

Stockholm School of Economics
Thesis in Business and Management

To enter or not to enter?

**Motives behind strategic entry decisions into disruptive niche markets:
A case study on dairy industry incumbents venturing into plant-based
alternatives**

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ABSTRACT

The dairy industry is in the midst of a transformation due to the surge of plant-based alternatives and the various reactions of industry incumbents. This thesis addresses the strategic decision-making of dairy industry incumbents when entering the potentially disruptive plant-based niche. A qualitative case study approach is employed to explore the motives behind the niche entry and the related mode and timing of seven Nordic dairy industry incumbents. The case study revealed a multitude of strategic motivations for incumbent entry, ranging from consumer demand to portfolio alignment, with factors such as ownership structure and company beliefs impacting this decision. The analysis is based on the review of previous literature about incumbent niche entry, grounded by three theories: strategic decision-making theory, contingency theory, and literature about strategic contagion. This review forms the basis of the conceptual framework, which guides the categorization and analysis of the case findings. This research makes a contribution to the understanding of incumbent niche entry, particularly within domestic markets. Another contribution is towards the discussion on competitive contagion literature with an extended perspective on the role of competitors. Lastly, this thesis provides a comprehensive understanding of how various drivers interact to shape incumbents' decisions in dynamic market environments, contributing to the discussion on the presence of contingencies in strategic decision-making and the role of competitors.

Keywords: Market entry, Strategic decision-making, Incumbents, Niche markets, Disruptive niches, Competitive contagion, Contingency theory

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1. Introduction

*"Strategy is about making choices, trade-offs;
it's about deliberately choosing to be different."
- Michael Porter*

The emergence of disruptive niches has significantly reshaped many established markets, resulting in incumbents experiencing a decline in market dominance or, in some cases, facing complete extinction after inadequately reacting to new market dynamics (Christensen, 2015). A well-known example in the realm of disruptive technology adoption is the bankruptcy of the photography industry incumbent Kodak after failing to adapt to the changing environment and emerging technologies. This in contrast to the agile competitor Fujifilm who managed to capitalize on the disruption (Ho & Chen, 2018). Incumbents in all industries need to continuously monitor their market for shifts and adapt accordingly while maintaining internal stability, to maintain a competitive advantage. This involves managing ownership, risk-taking, and leveraging internal capabilities such as testing new products and developing future-proof products that align with long-term trends. Externally, companies must respond adeptly to strategic actions by competitors, technological advancements, changing customer preferences, and regulatory impacts (Markman, Gianiodis, Payne, 2019; Tucci, Filatotchev Kotha & Gedajlovic, 2019).

Despite the consequences of reacting late to shifts in the market, some incumbents show varying willingness to promptly move into potentially disruptive niches. In contrast, others are eager to alter their business models (Bulah, Tziva, Bidmon & Hekkert, 2023; Christensen, 2015). Nokia, a global leader in mobile phones, exemplifies reacting late to the shifts in its industry (Vuori & Huy, 2016). The company overestimated the strength of its brand and trusted that it could arrive late to the smartphone race without losing market share, with all known consequences.

Industry incumbents like these are market leaders with substantial market share or impact, typically possessing an advantage in understanding customer needs, often due to their established presence and resources (Eklund, 2019). They are usually seen as resistant to change and are typically delayed in making a transition, but in certain situations, incumbents proactively engage in niche products when incentivized by economic opportunities (Bulah et al., 2023). While incumbents may enter niche markets when perceived benefits outweigh risks and costs, they often face challenges such as resource allocation and internal resistance (King & Tucci, 2002; Min, Kim, and Zhan, 2017). Furthermore, the

characteristics of incumbents, such as ownership structure, industry beliefs, and formal policies, significantly impact their approach to expanding their product portfolios (Whetten, 2006; Barnett & Pontikes, 2008).

External pressures impacting incumbents, including regulations, technological advancements, and evolving customer preferences, serve as pivotal points prompting incumbents to reconsider their strategies, including their product portfolio (Hillman & Keim, 2001; Husted & Allen, 2006; Wang & Bansal, 2012; Porter & Heppelmann, 2014; Leialohilani, & de Boer, 2020). Market size uncertainty affects the perceived attractiveness and potential return on investment of entering niches, impacting incumbents' decision-making (Min et al., 2017; Bond & Houston, 2003). Understanding this uncertainty is beneficial when evaluating the risks and opportunities associated with expansion into niche markets. Industry incumbents are expected to be less sensitive to market size when they make an entry decision into related industries because they may have expectations beyond expected profit (Min et al., 2017). Incumbents may, for example, enter a disruptive niche market to improve their product portfolio, where they emphasize a long-term perspective (King & Tucci, 2002; Min et al., 2017). Direct profits may not be expected but rather, the move can be seen as a long-term investment.

The decision-making is further complicated by the risk of accelerating the growth of a niche market that could ultimately threaten the incumbent's core business (Debruyne & Reibstein, 2005), which is unique to the emergence of disruptive niches (Christensen, 2015). This phenomenon is particularly pronounced in scenarios where entering a niche market could catalyze broader market shifts, inadvertently benefiting competitors or hastening the obsolescence of the incumbent's established offerings (Debruyne & Reibstein, 2005; King & Tucci, 2002). These complexities underscore the importance of understanding the motives influencing incumbents' decision-making regarding niche entry, especially in the presence of a disruptive niche. Our research seeks to address this by offering valuable insights for practitioners and researchers in navigating niche market entry strategies.

This study employs a case setting within the dairy industry, aiming to shed light on the broader phenomenon of how and why established companies react to disruptive niches. In the ever-evolving food industry landscape, the emergence of plant-based dairy alternatives represents a significant shift in consumer preferences and market dynamics (Dairy Global, 2023). This transition is not merely a trend but a reflection of broader societal movements toward sustainability, health consciousness, and ethical considerations in food consumption. Studies such as those by Tang et al. (2018) and Yahia et al. (2020) have underscored the potential health advantages of consuming plant-based milk. Moreover, environmental concerns have spurred consumers to opt for plant-based options due to their lower carbon footprint and reduced water usage compared to traditional dairy production (Poore & Nemecek, 2018). As consumers become more health and eco-conscious, the trajectory of plant-based

milk's popularity seems poised for continued ascent. In line with the strong growth in popularity in the past years and plant-based drinks becoming a common substitute for dairy, the volume of plant-based beverages consumption is expected to grow by 60% in the period 2023-2027 in Europe (Statista, 2022, Appendix 4). Many industry leaders respond consistently to market pressures by launching dairy-free alternatives, although they do so on varying timelines (Coyne, n.d.). Their strategic decision to enter this plant-based niche market provides a compelling setting for this research direction.

Understanding niche markets plays a significant role in business strategy and market segmentation, offering opportunities for businesses to differentiate, tailor offerings, and adapt to changing dynamics. The evolution of niches in response to changing resource dynamics impacts industry incumbents and SMEs alike (Odlin & Benson-Rea, 2021). With technological advancements, globalization, and changing consumer demand, some niche markets are transitioning from niche to mainstream. The evolution in the dairy industry exemplifies this transition, driven by consumer preferences, trends, and regulatory dynamics in a shift towards more plant-based options (Boukid, 2021). Factors like health consciousness and sustainability concerns have impacted the plant-based niche and its popularity within the mainstream (Sridhar, Bouhallab, Croguennec, Renard & Lechevalier, 2023). Multiple dairy industry incumbents in the Nordic region have started producing plant-based products, which may be a response to the growing niche and consumer demand but could also be driven by other internal or external pressures.

1.1. Problem statement

The strategic stakes for incumbents entering a potentially disruptive niche raise questions regarding why and consequently, when and how to enter and how this might impact the existing business. By entering the potentially disruptive niche, the incumbent will aid in speeding up the decline of their primary market (King and Tucci, 2002). However, not entering may make them vulnerable long-term, particularly when considering losing market share and lacking a future-proof product (Christensen, 2015). The emergence of plant-based dairy alternatives raises the question of how established food industry companies react to this market shift. This research is motivated by the ongoing developments in the industry and the anticipated continued adoption of dairy-free alternatives (Statista, 2023). Entering this potentially disruptive niche market should be classified as a strategic decision, requiring incumbents to adjust their strategies to achieve a fit with the changing environment. While market entry decisions related to international expansion have been thoroughly studied, previous research (Hill, Hwang, & Kim, 1990; Ayal & Zif, 1979) typically does not address domestic niche entry or decisions regarding disruptive niche entry.

Literature about competitive contagion (Debruyne and Reibstein, 2005) primarily addresses how competitor entry into a disruptive niche market triggers incumbents to follow in a timely way but does not include the notion of fit between the organization and its environment. This finding contradicts Porter's (2008) perception of an attractive market, suggesting that increased competition would lower the market's attractiveness, negatively influencing the decision to enter a niche market. To further understand why incumbents enter a potentially disruptive niche market, this study poses the central research question:

Why do incumbents decide to enter into new and potentially disruptive niche markets?

This is supported by the following two sub-questions:

How do incumbents enter a potentially disruptive niche market, and why is this entry mode chosen?

When do incumbents enter a disruptive niche market?

An embedded case study of seven industry incumbents in the Nordic dairy industry is conducted to provide an answer. By including cases with different ownership structures, core beliefs, and sizes, this research aims to contribute to the understanding of incumbents' reactions to disruptiveness from various starting points. In the data-gathering phase of the study, 15 individuals with extensive knowledge of the topic were interviewed, complemented by a survey conducted prior to each interview (Appendix 2). Additionally, this phase included a preliminary survey of consumer perceptions regarding the plant-based industry (Appendix 1), supplemented by secondary company data and a review of existing literature.

1.2. Aim and objectives

This research aims to shed light on the motivations and strategic considerations guiding the industry incumbents' decision-making regarding positioning themselves in this potentially disruptive niche market. Understanding incumbents' reactions to disruptive plant-based niches in the dairy industry can provide insights into how incumbents react and adapt to changing markets and contribute to the discussion of incumbent entry in this specific empirical setting. Understanding the drivers impacting the decision to enter will provide valuable insights into why and when entry occurs.

By focusing on the strategic decisions of dairy industry incumbents to enter the plant-based market, this thesis contributes to a deeper understanding of the mechanisms and motivations underlying the navigation in finding a fit between the internal and external pressures. It offers a timely investigation

into the challenges and opportunities of navigating potentially disruptive niche markets, providing valuable insights for both academic research and industry practice.

1.3. Structure and delimitations

The structure of this thesis is outlined as follows. Chapter two reviews the existing literature about incumbents and (disruptive) niches and introduces the three theories employed in this thesis: strategic decision-making theory, contingency theory, and literature about strategic contagion. This chapter concludes with the development of the conceptual framework, which will guide the analysis of the results. Chapter three describes the methodological approach, including the research design, data collection, and data analysis method. Chapter four describes the empirical setting, the seven cases studied and presents the research findings followed by a categorization according to the conceptual framework. Chapter five discusses the findings in relation to the previously reviewed literature. Chapter six concludes the research and provides an answer to the main research question: *Why do incumbents decide to enter into new and potentially disruptive niche markets?* and the supporting sub-questions. Chapter seven includes a discussion of the study's theoretical contributions, managerial implications, and limitations. Finally, chapter eight proposes potential areas of future research.

With the purpose of limiting the complexity of this research, the behavioral side of decision-making, as discussed by Cyert and March (1993) and Simons (1997), is excluded. We acknowledge the influential role of the decision-maker in the process of market entry, following the research from Ener (2018). Nevertheless, the decision has been made to focus on decision-making theory at a company level, primarily focusing on the context within which decisions are made. If approaching decision-making theory from a behavioral aspect, the study design needs to be modified to ensure a reliable contribution. Another reason for making this decision is the necessity to limit the scope of our research; however, incorporating a behavioral aspect in future studies could significantly enhance the value of the research. In addition, it is acknowledged that disruptive innovations are central to the emergence of a new niche (Bulah, et al., 2023; Christensen, 2015). To limit the scope, the development of these specific niches and the role of incumbents in this process are excluded from this research.

2. Literature review

This chapter explores the concept of disruptive niche markets (Odlin and Benson-Rea, 2021; Boukid, 2021) and defines industry incumbents (Magnusson & Werner, 2023). It also examines what is known about incumbents entering potentially disruptive niche markets. Following this, the main theoretical foundation is introduced, which consists of strategic decision-making theory complemented by contingency theory and literature about competitive contagion. These discussions conclude in the presentation of the conceptual framework guiding the study.

2.1. Disruptive niche markets

A niche market is a specialized, specific market segment focused on addressing the specific needs of a particular segment of customers (Odlin & Benson-Rea, 2021). It is necessary to define what niche markets are in relation to the phenomenon of incumbent entry into potentially disruptive niches, as this understanding clarifies the strategic decisions and adaptations incumbents require in response to emerging market shifts. Odlin and Benson-Rea (2021) provide insights into the term niche, which comes from ecology, “*niches represent spaces in the environment where organisms live and compete for survival, with niche boundaries defined by the resources in the environment...*”. The ecological theory can be applied to companies, where a niche is a “*population-level concept representing multiple organizations competing for position in a resource space*”, where resource space may refer to end-user customers (Hannan, Carroll & Pólos, 2003; Odlin & Benson-Rea, 2021).

