.

In addition, according to the administrative director (Interviewee 2), the growth of organic juice has been lower than the growth of the conventional juice due to the following factors:

[...] one factor is the increase of competitors, many people got into it, the production grew a lot and maybe the market did not follow it, it was a growing market, a disputed market, an increasing market, but it was not in the same rhythm as the production rose and the entry of competitors, this is one aspect.

Another aspect highlighted by interviewee 2 refers to the consumer profile,

I was willing to pay for such a big difference in an organic product, I was talking about 30% more, and I think the difference is too much. There has still been a lot of awareness work for this market, understanding what an organic product is in order to spark interest of consumers.

6.3 Perspectives of the activity

As far as the future of Cooperativa Garibaldi, the president states that

[...] it is well seen, that since it was the pioneer, it was the first one that made it in the big retailer, inside the organic products market, it would be a benchmark, which is the impression that I have.

Now, inside the organic products segment, I believe that the image is good and like that, it is very much

disseminated, right? As we arrived first, we ended up being a benchmark, right?

With this, for having been the pioneer in the production of organic juice and wine, the clients know how to recognize it, when the offer is greater than the demand, the cooperative's products are kept and the ones from the competitors are not offered. In other words, considering that the firm was the pioneer in this market, a competitive advantage was created over its competitors, which arrived later. This aspect is complemented by interviewee 2 when mentioning

[...] that the special contribution of the organic product to Garibaldi is in the firm's image, for being part of the profile, for being part of the firm's strategy in the concept of sustainability which is what we have been selling strongly out there, it is crucial to any presentation that we do at Garibaldi to highlight our organic product client. It is the apple of our eyes, which was something no one betted on in the beginning, every one disbelieved it, even commercially it would not work out, even in the technical area and there have been some people that bought the idea, especially the president, look at it nowadays, it got to 1 million kilos of organic grape.

In addition, in the opinion of interviewee 3

[...] in the future, for sure, it will be a very attractive market. We started in 2001 and practically it was just us who consumed it, today there is about four or five firms with organic juice on the market. I see a great perspective in the future". Complementing he says that "as we were practically the pioneers of the organic line, sometimes orders are requested on that...wow! We have a line of organics...ah! We were the first ones to launch a juice; it opens doors, it still does.

The concern with the organic grape producers is constant from part of the cooperative, whether one of them decides to add any pesticide in order to improve productivity, the reflexes will be felt by all the other producers. In this case, the product's image will be jeopardized and it will lose confidence by the final consumers. Hence, more than the certification of a product, the organic wine and juice's image represents a pesticide free production.

The concern on the constant qualification of the activities and productive processes is mentioned by the production manager (Interviewee 5), due to the development of the processes' manuals, seeking to describe the processes of each productive activity from the cooperative.

7 Case analysis

The presented results reflect the firm's initiative in adopting a new way to produce juices and wines, according to Porter (1989) and Barney (2001), with

the creation of competitive advantages over the competitors. Without the addition of pesticides, organic products represented an innovation in production and in the commercialization of differentiated products with added value for the cooperative and greater profitability for the producers. Thus, as highlighted by Bharadwaj et al. (1993), the firm achieved competitive advantage by the fact of having implemented an innovation strategy capable of creating value to the market.

However, in the beginning of the organic grape production, there were many difficulties and skepticism to be overcome by the cooperative, especially with the producers in replacing the traditional process by a pesticide free model (Chart 1). In addition, the commercial department of the firm saw these new products with suspicion, because the innovation makes the organization get out of a comfort zone by the potential risk of the unknown. The growth of the productive activity and the commercialization overcame the initial difficulties, causing, including in the last years, an oversupply. With the entry of new competitors, the organic juice and wine production in the cooperative revealed a lower growth over the conventional products.

From the innovation strategy point of view, it is observed that the innovation is presented as an incremental form in the profile, not replacing other income sources, but with impacts on the productive process. This strategy is positive as far as the new competitors also launched products in the organic juice market, lowering the competitive advantage of the cooperative. It is also observed the use of partnerships and technological transfer as innovation facilitators.

From the market point of view, the organic products are seen as differentiated products by the

big supermarket chains and that is why they abuse the prices for the final consumer, causing restrictions on the consume.

In relation to the main competitive advantages achieved by the introduction of the innovations, those are regarded by the fact that the organic products are products that encourage the order of other products from the firm, making the entry into new markets or new supermarket chains possible. The organic product operates along with the conventional products, and the competitive advantage for the firm is on the variety and the distinct focus of the set of new offered products, according to Chart 1. Also, even though the production and commercialization of organic product has little participation in the total income of the firm, it results in greater financial income compared to conventional products. And this greater income is passed on to the producer, making it more attractive than the conventional production. From the point of view of its brand, the cooperative's image became stronger over the consumer market, considering the concern of the sustainable production and, consequently, the health of producers and consumers.

Some challenges and perspective for the activity's future were identified in the interviews. The organic product market will keep up its growth, mainly with the people's concern for their health. Being related to this increase in the market, there is a need of greater promotion of organic products, showing to the consumer markets the differences and advantages of consuming pesticides free products. And in relation to the productive process, with the focus on improving the financial income, there is the challenge to develop a new bottle with lower cost, replacing the glass one, which is currently used.

Chart 1. Main characteristics of the productive activity analyzed.

Beginning of the activity	In 2001, through a partnership with Centro Ecológico de Ipê/RS.
Main difficulties faced in the beginning	Suspicion by part of the producers; Internal and external cultural barriers; The amount is still underdeveloped.
Main difficulties faced over the activity	More recently, oversupply; Low bet on organic products by the big supermarket chains; Price abuse by part of the supermarkets; Consumer profile still very restricted.
Achieved competitive advantages	Being a product that encourages the order of other products from the firm; Providing a greater financial return to the cooperative and to the producers; Concern with sustainability; Image of a pioneer firm in the market of organic juice and wine.
Perspectives and challenges for the future	Developing a bottle with lower cost compared to the current glass one; Greater exposure of the organic products; Market growth of organic products.

Source: Elaborated by authors based on the in-depth interviews.

8 Final considerations

The focus of this study was to identify how the innovations contribute in achieving competitive advantages in the analyzed firm. In order to achieve this goal, five in-depth interviews with the cooperative's managers were done.

According to the presented results, the firm structured and implemented a productive activity of organic wines and juices, causing significant changes in the structure and in the links of the productive chain. The main barrier in the introduction of the innovation (organic production) was the suspicion of the ones involved in the activity, mainly by the rural producers. However, as time went on and the production development, the producers, who were not inserted in this activity yet, noticed the income and health advantages, and the firm achieved some competitive advantage as the differentiated product offer to the market in which it operates, consumer awareness of the organization's social responsibility, the demonstration of being a pioneer firm on the production and offer of those products and greater financial income for the firm and the producers/members.

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