Within the strategy domain, niches are described as a group of customers with non-mainstream needs (Bryce & Dyer, 2007). Additionally, marketing literature complements this with the definition of niches as pre-existing firm-level opportunities awaiting discovery, where it is assumed that marketers have the capabilities to analyze the attractiveness prior to entry (Odlin and Benson-Rea (2021). Odlin and Benson-Rea’s (2021) findings suggest that niches evolve in response to resources supplied or withdrawn by early customers, sales channels, shareholders, or competitors. Alternatively, they may also evolve as the value of these resources changes (Odlin & Benson-Rea, 2021; Toften & Hammervoll, 2013). Their research also highlights that niches are evolving resource domains impacted by changing industry dynamics and customer needs. When targeting specific audiences, niche markets are vital in business strategy and market segmentation. There is potential for businesses to differentiate from competition, tailor their offerings, and adapt to changing market dynamics. Hence, it is relevant to emphasize and discuss the importance of niche markets from the perspective of what they are, what is known about niches, and what niche targeting may look like for industry incumbents.

Niche markets consist of a more narrow group of consumers, who may be fewer in number but more likely to purchase a specific product or service (Odlin & Benson-Rea, 2021). Consumers in niche markets may have unique needs in terms of, for example, demographics, psychographics, lifestyle or profession. Therefore, niche markets may be defined by demographics or by specific needs and preferences (Odlin & Benson-Rea, 2021). A popular niche defined by preferences is conscious consumers, which could relate to environmentalism, animal rights, or diet choices (Financial Times, 2023a; Financial Times, 2023b). Another example is specialized diets, which could be due to various reasons like allergies, health concerns, or ethnic reasons, in which case the niche would be defined by demographics rather than preferential factors (Boukid, 2021; Odlin & Benson-Rea, 2021). As consumers gain access to more information, diverse interests and preferences emerge, which in turn can lead to the creation of niche markets and their shift to the mainstream (Boukid, 2021). This shift indicates a broadening acceptance of once-niche products or services, driven by increased consumer awareness or, for example, evolving societal values. This suggests that markets previously regarded as niches, often serving exclusively a particular segment of consumers with unique needs and preferences, are now gaining further acceptance and accessibility among the general population, reflecting shifting consumer tastes and market dynamics (Boukid, 2021). According to our pre-study survey conducted on people between the ages of 19 and 64 in Finland, Sweden, and Denmark, factors like health concerns, dietary trends, and taste preferences were among the reasons behind their personal nutritional shift to a plant-based niche (Appendix 1).

2.1.1. What makes a niche disruptive?

A niche becomes disruptive once it challenges norms, practices, or products in a particular industry (Abernathy & Clark, 1984). Disruptive niche innovations are a central aspect of this, where new innovative approaches, technologies, or business models are introduced that can fundamentally change industry standards (Debruyne & Reibstein, 2005; Abernathy & Clark, 1984). Customers in the niche segment are typically the first to embrace disruptive innovation, but in contrast to the early adopters, the niche customer segment often does not influence the mainstream market (Govindarajan & Kopalle, 2006). When the disruptive innovation is exclusive to the niche, it is unclear whether it will become mainstream. Hence, it is a source of uncertainty, creating a dilemma for incumbents in deciding if it is worth heavily investing in. Disruptive niche innovations are typically seen as a threat to the existing business from the incumbent's perspective, as discussed by Debruyne and Reibstein (2005). Simultaneously, disruptive niches can be considered as opportunities to conserve or enrich the existing competencies of the incumbent (Abernathy & Clark, 2005). This means that partaking in new niches can prevent the existing competencies from becoming obsolete when the industry evolves.

The relationship between niche markets and incumbents is a complex one, as described by Debruyne and Reibstein (2005): “*The ability to keep up with changing technology is critical for a company's long-term survival. However, companies have to balance the risk of rushing into new areas and potentially cannibalizing their existing business against the risk of missing the emerging market*”. Niche markets can offer opportunities for differentiation, but simultaneously, focal incumbents play a significant role in shaping the market, but they need to find the balance between their existing business and the emergence of potentially disruptive niche markets.

2.2. Industry incumbents entering niche markets

Industry incumbents can be defined as companies with the largest market share or a great impact on a certain industry, where their position is stronger than that of potential entrants (Black and Hashimzade & Myles, 2009; Chen, 2024). Discussing incumbents is relevant to understanding their impact within industries, as they often dictate market dynamics and serve as benchmarks for competition and innovation (Macgregor & Madsen, 2018; Magnusson & Werner, 2023).

Incumbents are typically recognized as companies that are already established in a specific industry, often defending established structures (Magnusson & Werner, 2023; Santa-Maria, Vermeulen, & Baumgartner, 2022). Macgregor and Madsen (2018) define incumbents as “*firms that entered the industry before the change,*” meaning they need to modify their traditional routines once change occurs. Incumbent characteristics are dependent on the industry they are in, but a common characteristic for all is that they are already present in a market and that they hold a large portion of the industry’s market share. Typically, incumbency can be seen as a company characteristic (Chandy & Tellis, 2000).

Market-leading companies can also be seen as having an *incumbent advantage*, meaning having a deeper insight into the needs of customers and a strong understanding of how to be profitable. Within the fast-changing competitive environments, industry incumbents need to balance their existing and emerging business models (Eklund, 2019). This requires constantly adapting existing capabilities to emerging market trends and changing customer needs and preferences to remain relevant and competitive. Van Mossel, van Rijnsoever, and Hekkert (2018) explain that incumbents initially enter niche markets only out of necessity or to seize an opportunity due to the perceived risk of entering a new niche. Finally, companies might choose to enter a specific niche market as a strategic move to prevent competitors from gaining a competitive edge (Chen & MacMillan, 1992). This tactic is generally aimed at preserving their own market position by ensuring no rival can achieve a dominant stance that could potentially threaten their business.

2.2.1. Incumbents in niche markets

Certain characteristics of incumbent companies can impact their strategic responses (Robinson, 1988; Sandström, Magnusson, & Jörnmark, 2009). Khanna and Tice (2000) examine the influence of ownership structure and size on retail industry incumbents' response to new entrants. Their findings indicate that privately owned companies typically respond less aggressively, whereas larger incumbents tend to respond more aggressively. However, companies with substantial market presence often exhibit less aggressive responses to new entrants. Regardless of the characteristics of the incumbent, entry timing and mode are critical strategic decisions that companies entering into new product markets must make (Khanna & Tice, 2000). Under certain circumstances, incumbents may want to profit from first-mover and follower advantage (Bulah et al., 2023). When motivated enough, niches may start to look like opportunities rather than threats for incumbent entry (Odlin & Benson-Rea, 2021; Leialohilani & de Boer, 2020; Blind, 2012). This incentive may come from external factors such as regulations or an increase in market size (Blind, 2012).

Typically, industry incumbents are not seen as ones to partake in niches for a multitude of reasons. They generally focus on their existing core markets with established infrastructure, brand recognition, and customer base (Bulah et al., 2023). Incumbents may be reluctant to venture into a niche, fearing reputational risks or hurting the brand image. Venturing into niche markets may also require significant resources and may divert attention and resources away from their primary revenue-generating activities. As discussed by Bulah et al. (2023), it is typical that new technologies remain in niches for a long time while experimentation is still taking place. Incumbents may also perceive niche markets as high-risk endeavors with uncertain returns, especially if these markets are relatively untested or have limited growth potential (Bulah et al., 2023).

2.3. Niche market entry

Decision-making theory, for example, by Eisenhardt and Zbaracki (1992) discusses the impact of the context on decision-making and differentiates between internal and external factors. In light of entering a potentially disruptive niche market, the following literature aims to identify what this entails. Understanding the intricacies of the decision-making process could clarify the reasons behind selecting a specific niche and the timing of such transitions, shedding light on internal and external factors pushing companies towards this shift.

2.3.1. Incumbent entry as a strategic decision

Every company has to create a strong competitive position in the market with an individual competitive advantage to be successful and relevant in the long run (Porter 1991). For a company to stay viable, it is essential to adapt to the changing environment (Duncan, 1972), which leads to a definition of strategy: “Strategy is the act of aligning a company and its environment” (Porter, 1991). This definition of strategy is in line with the contingency theory perspective. The emergence of a disruptive niche is a change in the environment in which the incumbent is operating with the consequence of the current business model potentially becoming obsolete. Following this definition of strategy, incumbents would benefit from targeting niches for multiple reasons (Parrish, Cassill & Oxenham, 2006): (1) in many industries, the market may already be saturated by competition, making it easier to establish a market presence in a niche, with less competition. (2) Niches offer the potential for specialization and customer loyalty. Additionally, targeting a niche allows for brand differentiation from the competition. (3) Lastly, focusing on niches offers room for innovation opportunities. Niche markets often have challenges stemming from market regulations, which may require innovative solutions and technological developments (Leialohilani & de Boer, 2020).

2.3.2. Different modes of market entry

The choice of market entry mode is central to studying the incumbents that are partaking in the niche entry (Bulah et al., 2023). Market entry research is concerned with the strategies and methodologies businesses use to enter international markets or penetrate new products into existing markets and is often part of research with a strategic focus (Schellenberg, Harker & Jafari, 2017). Lee and Lieberman (2009) categorize market entry modes into acquisition and internal development. Prior research often argues for a connection between the relatedness of the product to the existing offering and the entry mode chosen by a firm (Lee & Lieberman, 2009).

This research also indicates that product development is typically carried out using existing resources when a new product is similar to the existing offering. Conversely, products that significantly diverge from existing offerings are often added through acquisition. However, empirical evidence to support these claims is limited, and further research by Lee and Lieberman (2009) suggests that additional factors should be considered when making market entry decisions. Bulah et al. (2023) argue that the entry mode and timing depends on the type of company and market conditions. In accordance with Lee and Lieberman (2009), in-house product development is found most suitable when the company wants to leverage existing capabilities unless the incumbent sees significant risks (Bulah et al., 2023). Collaboration would be strategically interesting when the company needs to combine strengths or share these potential risks. In contrast, mergers and acquisitions are found to be connected to the

timing aspect of market entry. When a rapid market entry is needed to sustain a competitive advantage or capture unclaimed market share, mergers or acquisitions are found most compelling.

2.3.3. Why does incumbent entry take place, or not?

Incumbent entry is impacted by a multitude of drivers that can be divided into endogenous, exogenous, strategic, and economic. Companies create and establish endogenous barriers through their internal strategies and competitive behavior. This includes factors like incumbent reactions to new entrants or niche markets (Pehrsson, 2009). Incumbents may face internal resistance to change or inertia within their company structures, making it challenging to pivot towards niche markets (Sull, 1999; King & Tucci, 2002; Moradi, Jafari, Doorbash & Mirzaei, 2021). As a result, incumbents may opt to maintain their focus on mainstream markets where they can leverage their existing strengths, current resources, and competitive advantages.

Exogenous barriers are those embedded in market conditions and, hence, are typically not controllable by the companies (Pehrsson, 2009). An endogenous factor impacting entry timing is market size uncertainty. Market size uncertainty refers to the lack of precise knowledge or predictability regarding the size and potential growth of specific market segments or niches within a market (Min et al., 2017). Christensen (2015) illustrates this uncertainty through an example, demonstrating that not all emerging markets achieve long-term growth and profitability. This uncertainty arises due to factors like changing consumer preferences, technological advancements, regulatory changes, and competitive dynamics. For incumbents, such uncertainty can impact decision-making processes regarding when to enter a particular niche market due to the importance of entry timing. Bulah et al. (2023) argue that changing consumer preferences is often the driver of market entry and frequently precedes regulatory action, highlighting the timing aspect of market entry. Incumbents may enter a new market as a response to a rival entry into the new market, referred to as the bandwagon effect or competitive contagion (Kim, Min & Cha, 2014; Debruyne & Reibstein, 2005).

Kim et al. (2014) introduce a framework that categorizes market entry motivations into two main types: economic motivations and strategic motivations. Economic motivations focus on the direct profitability of entering a new market, including gaining market share of the market's existing demand and leveraging scale efficiencies. This motivation aligns most with conventional thoughts about market entry motivation (Kim et al. 2014). Industry incumbents typically enter a niche market at a stage where they perceive the potential benefits outweigh the risks and costs associated with entry (Bulah et al., 2023; Kim et al., 2014; Min et al., 2017). This typically occurs after the niche has demonstrated some level of stability and growth potential and when the incumbent has identified opportunities to leverage their existing resources and capabilities to compete effectively within the

niche. Kim et al. (2014) find that expected profits are a dominant reason for market entry, while Min et al. (2017) highlight that industry incumbents with business in related industries may have different entry motivations than just post-entry profit. This includes factors like maximizing the utility of their technological or market knowledge or resources obtained from an adjacent market or related business.

On the other hand, strategic motivations are concerned with positioning against competitors, learning from market participation, and securing future strategic advantages rather than immediate financial gains (Kim et al., 2014). According to Kim et al. (2014), large companies tend to prioritize overall corporate benefits over direct market profits when entering new markets. Kim et al. (2014) also argue that companies may enter markets for long-term benefits rather than direct post-entry profits. Competitive dynamics and strategic considerations, like positioning against competitors and securing future strategic advantages, are driving factors for large corporations that must ensure their sustainable market position (Kim et al., 2014).

These motives influence the choice of entry mode and how a company approaches a new market, balancing between immediate economic returns and long-term strategic goals. A general finding by Bulah et al. (2023) is that incumbents engage in niche exploration when incentivized by, for example, regulatory action, economic opportunity, and consumer patterns such as trends.

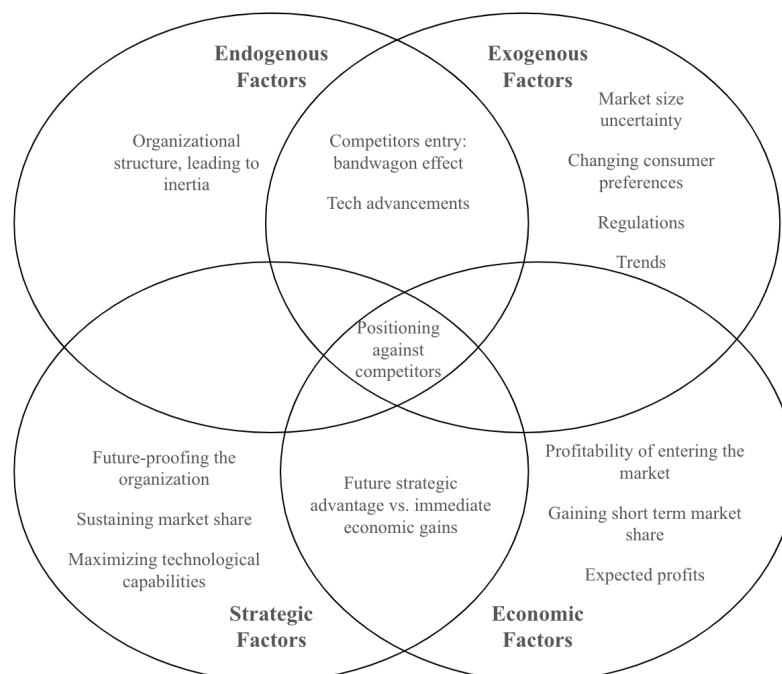


Figure 1. Factors impacting incumbent entry

2.4. Theoretical foundation

The decision of incumbents to enter a niche is a decision that is strategic in nature (Greve, 2000). The research question “*Why do incumbents decide to enter into new and potentially disruptive niche markets?*” will be reviewed in the next chapter based on three theories: the leading theory employed for this research is (1) strategic decision-making theory, complemented by (2) contingency theory, and (3) the theory of competitive contagion. First, the concept of disruptive niche markets (Odlin & Benson-Rea, 2021) and the definition of industry incumbents (Magnusson & Werner, 2023; Chen, 2024) needs to be addressed, followed by an overview of what we know about incumbent market entry into a potentially disruptive niche. Connecting the prior literature about market entry with the chosen theories will lead to the introduction of the conceptual framework.



Figure 2. Theoretical foundation

<i>Strategic decision-making</i>	Eisenhardt and Zbaracki (1992) Content, Process and Context, niche entry as a strategic decision
<i>Contingency theory</i>	Burton, Lauridsen and Obel (2002). Fit between the external environment and the organization
<i>Competitive contagion</i>	Debruyne and Reibstein (2005) Domain of incumbent entry as a reaction to rival entries

2.4.1 Strategic decision-making theory

There are three types of organizational decisions that can be made, strategic decisions, tactical decisions, and operational decisions (Child, 1997; Eisenhardt & Zbaracki, 1992; Mintzberg, Raisinghani & Theoret, 1976). Eisenhardt and Zbaracki (1992), following Mintzberg, Raisinghani, and Theoret (1976), define a strategic decision as: “important, in terms of the actions taken, the resources committed, or the precedents set”. This definition focuses on the infrequent decisions made by top executives in a company where the decision significantly impacts the health and survival of the company, not on everyday decisions. Child (1997) clarifies this point by adding that “important” should be seen as important for the entire company, with long-term consequences influencing the decision direction of the decisions to come (Andrews, 1971). Child defined a “strategic choice” as the process where power-holders within the companies decide upon the course of strategic action (Child, 1972). Concluding the findings from Child (1997), strategic choice refers to the process by which power-holders in the company make choices about objectives, strategies, and actions of the company in response to, or anticipation of, changes in the external environment. This process is influenced by a multitude of internal and external factors, for example: organizational structure, environmental conditions, stakeholders' concerns, and power dynamics in the company. In summary, a strategic decision can be characterized as *being unique, having long-term consequences, having uncertain conditions, being unstructured, and being taken by top managers* (Elbanna, Thanos & Jansen, 2020).

Eisenhardt and Zbaracki (1992) have significantly contributed to our understanding of strategic decision-making, particularly through their work on the roles of context, process, and content in this area. Eisenhardt's research often focuses on how companies can make fast, effective decisions in highly competitive and dynamic environments. One of her well-known concepts is the notion of "strategic decision-making in high-velocity environments," where the core elements of the context, such as the external environment, the process of how decisions are made, and the content of the decisions themselves.

Leiblein, Reuer, and Zenger (2018) build on the three fundamental theories of strategic decision-making: (1) theory of strategic investment, (2) theory of competitive advantage, and (3) theory of the firm and argue that strategic choices require the ability to envision or simulate intricate relationships among current and future decisions made by individuals both within and external to the company. Uncertainty and related to that, ambiguity and risk have been a central topic in the review of strategic decision-making (Tversky & Kahneman, 1974; Lipshitz & Strauss, 1997). Coping with the uncertainty of the external environment is therefore central to assessing decision alternatives (Shepherd, Trenton & Patzelt, 2014).

Eisenhardt and Martin (2000) classify strategic decision-making processes as a dynamic capability of the company. Teece and Pisano (1994) describe dynamic capabilities as the source of a company's competitive advantages. The definition used by Teece and Pisano (1994) considers the changing environment in the word "dynamic". "Capabilities" refers to the role of strategic management in harmonizing internal and external factors. Dynamic capabilities are the result of strategic decisions made in the past and are built over time due to the integration of the "soft" assets of the company, such as "values, vulture, and organizational experience (Teece & Pisano, 1994). Eisenhardt and Martin (2000) argue for a clear description of the concept where the competitive advantage of dynamic capabilities "lies in their ability to alter the resource base: create, integrate, recombine, and release resources" (Eisenhardt & Martin, 2000)

2.4.2. Contingency theory

The significance of the environment and its impact on the company structure has been widely recognized in the field of management and strategy literature. This recognizes the importance of a contingency aspect in management theory (Parast, 2022). Contingency theory suggests that there is not one best way to make decisions; instead, the best decision strategy is situationally dependent. A fit between environment and company structure is central to strong performance (Lawrence & Lorsch, 1967), and therefore, the effectiveness of the organizational strategy is dependent on this fit. Following contingency theory, changes in the environment of the company should trigger a reaction in the company, leading to efforts to realign the organizational fit with the environment (Gammeltoft, Filatotchev & Hobdari, 2012). On a company level, contingency theory states that the appropriate company structure is contingent upon a distinct set of factors known as "contingency" factors (Tosi & Slocum, 1984; Volberda, Van Der Weerdt, Verwaal, Stienstra & Verdú, 2012). Burton et al. (2002) identified six factors: management style, organizational climate, size/ownership, environment, technology, and strategy, which combined determine the situational fit. Lawrence and Lorsch (1967) take a strong uncertainty perspective where environmental uncertainty is defined as having "limited knowledge about cause/effect relation, the clarity/quality of the information used and the time between decision-making and information about the consequences of a decision" (Joyce, 2018). By employing structural contingency theory in the context of strategic decision-making, companies can fine-tune the fit between their structures and their strategies, technologies, and the specific attributes of the niche market they are venturing into, thereby heightening their prospects for success within that market (Volberda et al., 2012).

When a company decides to enter a niche market, it must consider multiple drivers based on structural contingency theory to ensure that the strategic decision-making aligns with the company structure and the external environment, which connects strategic decision-making literature with contingency

theory. In the presence of a potentially disruptive niche, a disruptive change in the environment has strong altering effects on the company's design and strategy if the company wants to maintain its current position.

2.4.3. Competitive contagion

The entry of a competitor into a potential disruptive niche can be a strong driver for a similar entry by incumbents. This phenomenon can be explained by different theories and is, for example, identified by Debruyne and Reibstein (2005) as competitive contagion. The contagion effect is defined as the effect where the action of one incumbent company entering a new market triggers others to do the same. The results of their studies state that, typically, incumbents respond to disruptive innovations when they see competitors with similar characteristics enter a specific disruptive niche. The drivers behind competitive contagion are: (1) positional advantages, (2) substitution effects, and (3) the reduction of market entry uncertainty.

Positional advantages

The decision to enter a new and potentially disrupting niche market can both be incentivized by the beliefs that the company can capitalize on the entry and create a competitive position in the market. However, another strong incentive is to avoid laggard disadvantage (Debruyne & Reibstein, 2005). Another factor pointed out by Debruyne and Reibstein (2005) is the importance of the order of entry for incumbents, which was first introduced by Mitchell (1991) with the side note that it would be more appropriate to focus on first-mover advantage literature when the product is non-imitable. Industry incumbents are specifically impacted by the order of entry by other incumbents, in contrast to newcomers who are affected by the entry of all entrants. Failure to respond promptly to the entry of established companies may result in exclusion or, in the event of delayed entry, elimination from the market (Mitchell, 1991).

Substitution effects

The entry of incumbents into a new niche market can lead to accelerated substitution, where customers switch from existing products to new offerings (King and Tucci, 2002). This acceleration is due to the incumbents' often transferable assets and capabilities leading to further market development (Debruyne & Reibstein, 2005). Companies may enter new markets to ensure they are not negatively affected by such substitution, aiming to protect their customer base and revenue streams by offering competitive or superior alternatives (Debruyne & Reibstein, 2005).

Reduction of market uncertainty

Uncertainties regarding market size, customer preferences, and the viability of the business model often cloud the attractiveness of entering a new market. The entry of rivals into a potentially disruptive niche market signals to the incumbent that there are market opportunities in this field. Debruyne and Reibstein (2005) point out that not every rival entry signals to the incumbent company in the same way and that the level of similarity determines the strength of the signal of market potential (Porac & Thomas, 1990). Debruyne and Reibstein (2005) found evidence that competitor entry leads to “increased urgency to respond to the new niche”. The level of uncertainty concerning market entry determines the importance of the signals from direct rivals (Haunschild & Miner, 1997).

Implications from these findings are that incumbent entry into new markets triggers and accelerates the market entry of other incumbents in the same industry. This finding contradicts Porter's Five Forces of Competitive Position Analysis (2008), from which it can be derived that the increased presence of strong competitors decreases the attractiveness of the market. Due to the expected increase in actors in the new market, the expected benefits are limited. Finally, in order to obtain the maximum benefit from the new market entry, incumbents should attempt to prevent drawing other incumbents to the new market. One potential strategy involves penetrating the market through the acquisition of another firm, allowing it to operate as an autonomous entity. Consequently, this market entry mode limits competitors' ability to draw valuable insights from the strategic move, thus reducing the knowledge they can gain regarding their potential entry. Nevertheless, the advantages of this strategy must be carefully evaluated in relation to the financial outlay and the possible depreciation of assets that are mutually beneficial and maintain their value within the new market environment.

The notion of competitive contagion can also be explained by mimetic isomorphism, introduced by DiMaggio and Powell (1983). Mimetic isomorphism, achieving conformity through imitation, is most present in times of uncertainty or ambiguity, such as changes in the organizational environment. Incumbents tend to react to these uncertainties by imitating others they perceive to be more legitimate or successful.

Analyzing this phenomenon of competitive contagion from a sociological aspect of market structures discussed by White (1981) builds a foundation for the above findings. According to White (1981), the market is depicted as an interactive social structure among companies rather than just a response to demand. Companies within a market closely observe each other's actions and make decisions based not just on buyer demands but also on how other companies behave. Adjustments of the company's actions are based on the totality of collective actions of all incumbents in the market. This feedback model is a way of coping with market uncertainties.

2.5. Synthesizing literature and theoretical foundation

Several niche markets may be growing and potentially becoming mainstream, making niche market entry an important strategic decision for incumbents to consider (Odlin & Benson-Rea, 2021; Duncan, 1972). Entering may erode the current market position of the incumbents, but not entering may have long-term consequences. Incumbents engage in transitions when incentivized by regulatory action, economic opportunity, and consumer patterns such as trends (Leialohilani & de Boer, 2020; Bulah et al., 2023). Additionally, incumbents have existing capabilities that need to be tailored to the new niche; consequently, if their capabilities do not fit the new market, they may hesitate to enter. Once a niche becomes disruptive by challenging norms, practices, or products, incumbents may need to place strategic focus on the balance between a niche and their existing business *“However, companies have to balance the risk of rushing into new areas and potentially cannibalizing their existing business against the risk of missing the emerging market”* (Debruyne & Reibstein, 2005; Abernathy & Clark, 1984).

As Kim et al. (2014) noted, large corporations are driven to secure future strategic advantages. The decision for incumbents to enter a potentially disruptive niche is, therefore, likely to be strategic in nature and based on a thorough assessment of the environment. This is done with the aim of establishing a situational fit between the internal and external factors shaping the context of the strategic decision (Burton et al., 2002; Eisenhardt & Zbaracki, 1992). Prior literature lacks an investigation into how the disruptive character of a niche influences the process of establishing a fit between the company and the external environment. This research aims to discover why, how, and when industry incumbents take action to adapt their business strategy to fit the potentially disruptive niche market.

Changing consumer preferences are often the driver of market entry and frequently precede regulatory action, highlighting the timing aspect of market entry (Bulah et al., 2023). Hence, this research explores whether similar patterns can be found within dairy incumbents entering the plant-based dairy industry (Leialohilani & de Boer, 2020). An important factor for incumbents is the perceived uncertainty in decision-making (Min et al., 2017). An entry decision may be delayed as incumbents may favor certainty over uncertainty about drivers such as regulations, market size, and technology. For example, the market size may need to be substantial enough for an incumbent to be interested.

Drawing on Debruyne and Reibstein’s work on competitive contagion (2005), the literature suggests that the entry of competitors sharing similar characteristics has an expediting effect on the decision-making related to market entry. Amidst uncertainties regarding the external environment, incumbents tend to imitate one another, striving for conformity (DiMaggio & Powell, 1983).

Incumbents are expected to benefit from promptly entering niche markets following their direct competitors. However, this line of research overlooks the consideration of whether such a choice is strategically desirable, contingent upon the internal attributes of the incumbent firm. This research, therefore, aims to address this gap and provide a comprehensive exploration of these strategic decision-making elements in the context of niche market entry.

This synthesis leads to the research question that will be examined using the conceptual framework introduced in the following section

Why do incumbents decide to enter into new and potentially disruptive niche markets?

To understand and answer the “why” question in a comprehensive way, it is helpful to also understand the “how” and “when” questions and the reasons behind the “how” and “when”. The primary reason to include these specific questions is that an incumbent entering early can be influenced by different drivers than an incumbent entering in a relatively late stage when the niche has already moved towards the mainstream. Following previous literature, it can be expected that the entry mode is not exclusively but is still strongly impacted by the timing choices of the incumbent. This reasoning introduces the following two sub-questions to provide a stronger foundation for answering the main research question.

How do incumbents enter a potentially disruptive niche market, and why is this entry mode chosen?

When do incumbents enter a disruptive niche market?

2.6. Conceptual framework

For the purpose of this research, theories connected to *strategic decision-making* are used to construct a theoretical rationale for analyzing the drivers influencing the decision-making of incumbents to enter a disruptive niche. The prior literature synthesized in this study, along with the corresponding theory, is depicted in the conceptual framework provided. As this decision is categorized as strategic, strategic decision-making, as discussed by Eisenhardt (1992), serves as the primary building block of the conceptual framework. Combining the strategic decision-making theory and contingency theory, the context, consisting of the internal and external drivers, is seen as a way to classify the main drivers of influence. Competitor niche entry can be classified as a component of the external drivers but is displayed as a separate component due to the strong influence according to the assessed literature. Finally, the business strategy is a component of the internal drivers; however, due to the strategy being at the core of strategic decision-making, especially considering niche entry, the influence should be individually regarded.

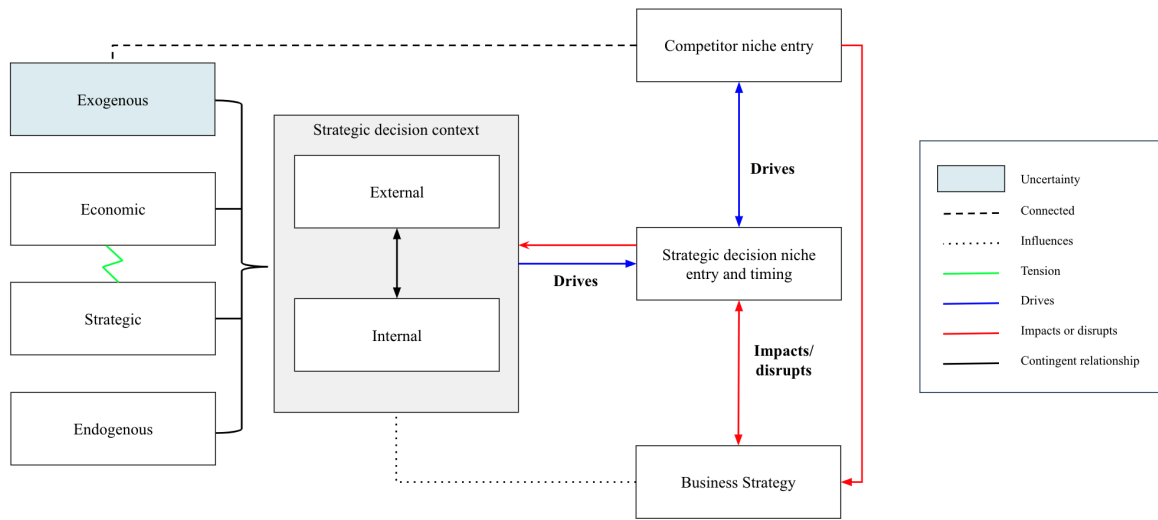


Figure 3. Conceptual Framework

This conceptual framework explores the interplay between internal and external drivers in shaping the strategic decision-making context within which incumbents consider entering new, potentially disruptive niche markets. Internal drivers, such as company culture and resource capabilities, combine with external forces, including market demand and competitor actions, to form a nuanced decision-making landscape. The entry into a new niche by competitors, highlighted separately due to its significant influence, catalyzes strategic considerations related to timing and market entry method.

Moreover, this framework examines the intricate relationship between such strategic decisions and their subsequent impact on incumbent business strategies. The model posits that decisions about niche entry are not only shaped by business strategies but also shape business strategies, creating a dynamic interdependence. The notion of competitive contagion, where the actions of one company can prompt similar moves by others, is critical to understanding this relationship. This process exemplifies the influence of competitor behaviors on strategic timing and underscores the complexity of entering disruptive niches. Competitor niche entry in itself, regardless of the incumbent's reaction or lack thereof, will disrupt the incumbent's business strategy as depicted in the conceptual framework.

The framework underscores the complexity of strategic choices made by companies when faced with the opportunity to enter disruptive niche markets. It acknowledges that while incumbents traditionally exhibit resistance to change, specific incentives can prompt proactive engagement with niche offerings. The framework functions as a guide for understanding, analyzing, and categorizing the data collected for this study within the context of the dairy sector.

3. Methodological approach

This chapter outlines the methodology of this study. First, the research design is presented, followed by the data collection methods, describing the ways in which data was collected, as well as the chosen cases. The data analysis methods are then described, followed by a reflection of the quality of the study.

3.1. Research design

Qualitative research strategy

A qualitative approach is employed to answer the research question: *Why do incumbents decide to enter into new and potentially disruptive niche markets?* Multiple cases have been studied within the dairy and food industries in Finland, Sweden, and Denmark. These cases are suitable for answering *why* and *how* questions, providing insights into the strategic decision of incumbents in the dairy industry to enter a potentially disruptive niche market (Yin, 2014; Rowley, 2002).

Comparative case study

A comparative case study approach was selected to address the research question. Case studies, in general, allow the intense studying of a person, a group, or a topic in order to gain a complete understanding of its details and importance within its specific context (Gustafsson, 2017). According to Rowley (2002), case studies are “*particularly well suited to new research areas or research for which existing theory seems inadequate.*” The case study method allows the exploration of *why* and *how* questions, making it an effective approach for studying the considerations of industry incumbents towards niche markets. This enables the review of multiple perspectives and companies in different stages and competitive positions (Yin, 2014; Lindgreen, Di Benedetto & Beverland, 2021; Rowley, 2002). With this method, the individual analysis of each case is possible. The similarities and differences between industry actors and their external and internal drivers come to light by comparing the individual cases.

Abductive approach

This research design employs an abductive approach, in which we continually refine and modify the theoretical framework instead of focusing on developing a new theory (Bruce, 2007). According to Dubois and Gadde (2002), abduction is about “*investigating the relationship between ‘everyday language and concepts’.*” The abductive approach can be seen as relevant if the objective is to discover new variables and relationships, which aligns well with the research question. A key aspect of abduction is the continuous adaptation of the original framework in response to empirical findings.

Specifically, in this research, the conceptual framework and the main theories supporting the foundation were under constant evaluation. Insights from interviews provided guidance in adjusting the framework. After gathering all the data from interviews and secondary sources, the framework was finalized. Drivers like the importance of competitor entry, which was not yet included at an earlier stage, were highlighted during the data-gathering process and then added into the framework. Utilizing the abductive approach facilitates the understanding of incumbent entry into niches through this multiple case study of dairy industry actors.

3.2. Data collection

Semi-structured interviews

The primary method employed for data collection was conducting semi-structured interviews. Firstly, semi-structured interviews were chosen because of their versatility and flexibility (Kallio, Pietilä, Johnson & Kangasniemi, 2016). Using semi-structured interviews with an abductive approach to the research entailed formulating an interview guide based on theory, with the possibility to adjust questions based on findings and attempts to make sense of them. During the initial interviews, it was noticed, for example, that the question “*Did the mission of the company adjust when deciding to add plant-based products to the product portfolio?*”, initially formulated in our interview guide was typically answered through other questions and hence was unnecessary to individually address. In line with the interview guide, the questions started with asking about the interviewee's background and about the company's general decision-making, then leading to product entry and plant-based products specifically. This order was typical in all interviews, while questions regarding, for example, regulations, branding, or trends may have been asked when appropriate, depending on the interviewee's answers. These changes in questions then turned into changes in the framework. The format enables reciprocity between the interviewer and interviewee, where follow-up questions can be tailored based on responses, leading to more fruitful conversations and relevant answers. For example, when an interviewee mentioned looking at competitors' actions, this was followed up by asking for more specific examples of what kind of drivers are analyzed. Secondly, semi-structured interviews often generate detailed and rich data due to the possibility of open discussion (Kallio et al., 2006; Schmidt, 2004). Some interviews contributed aspects that had not been considered prior, like the impact of nutritional guidelines, which led to the discussion of lobbying and EU regulations and how companies, in general, may react to this individually and as a collective. After hearing more about the impact of nutritional guidelines, which was outside the original scope of the interview guide, we could consider asking it in further interviews whenever relevant.

According to Kallio et al. (2016), semi-structured interviews require a level of prior study on the topic. This was achieved by conducting a preliminary survey (Appendix 2) and researching the

background of the interviewee and the company, including factors such as new product launches and press releases. The preliminary survey was done to get an understanding of the position of the interviewee, their history in the company, and their view on the interview topics. The survey was divided into five sections, with the emphasis of the first section being on the decision maker. The second section focused on the impact of policy on decision-making, including questions such as “*New regulations significantly impact our decision-making?*” and “*New regulations are one of the main drivers of new product entry? (Answers on a scale of 1-5)*”. Section three was focused on company strategy and culture with questions like “*Is moving into a niche considered risky in your company?*”. The section was then focused on the impact of the environment and consumers, with questions such as “*Technological advancements impact the decision to move into niches.*” and “*Environmental trends are one of the main drivers of new product entry. (Answer on a scale of 1-5)*”. Lastly, section five was concerned with market shaping and included, for example, the question, “*We prefer to adapt to changes in the market driven by others, rather than driving the innovation ourselves.*”. These specific questions worked as a guideline combined with the interview guide when deciding which questions to emphasize and what factors to focus on in each interview. The survey answers, combined with secondary data, enabled asking relevant and well-targeted questions from each interviewee. For example, if the answer to the survey question “*New regulations significantly impact our decision-making?*” was low (1 or 2, on a scale of 1 to 5), “*What is the impact of regulations like?*” or “*New regulations are one of the main drivers of new product entry?*” were not asked, unless factors about regulations were brought up by the interviewee. This exemplifies the process in which the approach to interviewing is modified along the way based on the interviewee and their answers.

Prior to the interviews, an interview guide covering the main topics was formulated. Using an interview guide offers a focused structure and enables collecting similar types of information from all interviews, but it should not be strictly followed (Kallio et al., 2016). The interview questions were divided into the following topics: *background of the interviewee*, *decision-making*, *move to plant-based product*, and *additional questions*, each consisting of multiple open-ended questions. The interview guide can be found in Appendix 3. The topics and questions were created based on the findings from literature, theoretical background, and secondary data. The interview questions were also linked to the survey questions, enabling asking for elaboration of answers that were submitted in the survey. Using an interview guide was helpful in making sure that all relevant and necessary topics were covered, but the freedom to modify the guide along the way was important.

When reaching out to potential interview candidates via email, the process—including the preliminary survey and interview—was thoroughly explained. Each candidate was informed that their interview and survey responses would be anonymized. Consent was obtained before recording and transcribing all interviews, which were conducted between February 2024 and April 2024. A total of 15 interviews

were conducted, each lasting between 25 to 52 minutes, and were held either in person or via Teams. Between one to four interviews were conducted for each case. People in the following positions were interviewed: CEO, CMO, Chief Sales Officer, Brand Manager Plant-Based, Head of Commercial Unit Plant-Based, Customer Category Manager, Head of Supply Planning, Category Lead, Destination Portfolio Manager, and Commercial Analytics Partner. The positions are not specified in each case to maintain the anonymity of the interviewees. A table of interviews, including the specific lengths of each can be found in Appendix 5.

Secondary data

In addition to interviews, secondary data was used to gather material for the cases. Case study research typically uses evidence from multiple sources in addition to interviews, such as documents and observations in order to further understand the cases studied (Heale & Twycross, 2018; Rowley, 2002). Leveraging these types of data sources enables a holistic understanding of the cases studied, complementing the insights gained from interviews to avoid bias. This enables a comprehensive understanding of the topics, by providing a complete picture of the phenomenon (Atkinson, 2002). Data was gathered from sources such as company websites, news articles, product launch information and press releases. Company websites typically provided information regarding the company's strategy or mission statement, which enabled the formulation of interview questions particularly regarding a shift towards plant-based products. Product launches and press releases offered insights on, for example, when the company's first plant-based products were launched and consumer reactions to the launch. News articles were a source for product comparisons and potential customer preferences for products. These materials were then combined with literature to formulate interview questions.

3.2.1. Sampling: Case companies

This study has been limited to studying cases of dairy incumbents and plant-based actors in Finland, Sweden and Denmark. The dairy industry has been chosen as it is currently facing a major shift. With the rising popularity of plant-based options dairy industry incumbents have to reconsider their positioning, as well as their product portfolio. These three countries were chosen primarily due to the similarity in societal values, including an emphasis on sustainability, health consciousness, environmental awareness, and societal structures (Niva Education, 2024; Martela, Greve, Rothstein, Saari, 2020). All three countries also have a high standard of living, similar democratic systems and all can be considered as welfare states. Secondly the dairy consumption in all three countries is high, which potentially creates a significant market for plant-based dairy alternatives (Nordic Council of Ministers, 2023; Statista, 2023b). Thirdly, consumer trends and preferences in the countries often offer insights into broader global trends, which is relevant because understanding the dynamics of dairy

consumption and plant-based alternatives in these Nordic countries can provide insights into how similar shifts might unfold in other regions (NIQ, 2022; Korri, 2023). The Nordics are also known for innovation and technology adoption, particularly in the food sector, and plant-based pioneers like Oatly originate from the Nordics (Dunkerley, 2021). Lastly by examining the attitudes and behaviors of consumers in Finland, Sweden, and Denmark, we can derive valuable information about the potential market acceptance and trajectory of plant-based dairy products on a global scale.

A purposive sampling procedure was used when selecting the case companies (Rai & Thapa, 2015). The aim was to identify cases that would provide relevant insights regarding the research topic. Seven companies were then identified as potential for research. Most of these companies have operations in each or at least two of these countries. The companies are all either dairy industry incumbents who have made a move into plant-based niches in recent years or companies from other industries that have made a move into plant-based niches. Each one is or has been a dairy product producer, ranging from ice-cream to milk, yogurt, butter, and other products like oats. From these companies we identified individuals who could provide insights regarding previously mentioned topics, like decision-making regarding niche entry, or moving into plant-based niches in general. A total of 15 interviews were conducted for a total of seven cases, with each interview lasting between 25 to 52 minutes. This number of cases is aligned with Eisenhardt's (1989) recommendation, although there is no truly "*ideal number of cases*". Combined with publicly available information, the number of interviews, when considering their quality and content, was sufficient to analyze each of the cases and compare them to one another. Although adding more interviewees may have resulted in an even broader understanding of each case, the amount of interviews conducted, combined with secondary data, provided sufficient answers to the questions asked and the topic in question. The specific interviewees were carefully selected, to ensure the acquisition of relevant and high-quality answers. Some interviewees had excellent knowledge of the company through a long history in the company and, hence, a good understanding of the changes that have taken place in the company's strategy and product offering. Others had specifically been part of the expansion towards the plant-based niche, offering in-depth knowledge on the topic. In addition, some interviewees had a long history in the fast-moving consumer goods industry, providing additional insights into their answers and knowledge on the subject at hand.

The companies were chosen on the basis of one or both of the following criteria:

- *The company has expanded its product offering from dairy to plant-based or another niche.*
- *The company is in the midst of expanding its product offering to a niche.*

The people interviewed were chosen based on the following criteria:

- *They have knowledge of a previous or ongoing shift to a niche within their company and/or have had a role in this shift.*

3.3. Data analysis

Data collection and analysis can be seen as a streamlined and tightly interwoven process, where, as data is collected, it is simultaneously analyzed, and the data collection methods are also tweaked accordingly, in an abductive manner. Learning from the analysis each time more data is collected, ensures that the data collected is sufficient to explain the findings that arise. This serves as a buffer against confirmation bias, making it easy to follow what is emerging from the data. Hence, after the interviews were conducted, each one was transcribed, and the data was added to a table, where the answers could be compared according to question or topic. The interviews were then coded by highlighting all the commonalities that were found in them, such as how ownership structure impacted risk taking, or how regulations were approached from within the company. The aspects that were looked for can be divided into five categories based on the conceptual model. These categories are *business strategy, internal factors, external factors, competitor niche entry, and strategic decision niche entry*. Each interview transcription was highlighted and divided based on these five categories.

3.4. Quality of study

Assessing the quality of research is essential to ensuring the reliability, credibility, and validity of findings (Mays & Pope, 2000). The quality of this research is reflected in its transferability and credibility. Credibility is a particularly relevant consideration when assessing the quality of a case study as it directly influences the reliability and trustworthiness of the findings, thereby impacting their applicability and potential impact (Cutcliffe & McKenna, 1999). Transferability is also relevant for this case study, as it ensures that the methodologies employed can be effectively adapted and replicated across diverse scenarios, thereby enriching the breadth and depth of our analysis (Bruce, 2007; Curtin & Fossey, 2007). Transferability and credibility together enhance the research's trustworthiness, enabling others to assess how its findings may influence their work or other research areas (Curtin & Fossey, 2007).

Transferability

Transferability refers to the extent to which findings from a specific case can be applied to other contexts or settings with the ability to draw conclusions outside of the immediate context of the study (Finfgeld-Connett, 2010; Bruce, 2007). According to Bruce (2007), transferability can be assessed based on the methods described in sufficient detail so that the reader is able to inspect the process

fully and so that a researcher could “*consider a similar implementation sequence in another research context*”. According to Bruce (2007), a strategy for enhancing transparency is providing the reader with as much information about the data collection process as possible. This is done through a thorough description of the data collection as well as the data analysis processes. An interview guide can be found in Appendix 3, providing insights into the types of questions that were asked in the data collection phase. The data analysis process is described above, in order to provide transferability and transparency. Contextual information regarding the cases is provided, enabling the establishment of connections to other industries. This could mean other plant-based products or other niche markets or categories.

Credibility

The research's credibility refers to its findings' validity, reliability, and trustworthiness. This includes factors like the methodology, data quality, validity, reliability, and transparency of reporting. Regarding the research methodology, the selection of participants and data collection methods are described. The data collection is done accurately using several different sources of information, including interviews and publicly available data. Depending on the case, a combination of the two was used; for example, when fewer interviews were possible, more publicly available information was included. For instance, for Case Company D only one interview was possible. Thorough background research was conducted to make the interview questions as relevant and concise as possible to maximize the responses' quality. In addition to this, the company website, press releases, external materials and the companies product offerings were thoroughly studied. This facilitated a more comprehensive perspective on the topic. Rather than relying only on answers from one interviewee, which could lead to bias, the interviews were combined with company material and external sources, giving more credibility to the case and the reflections stemming from it.

4. Empirical setting and findings

This chapter describes the empirical setting of the case study and describes the seven cases studied.

4.1. Empirical setting

This study is limited to studying industry incumbents in Finland, Sweden, and Denmark due to a multitude of reasons. In recent years, Finland has witnessed a notable rise in the prominence of the plant-based foods industry and the rising popularity of plant-based food options (Yle, 2017; Greenpeace, 2019). Companies like Jalotofu and Verso Food are purely plant-based organizations, but a notable number of companies have been expanding into producing plant-based products (Jalotofu, 2024; Verso Food, 2024). Dairy companies like Valio and Juustoportti have started producing plant-based products, Valio under the name Oddlygood and Juustoportti with the name Friendly Vikings (Valio Oddlygood, 2024; Friendly Vikings, 2024). Food company Fazer, traditionally known for its chocolates and bakery products, has also started producing plant-based products under the name Fazer Aito (Fazer, 2024).

When considering the plant-based dairy industry in Sweden, oat drink pioneer Oatly often comes to mind (Statista, 2024; Statista, 2023; Thesis pre-study survey, found in Appendix 1). Oatly's journey began in the 1960s, and after some initial setbacks and the growth of the plant-based industry, Oatly is now present in over 25 countries, with more than 1800 employees and 783 million USD in sales in 2022 (Fuentes & Fuentes, 2017; Oatly annual report, 2022). Now also traditional dairy companies are expanding into plant-based products. For example, dairy industry incumbent Arla recently launched their plant-based Jörd product line in Sweden, having previously launched it in Denmark and the UK (Jörd, 2024)

Denmark has a substantial dairy industry, with a long history including both production and export and it is one of the leading dairy producers in Europe (Statista, 2024b). Like many other countries and industries, Denmark's dairy industry and its incumbents are also shifting towards more plant-based options (Arla, 2020; Medier Mejeri, 2023). Arla, a Danish-Swedish dairy company headquartered in Denmark, exemplifies the strategic expansion of a traditionally dairy-focused enterprise into the plant-based market (Arla company, 2024). In 2020, Arla introduced a line of plant-based beverages branded as Jörd, initially launched in Denmark. This initiative marked the company's first significant move into the alternative dairy segment. By 2023, Arla further diversified its product portfolio by integrating a plant-based option into its established Bregott butter range (Arla, 2020; Arla Forum, 2023).

4.2. Case findings

This section presents the seven case companies anonymized as Case A - Case G. The information regarding each company has been gathered from interviews and publicly available data. To maintain confidentiality and consistency, the cases are discussed at a generalized level. Each case follows a uniform structure derived from the established conceptual framework. The details of each case are categorized into five key areas: business strategy, internal drivers, external drivers, competitor niche entry, and strategic decision niche entry. This structured approach facilitates a systematic analysis and comparison across different cases. Below, a summary table presents an overview of each case, capturing essential data and insights. Detailed discussions and comprehensive case analyses are provided in Appendix 6. Concluding remarks for each case are articulated subsequently, offering specific insights and implications drawn from the individual analyses.

Business Strategy explores the underlying reasons behind a company's strategic actions. This dimension addresses motivations such as preparing for future market challenges, future-proofing against industry disruptions, refining or transforming the company's vision, fostering innovation through experimentation, and maintaining or enhancing product and service quality.

Internal Drivers examines the intrinsic factors that influence a company's decisions, especially when venturing into disruptive or innovative niches. Key aspects include the influence of ownership structure on decision-making, strategic considerations for expansion, the company's core beliefs, its reputation, and how well new strategies align with existing organizational structures and cultures.

External Drivers assesses the influence of the external environment on strategic decisions. It analyzes competitive dynamics, the timing of market entries, the demand landscape, potential regulatory impacts, and the threat posed by unexpected competitors. This helps to understand how external pressures and opportunities shape strategic choices.

Competitor Niche Entry investigates on an in-depth level how competitors' moves into niche markets affect the case company's strategic timing and decisions. It focuses on whether the company follows competitors into new markets or waits for further validation of the niche's potential.

Strategic Decision Niche Entry delves into the specifics of the strategic decisions to enter a niche, detailing the timing, the drivers behind these decisions, and the chosen method of entry, such as entering early to establish market presence or waiting until the market matures.

Case A concluding observations

In the case of case company A, a farmer-owned entity, being farmer owned, the transition towards plant-based products presented unique challenges, primarily due to the initial reluctance of its farmer stakeholders. The company adopted a cautious approach, choosing to enter the plant-based market only after it had gained mainstream acceptance. This decision was influenced by the competitive nature of the market, fostering a "first time right" mindset within the company's strategic planning. Company A prioritized the development of internal capabilities over quicker market entry via third-party manufacturing partnerships. This approach was aligned with a long-term strategic vision, driving the company to invest heavily in in-house development and production facilities. Historically, company A always stood up for dairy products, creating tension between plant-based and dairy products.

Case B concluding observations

The ownership structure of case company B, including the influential role of farmers and the board, significantly impacted the decision-making process. This influence was evident in the initial launch, where stakeholders showed reluctance to leverage the brand name. Consequently, only after a relaunch the brand name got displayed on the packaging. Despite initial hesitations, the company pursued an expansion into plant-based products, recognizing its long-term relevance. In order to enter the market fairly fast and capture market share before competitors, initial production included a partner. In the end, the decision to develop the product in-house versus buying ingredients was made to maintain quality and control. Recognizing the strong competition from established plant-based companies, company B employed a "get it right on the first try" strategy for subsequent plant-based product launches.

Case C concluding observations

Case company C's diversified ownership structure did not hinder the move towards plant-based products; rather, this shift was viewed as a natural expansion and something that fits the brand. The company aimed to capitalize on its established brand identity and customer perceptions during its expansion into this niche. Despite being an early mover into the plant-based niche, company C found it important to "see proof from other companies that it was successful". An interviewee described their timing of entry by placing the company as "maybe the first 30% of movers, but at least not the first 10%". The company has a strong long-term focus but also places an emphasis on short-term ROI due to its ownership structure. Environmental considerations are deeply integrated into the company's core and are recognized as almost a hygiene factor that "has to be there". However, the company is aware that environmental concerns from customers are "more talk than action".

Case D concluding observations

Case company D is a dairy company with a dairy cooperative ownership structure. The brand is perceived as very strong by both retailers and customers and is seen as reliable in terms of quality. The company adopts a long-term strategic perspective, recognizing the simultaneous demand for both traditional dairy products and emerging plant-based alternatives. Plant-based products are hence seen *“not a substitute, but an addition”*. The company wanted to launch fast, *“to make sure they had their space in the store”*, reflecting the awareness of the competitive landscape. The entrepreneurial spirit at Company D is evident in its commitment to innovation and product testing. This mindset is integral to the company's culture, as emphasized by an internal statement: *“They have the room (to innovate and test), and they have to have the room”*.

Case E concluding observations

Case company E is a joint-stock company that included plant-based products in its product offering as early as 2016. The company places importance on catering to all customers and their different needs and is committed to inclusivity. The expansion into the niche was seen as a *“natural step”* for the company, although the risks coming with the move were recognized: *“There is a risk: if you are known as a non-dairy brand, it would be a challenge to be considered a serious player in the dairy side”*. The company wants to make a product that is not particularly targeted at vegans but rather a product that caters to all consumers: *“the product needs to be so good that you don't notice the difference in the taste”*. The company has the capabilities to make decisions fast and test new products, with fairly limited risk, due to being able to produce small quantities of a new or modified product. Sustainability is also at the core of the company, while it can be seen as a hygiene factor for companies, the company places particular importance on the sustainability of their products.

Case F concluding observations

Case company F, is a limited company that made the decision to transition from partially plant-based to fully plant-based, with the change being *“not internally driven, but rather driven by market trends”*. Diversifying its product portfolio and enhancing technological capabilities was done through acquisitions. The company has a strong environmental and future-forward focus and recognizes that: *“although vegans make up a small percentage of the population, there is a broader interest in plant-based diets which has led to growth in the segment”*. The transition to exclusively plant-based products was seen as a clear message and competitive advantage. In addition to products, the company acknowledges the business opportunity stemming from regulations, related to the demand for products with a reduced carbon footprint as well as sustainable packaging. The commitment to fully plant-based also decreases the risk of contamination between dairy and non-dairy products

Case G concluding observations

Case company G, structured as a limited company, strategically entered the plant-based market in 2017 through an acquisition. The move was driven by a profit-oriented perspective, with the company recognizing that: *“the dairy category is not developing and consumption is going down. While simultaneously plant-based categories have been growing heavily”*. Central to the company is the aim of reaching both niche and mainstream customers. Risk-taking is encouraged in the company, while simultaneously, all risks are carefully calculated, and decision-making leverages a deep understanding of organizational complexities. The shift towards plant-based categories allowed the company to enhance its focus on the growing, more profitable, plant-based categories, and shift the focus away from dairy.

Table 1.1. Categorization of interviews

	Business strategy	Internal drivers	External drivers	Competitor niche entry	Strategic decision niche entry and timing
Case A	• Dairy cooperative ownership structure, entered the niche in 2024 • The quality of the product and its taste play a key role for the company when launching any type of products: <i>"taste is most important"</i> • Plant-based products were developed internally, requiring time to get the appropriate capabilities set up • Own capabilities rather than using third party manufacturing was chosen, over entering the market faster • Forefront of innovation with dairy products	• Importance of catering to all customers' needs • Strong business case was needed, particularly because of farmers • Needed to have a competitive price and a future-proof product	• Significant competition from the plant-based dairy products sector • Differences in country specific regulatory frameworks	• Important to see competitors making a similar expansion work • Seeing the product as mainstream was essential to convince farmers • Tension between dairy and plant-based products	• Seeing growth in the plant-based dairy sector and in comparison, a slight decline in the dairy products, made the business case for moving into the niche very clear • The company saw the plant-based niche as potentially disruptive • Leveraging the brand name on the plant-based products • Highlighting the <i>"Nordiness"</i> of the brand
Case B	• Dairy cooperative ownership structure, started producing plant-based in 2019 • Took its time to convince all stakeholders, ensuring the decision was not rushed despite recognizing the need to not lag behind • Initially the production included a partner but the decision to develop the product in-house in the end versus buying ingredients was made to maintain quality and control, although this initial shortcut was required to meet market timing	• The company identified the niche as an interesting direction in 2018, through market research, seeing growing customer demand for environmental products • The farmers were not initially convinced • The entrepreneurial mindset within the milk-based unit was crucial in pushing the plant-based initiative forward	• Major competitors were already offering plant-based products, indicating market readiness • The presence of competitors and consumer trends towards environmental sustainability and health played a critical role in convincing stakeholders of the viability and necessity of entering the plant-based market • The long-term perspective played a role • They don't want to miss out on consumers and <i>"Need to be relevant for consumers and understand them"</i>	• Aimed to adapt to market changes and consumer demand without necessarily being the first mover • The markets chosen included the company's home market, where they knew their customers well and they knew that <i>"the market was growing"</i> • When looking at direct competitors, the owners and executive team could be convinced that it was an area interesting enough to further investigate but without spending too much resources	• The process leading up to the market entry faced challenges, including aligning with strategy, culture, consumer, and environmental insights, and managing the timing of entry. The company had to navigate internal constraints, market expectations, and the competitive landscape to successfully launch plant-based products • With the initial launch, the stakeholders were hesitant in leveraging the brand name, only after a relaunch in 2024 the brand name was displayed on the packaging
Case C	• Conglomerate company, with a diversified ownership structure, expansion into the plant-based niche in 2021 • Constant market research, considering competitors, customers, and products: <i>"Understanding the size of categories, planning, dynamics is important, and above all you need to understand the end customer"</i> • <i>"A strong history of innovation"</i>, particularly regarding some of their product offerings. • Finding a balance between short term profits and long-term strategy, while <i>"long term strategy is the main driver"</i>. Due to the ownership structure, investments must be financially feasible, taking the ROI into consideration	• Leveraging the halo effect, when moving to the niche, by including the brand name • Important for the company to launch a product that is in line with the existing products making it a <i>"natural"</i> expansion and one that fits the brand	• Shift to plant-based products was a response to market demand and environmental considerations • Environmental considerations are at the core of the company. • <i>"ESG needs to be in good shape"</i> and <i>"it has to be there especially in plant-based foods"</i>, while from the customer direction, environmental concerns are <i>"more talk than action"</i>	• Prior to entering the plant-based niche, it was <i>"important to see proof from other companies that it was successful"</i> • An interviewee described their timing of entry by placing the company as <i>"maybe the first 30% of movers, but at least not the first 10%"</i>, they wanted to be early but, as stated by the interviewee <i>"not stupid early"</i>	• The company's expansion into the plant-based niche followed their core values: the importance of innovation and a balance between environmental objectives and business considerations • They were quite early with niche entry, while still wanting to see proof of competitors' success
Case D	• Dairy company with a dairy cooperative ownership structure: <i>"at the moment, the owners understand that they need to be a part of the sustainable society"</i> • The sustainability process in the company is being driven from a top-down perspective, in collaboration with owners, while giving room for innovation and ideation • The importance of the long-term perspective in decision-making was highlighted when expanding to plant-based products <i>"they saw that there was going to be growing demand for dairy substitute products"</i>	• Strong internal RnD- and technological capabilities, making it possible to experiment with new product • Very entrepreneurial mindset, where this type of experimentation is encouraged • This can be seen through innovation and testing out new products • The brand is also seen as very strong by both retailers and customers, and they see that the company <i>"always delivers and products are of good quality"</i>	• The company has identified a shift towards sustainability and recognized the significance of climate change. • The company's vision shifted from a dairy perspective to a dairy and food perspective to include plant-based products • They understood that there was a trend for plant-based products, but that at the same time, dairy products are still needed <i>"not a substitute, but an addition"</i> • Impact of nutritional guidelines in different countries • Dairy and food companies try to collaborate <i>"like lobbying EU decision makers"</i>	• The company was very fast in the process of launching its plant-based products due to internal capabilities like within RnD • The product has improved a lot in quality, taste, and structure • The company wanted to launch very fast due to notable competition already in the market. They also wanted <i>"to make sure they had their space in the store"</i> • The company has room in its production to innovate, and hence they do not have to be very efficient with production	• Entrepreneurial mindset in the company, which is present through the possibility to try and test new products • The company also sees itself as being powerful due to its long-term perspective additionally, owners see that it is crucial to <i>"be a part of the sustainability society"</i> for long-term success • <i>"Used to be the most innovative dairy company in the world, and now they want to be the most innovative food company"</i> to stay relevant and follow customer demand

Table 1.2. Categorization of interviews

	Business strategy	Internal drivers	External drivers	Competitor niche entry	Strategic decision niche entry and timing
Case E	- A joint-stock company producing dairy and plant-based products and was recently acquired by a PE firm - Launched its first plant-based products in 2016. The strategy is based on "doing things differently", by focusing on high quality, local ingredients, and a more premium brand, with sustainability at their core - Capabilities to make decisions fast and test new products, with limited risk - Competitive edge thanks to its "product, quality and taste" - Continuous market research is conducted regarding customer preferences and where to take the product offering - They were able to see that there are customers that "would appreciate the non-dairy products"	- Importance of catering to all customers and their different needs and preferences, with a strong commitment to inclusivity - Sustainability is a core value of the company: "From the beginning, the company has had sustainability at its core. There are no artificial products or ingredients, and everything is local, when possible"	- One of the earlier adopters of vegan products to complement their dairy products. An interviewee said that although they were fairly early, "they have never been afraid of taking risks" "There is a risk: if you are known as a non-dairy brand, it would be a challenge to be considered a serious player in the dairy side". Still, the move to plant-based products was seen as "a natural step" for the company - Factors like regulations are monitored by the company, but they do not significantly impact operations	"A boom of plant-based products could be seen a few years ago", which led to more players wanting to join this niche - Among the competition, there are "no products with really high quality, with most other products being very 'industrial'", which is where the company wants to differentiate itself - The company added plant-based products to its offering quite early, it can be seen as being ahead of the competition	- The company wants to be recognized as providing a premium product and catering to all customer groups and preferences - They are not targeting vegans particularly, hence: "the product needs to be so good that you don't notice the difference in the taste". An interviewee noted that if only vegans were to buy their vegan product, it would not be enough as the segment is still quite small
Case F	- A limited-company, made the decision to transition from partly plant-based products to exclusively plant-based - Recognized the potential of plant-based products over traditional dairy, stemming from changing customer preferences towards healthier and more sustainable choices and due to the environmental impact of dairy production - A strong environmental and future forward focus - The ownership strategy of the company involves structuring the company as an attractive investment for future sale, with an emphasis on a clean, environmentally friendly, and innovative product portfolio	- Committing to being fully plant-based decreases the risk of contamination between dairy and non-dairy products - The company's approach to developing new products involves extensive customer research, testing and market analysis to ensure a competitive advantage and that products are accepted into the market "not internally driven, but rather driven by market trends" - Explores diversification through acquisitions to enhance its technological capabilities and expand product offerings: "the company is a niche player and needs to make acquisitions to get a hold of necessary technology"	"Although vegans make up a small percentage of the population, there is a broader interest in plant-based diets which has led to growth in the segment". A strong external push comes from the shift towards more flexitarian diets as well as the recognition of the environmental impact of dairy production - The company is not primarily driven by regulations, but it acknowledges the business opportunity related to the demand for products with a reduced carbon footprint as well as sustainable packaging "Retailers are looking to decrease their carbon footprint, which is good for the company"	- The company differentiates itself from the competition by fully committing to be plant-based - The company sees itself as more flexible than competition that is typically farmer-owned: "big companies could be more scared to hurt their brand image, while smaller, more niche companies can make quicker changes"	- The company says mindful of the political dynamics and the impact of policies on market opportunities for plant-based products - Having a "'clean company' with no plastic and plant-based products is a very clear message to both consumers and investors. It is a better fit for the future and a clean and simple package"
Case G	- A limited company, entered the plant-based category in 2017, through an acquisition. - Internal motivations for entering a niche market are heavily influenced by strategic alignment and the drive to streamline operations "Taste is the number one thing that people look at, and the number one reason why dairy users don't like the products" - The company aims to reach both niche market customers and the more mainstream customers. The goal of the company is "to be category captain in the future, by leading categories with the data that they have and create possible new categories"	- The decision to exclude dairy from most of its offerings was done with the "aim to harmonize the portfolio in all markets", and make it financially attractive - Decision-making leverages a deep understanding of operational complexities, as seen when it opted to eliminate dairy production due to its low profitability and operational challenges - This shift allowed the company to enhance its focus on growing, and to focus on the more profitable plant-based categories, rather than dairy "Entrepreneurship and risk taking are encouraged, while trying to get internal entrepreneurs to step onto the stage"	- The significant growth in plant-based product demand shaped the company's strategic decisions. They saw that "the dairy category is not developing and consumption is going down. While simultaneously plant-based categories have been growing heavily" - Regulatory environments and market conditions in different countries play a role, although they do not directly impact decision-making but require some adjustments - Sustainability is also a factor, but it can be seen as more of a requirement rather than something to differentiate with - Technology is mentioned as one of the external drivers influencing the company	- The company keeps a close watch on competitors' actions, by looking at what kind of products are being brought to the market and seeing if there is an opportunity for them and if it makes sense for the company "Their taste needs to be on the same level as competitors" - An interviewee stated that since there are a lot of other companies also expanding their plant-based product portfolios "it is easy to follow, but difficult to challenge them"	"Risks are analyzed very carefully and quick actions aren't taken, business cases are looked at from various angles: competitive landscape, how it fits the company and what investments might be needed" - Moving into a plant-based product category was seen as a "long-term decision with a long process, involving a lot of different people"

4.3. Categorization of case findings

In this section, the empirical findings from the seven cases are categorized by applying the conceptual framework presented in chapter 2. Based on the conceptual framework, the findings are grouped into five categories, identifying both similarities and differences. These groups are the business strategy, internal drivers, external drivers, competitor niche entry, and strategic decision niche entry (Figure 4).

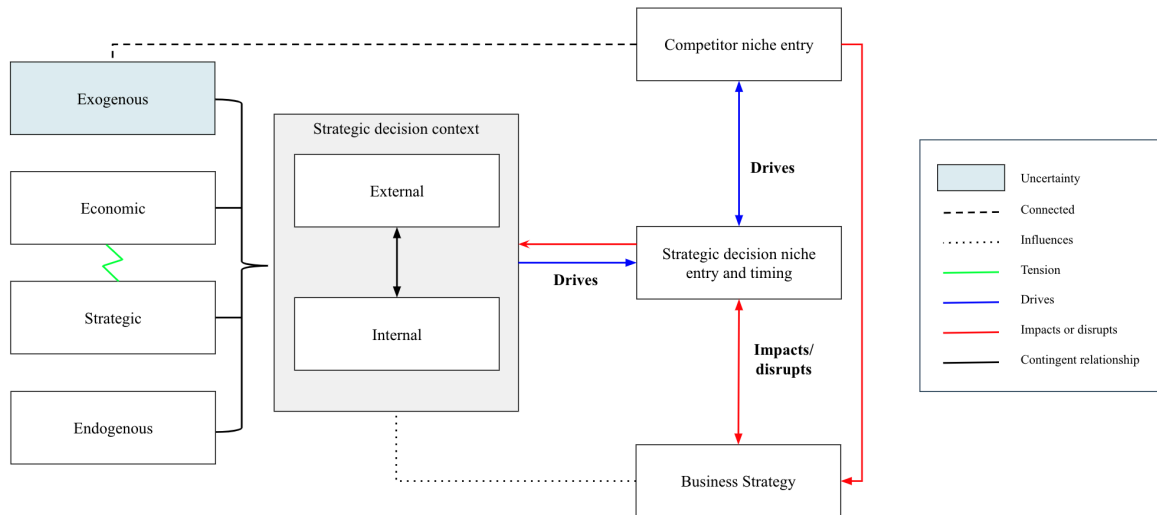


Figure 4. Conceptual Framework

Business strategy

The primary reasons stated by executives regarding entering the potentially disruptive plant-based niche revolve around preparing the company for the future, making the company future-proof, with the consequence, in some cases, of vision alterations. These motivations underscore a long-term strategic focus, driven primarily by market demand, where offering dairy-free products is a way to provide a full product range to cater to diverse dietary preferences. Externally, it is observed that one strategic motive is to enter the market in a way that limits competitors' shelf space.

In terms of innovation, companies exhibit varied approaches. Some prioritize perfection and aim to 'get it right the first time,' which influences their market entry to be more calculated and possibly delayed to ensure product and market readiness. Others encourage experimentation and are more accepting of initial failures as part of the innovation process, which can accelerate entry but also involve risks. A consistent requirement across all case companies is the quality of the product, which is crucial and often dictates the timing of product launches, especially concerning competition in the domestic market.

Internal drivers

The influence of ownership structure is a profound driver in each case, with different emphases on environmental focus versus profit for farmers influencing risk-taking and brand image strategies. When the company is farmer-owned, farmers had to be convinced of the niche entry, typically making decision-making slower, and causing delays in entry. The dairy cooperatives studied, still entered the plant-based niche, however were in need of more proof of profitability. When not farmer-owned, niche entry typically took place earlier and was seen as more “*natural*” for the company. Companies A and B placed high importance on the “*first time right*” mentality when entering the disruptive niche, due to which entry happened at a later stage (Table 1.1.). Others had more room for experimentation and hence wanted to enter the niche faster and make adjustments to the products along the way, rather than waiting to have the perfect product. Reputation, core beliefs, and organizational fit were all considerations for the case companies when entering the niche. Organizational fit, for instance, was evident in decisions around branding, such as with Company B, which initially chose not to include its brand name on new plant-based products, only to add it later as part of a strategic rebranding effort (referenced in Table 1.1). Reputation played a significant role, particularly for companies previously active in dairy advocacy. The shift towards plant-based offerings could potentially conflict with their past positions, creating a tension that needed careful management to maintain credibility. Core beliefs were often a driver when considering production and what way to enter the plant-based niche, e.g. whether to use locally grown oats or imported soy. The companies also wanted to highlight their core, such as the “*Nordicness*” of their brand, even when moving towards the niche. Companies A, D, E, and G placed particular importance on catering to all customers’ needs with their niche products, targeting all consumers and not just vegans (Table 1.1. and Table 1.2.).

External drivers

For all case companies, the increasing consumer demand for plant-based products was a primary motivator for entering the plant-based niche. Yet, for companies like A and C, mere market demand was insufficient. They required evidence of proven demand—specifically, the entry of direct competitors with similar business profiles into the niche was often a prerequisite (as noted in Table 1.1.). This observation also influenced the timing of market entry; after witnessing the success of others, some incumbents felt an urgent need to quickly penetrate the niche to capitalize on emerging market opportunities.

Despite the importance of both EU and domestic regulations in the food industry, regulations were not seen as a major driving force behind strategic decisions in these cases. In a broader sense, nutritional guidelines were mentioned as a reason why it was seen as beneficial to invest in plant-based products. Interestingly, in a survey conducted prior to the interviews (detailed in Appendix 2), executives from

three of the case companies indicated that they possess the capacity to influence regulations. Yet, when discussing the impact of regulatory factors on decision-making and market entry of new products, interviewees perceived no significant influence from regulations. Finally, the availability of advanced technologies was perceived as central to the decision to enter the niche market for all case companies. The right technology allows for the production of products that are appealing in taste and quality, which is critical to the long-term success of the product, hence these technologies need to be available to the companies.

Competitor niche entry

Among the case companies, varying strategies were observed in their approach to entering the plant-based market. Some of the companies adopted a cautious stance, preferring to wait for evidence of success from competitors before making a move, while others wanted to secure their market share as soon as possible. Company A in particular was the last one of the studied companies to venture into the plant-based niche. When moving into the niche later than competition, the importance was placed on the quality of the product, rather than securing market share (Table 1.1.). Conversely, other companies acted faster, with company B prioritizing the timing of product entry, to capture market share before competitors and therefore initially sacrificing internal production and quality control. Company C, while also cautious and desiring proof of viability from competitors, aimed to balance this with securing a share of the market. Similarly, Company D was intent on securing shelf space to ensure visibility in the increasingly crowded plant-based market segment: “*make sure they had their space in the store*”. Company E entered the market already in 2016, leveraging an early mover advantage while companies F and G decided to differentiate themselves from competition by eliminating dairy completely from their product offering (Table 1.2.). For some of these companies, competitor niche entry affected how they perceived the business case of entering the niche themselves, but it did not lead to immediate action with the consideration that it might hurt the brand, while others saw this as something that could not be missed out on.

Strategic decision niche entry and timing

The long-term perspective and the earlier mentioned effort to make the company future-proof is central to the strategic decision to enter the plant-based niche, often accompanied with substantial investments. One of the companies initially chose to work with a partner in the process for the market to prove itself before making the financial commitment. In contrast, all others viewed the financial commitment as integral to a broader vision for future expansion and strategic market positioning.

The mode of entry varied among the companies, with decisions closely tied to the anticipated need for a quick entry. Significant investments towards internal capabilities and development reflect the long-term expected growth, while partnerships and acquisitions reflect the anticipated need for quick

market entry to capture market share. The timing of entry into the plant-based niche was influenced by several factors, with the perceived strength of the market trend and anticipated long-term growth being paramount. Companies like A and C exemplified a more conservative strategy, waiting for plant-based products to gain mainstream acceptance or waiting for proof of success before entering the market (Table 1.1.). This cautious approach allows for risk reduction associated with market acceptance and consumer readiness. For companies C and E, incorporating plant-based drinks into their portfolio is seen as a natural expansion of their product portfolios, aligning with the existing consumer bases and logistical capabilities (Table 1.1. and Table 1.2.). For others, the move is more reactive. The presence of direct competitors in the market acts as a catalyst, providing the necessary incentive to adopt similar strategies to remain competitive.

The above presented case findings can be grouped according to the main research question and the two sub-questions in the following way:

<i>Motivation behind:</i>		
<i>Why incumbents decide to enter into new and potentially disruptive niche markets?</i>	<i>The entry mode chosen by incumbents</i>	<i>The timing of incumbent entry</i>
• Seeing growth in the plant-based dairy sector and in comparison a slight decline in the dairy products. • Importance of catering to all customer needs, i.e. offering a full product range. • Aligning with the core values of the company. • Not wanting to miss out, i.e. losing relevance in the eyes of customers. • Perception of risk impacts why, how, and when incumbents decide to enter a potentially disruptive niche.	• Internal development: future-proofing the company and seeing it as a part of the long-term strategy. • Quality control: internal vs external production. • Partnerships if the company had the perception that immediate entry is necessary (due to competitor presence in the market).	• Wanted to see competitors making a similar expansion work, before entering themselves. • Wanted the product to be mainstream, which was essential to convince the farmers. • Limiting competitors' shelf space. • First-time right when entering the market with a new product. • Owners need to be onboard with the shift in strategy and need proof of profitability. • Organizational fit reflected in timing of entry, i.e. a natural fit was reflected as earlier market entry.

Figure 5. Case findings grouped by research questions

5. Discussion

This discussion chapter explores the drivers influencing strategic decisions made by incumbent companies in the Nordic dairy industry when reacting to the rising trend of plant-based alternatives – identified as a potentially disruptive niche. The findings from the empirical data, notably from farmers owned incumbents, reveal a strategic approach that is both reactive to competitive pressures and other more proactive in anticipation of shifting consumer preferences towards sustainability and health.

5.1. Strategic alignment

Consistent with Eisenhardt's (1989) strategic decision-making model, the findings highlight that the decision to enter the plant-based niche market is strategic in nature, influenced by both the competitive landscape and internal characteristics. The rapid growth in consumer demand for plant-based products as highlighted in the empirical findings echoes the shifts noted in studies by Yahia et al. (2020) and Tang et al. (2018), which emphasize health and environmental concerns driving consumer preferences. The response of the dairy incumbents to these market shifts was not merely reactive. Instead, it was part of a broader strategic alignment where incumbents not only recognized the need to adapt but also sought to leverage their existing market strengths and, in some cases, leverage consumer trust to introduce innovative products. This approach is coherent with the perspective of ensuring the company's longevity and long-term relevance for the consumer which can be explained by the definition of strategy employed by Porter (1991). The dynamic interdependence of business strategy on the strategic decision of niche entry is clearly evident for the cases included in the research. This interdependence underscores how strategic decisions are not made in isolation but are profoundly influenced by the overarching business strategy. Particularly notable is the impact of ownership structure, which in some of the cases complicates the ability to adjust business strategies or more specifically, causes delays in strategic decision-making and consequently the timing of entry.

5.2. Contingency in entry decisions

The contextual influences on the decision-making within incumbent companies align with strategic decision-making theory and contingency theory, which suggests that companies are continuously assessing their environment and aligning their strategies in response to perceived threats and opportunities (Eisenhardt & Zbaracki, 1992; Burton et al. 2002). In contrast, the data also suggest an interesting deviation from the purely risk-averse nature typically attributed to incumbents in the face of disruptive innovations (Bulah et al., 2023). Instead, these companies demonstrated a nuanced approach to strategic adaptation, suggesting a model that integrates both the traditional views of

market response and more dynamic, innovation-driven strategies. Complementing the earlier discussed influence of ownership structure, the contingent effect of the “starting position” of the incumbent should be acknowledged. This can be illustrated by the statements of two different case companies, where case company C highlighted that the company’s expansion into the plant-based niche followed their core values: the importance of innovation and a balance between environmental objectives and business considerations (Table 1.1.). Case company G on the other hand saw moving into a plant-based product category as a “*long-term decision with a long process, involving a lot of different people*” (Table 1.2.).

There is a noticeable tension between the perceived benefits of entering a disruptive niche early and the potential risks of intensifying competition. This study observes that dairy incumbents, particularly those that are farmer-owned, tend to enter later than incumbents with a different ownership structure arguing for a strong contingent effect. When these incumbents make the decision to enter early, risk mitigating measures are taken to protect the core business. Central to this tension is the different sources of uncertainty described in this research following the definition of Lawrence and Lorsch (1967): “limited knowledge about cause-and-effect relation, the clarity and the quality of the information used and the time between decision-making and information about the consequences of a decision” (Joyce, 2018). Regarding the uncertainty connected to entering this niche, case company C stated: Prior to entering the plant-based niche, it was “*important to see proof from other companies that it was successful*”. An interviewee described their timing of entry by placing the company as “*maybe the first 30% of movers, but at least not the first 10%*”, they wanted to be early but, as stated by the interviewee “*not stupid early*” (Table 1.1.).

This statement also illustrated the evidentness of the concepts of competitive contagion and the bandwagon effect (Debruyne & Reibstein, 2005) in the strategic responses to competitors moving into the plant-based niche. Notably, the entry of companies outside the dairy industry into the plant-based niche had an equally strong signaling effect but required industry incumbents to have already considered the niche. This contradicts the theory about competitive contagion, in which it was expected that incumbents with similar characteristics have a stronger signaling effect on the incumbent who is making a decision (Porac & Thomas, 1990). For some of the case companies, competitor entry triggered a sense of urgency to respond to the niche swiftly (Debruyne & Reibstein, 2005). Still, due to the disruptive nature of the niche, this was not uniform across all case companies. Finally, it was noted that some of the case companies acted in line with the finding from Chen and MacMillan (1992), by entering the niche with the aim to maintain their competitive position in the market and simultaneously limiting competitors' competitive edge.

Connecting back to contingency theory, for all the companies to consider niche entry the “business case needed to make sense”. Additionally, for every strategic decision shaping the long-term perspective of the company, individual key criterias, strongly connected to the core beliefs and vision of the company, needed to be satisfied. When the niche entry is in conflict with one of the key criteria, the business case needed to be particularly strong or mitigating actions were taken to protect the company from unfavorable consequences such as. external development or waiting for the niche to become mainstream. For case company A, it was essential for the niche to become mainstream before the farmers could be convinced and for case companies B and D, the long-term perspective was mentioned as a key criteria: *“They (stakeholders) asked if it's a long term trend that cannot be missed out on”* (Table 1.1.). An interviewee saw the plant-based industry as *“it's here to stay”*, giving reason to believe that it is something that makes sense for the company to partake in.

While it is essential to acknowledge the direct role of competitor entry in making strategic decisions, it is perhaps more accurate to emphasize its role as a component of the broader external environment that shapes the context in which strategic decisions are made. Furthermore, analyzing competitors in niches is primarily a way for companies to manage uncertainties associated with entering a new niche. This is in line with mimetic isomorphism, as discussed by DiMaggio and Powell (1983). This can be illustrated by a statement from case company E: *“a boom of plant-based products could be seen a few years ago”*, which led to more players wanting to join this niche (Table 1.2.). Among the competition, there are *“no products with really high quality, with most other products being very ‘industrial’”*, which is where the company found room to differentiate itself.

In the context of entering a disruptive niche market, incumbents need to be mindful of inflow of new competitors from adjacent industries. These entrants, equipped with different product portfolios and expertise, may seek to capitalize on emerging opportunities by expanding into similar market spaces. As such, understanding the competitive landscape and identifying potential entrants from adjacent industries becomes an imperative component for incumbents strategizing their entry into disruptive niches.

5.3. Emergent themes

Some additional insights and emergent themes are identified from the interviews. One of the noteworthy strategies identified is the utilization of the halo effect¹ which is an integral part of the

¹ Halo effect: A psychological phenomena where *“global evaluations alter evaluations of attributes about which the individual has information fully sufficient to allow for an independent assessment”* (Nisbett & Wilson, 1977). This means that the attributes of a product may affect the assessment of its other attributes, because *“individuals cannot evaluate each attribute in isolation”* (Nicolau, Mellinas & Martín-Fuentes, 2020) and people strive to *“maintain a consistent set of beliefs and attitudes”* (Leuthesser, Kohli & Harich, 1995). The

field of marketing research. By launching plant-based products under their reputable brand-names, the companies aim to mitigate the perceived risks associated with new products. Case company A decided to leverage the halo-effect when launching the new products by including the brand name on the plant-based products in order to leverage the “*strength of the brand and the trust of the customer*” (Table 1.1.). This strategy ensures that the positive perceptions and consumer trust in the brand are transferred to the new product, thus smoothing the transition into a niche market and potentially accelerating consumer acceptance but also carries a risk of negative contagion if the launch is unsuccessful. This was exemplified by case company B: with the initial launch, the stakeholders were hesitant in leveraging the brand name, only after a relaunch in 2024 the brand name was displayed on the packaging.

The analysis suggests several adjustments to the conceptual model used in the study. First, the role of internal capabilities and company culture as drivers for strategic decisions needs greater emphasis. Incumbents with strong innovation cultures appeared more agile and willing to enter new markets despite potential risks. For example case company F did not see the change in products as significant, but “*it's more about the positioning of the company*”, where the “*plant-based message can be seen as a competitive advantage*” (Table 1.2.). It should be noted that this study is not designed to quantify the relative importance of the different drivers, hence specific weights of the drivers are not included in the revised version of the conceptual framework.

The findings also challenge some traditional views in strategic management literature regarding incumbents' responses to disruptive markets. As discussed above, these companies displayed a complex blend of risk management, proactive strategy, and responsive innovation, suggesting a hybrid model that combines elements of strategic decision-making theory with insights from theories of competitive dynamics and innovation management, instead of being purely risk-averse. This approach is exemplified with case company D, where plant-based products are seen “*not a substitute, but an addition*” (Table 1.1.). The company wanted to launch fast and “*to make sure they had their space in the store*”, reflecting the awareness of the competitive landscape. There is a strong entrepreneurial mindset in the company, reflected through innovation and testing new products and understanding the importance of this: “*They have the room (to innovate and test), and they have to have the room*”.

Combining strategy and marketing research would offer a stronger base for answering market entry driver questions. Within the field of strategy research, concepts related to marketing are in some cases inadequately developed, explaining the lack of these concepts incorporated in the conceptual

halo effect is related to the perceived brand equity, i.e. “*the degree to which a brand's name alone contributes value to the offering*” (Leuthesser et al., 1995). In marketing the halo effect is seen where a strong or weak connection to a brand can heavily influence the evaluation of its products, either positively or negatively (Nicolau et al., 2020).

framework. Currently these concepts are encompassed within the exogenous factors as a source of uncertainty, only including consumer demand as a shared concept.

In the revised conceptual framework, the exogenous factors that are identified as a source of uncertainty are individually displayed. Furthermore, the impact of the halo effect is incorporated as a component of the exogenous drivers and a source of uncertainty. Competitor niche entry is exhibited as a mitigating action rather than a direct influence on strategic decision-making. Finally, another mitigating action included in the revised conceptual framework is the strategy of waiting for confirmation before making an entry decision.

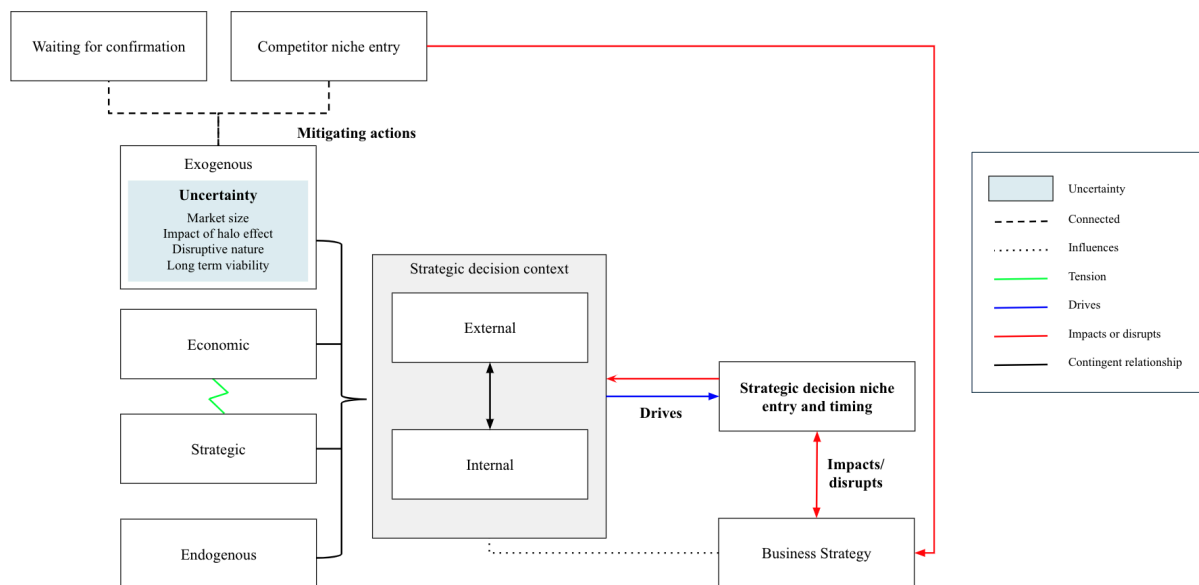


Figure 6. Revised Conceptual Framework

6. Conclusions

6.1. Motivations behind niche entry

To conclude, this study explored the motivations of industry incumbents behind entering potentially disruptive niches. The study was conducted in an empirical setting suitable for researching domestic market entry allowing for developing additional insights in a limited researched field. In this study the following research questions were addressed:

Why do incumbents decide to enter into new and potentially disruptive niche markets?

How do incumbents enter a potentially disruptive niche market, and why is this entry mode chosen?

When do incumbents enter a disruptive niche market?

Integrating strategic decision-making theory (Eisenhardt & Zbaracki, 1992) with contingency theory (Burton et al., 2002) and literature about competitive contagion (Debruyne & Reibstein, 2005) allowed for a holistic base to understand what motivates incumbents to enter a potentially disruptive niche and consequently adjust their business strategy to establish a fit with the changing environment. The revised conceptual framework offers explanation of the delay in incumbent actions concerning niche entry, connecting the exogenous uncertainty with the mitigating actions of *waiting for confirmation* and *competitor entry*.

The dairy industry case study exemplifies the complexities around niche entry, especially in the presence of potential disruption. Incumbents' motivations for entering the plant-based niche varied, driven by factors such as corporate identity, changing consumer preferences, and environmental concerns. The timing of entry, influenced by risk tolerance and production capabilities, reflected differing strategies, from prioritizing product quality to prioritizing speed-to-market.

The primary motivation of entry identified is strategic in nature and is concerned with ensuring the company is future-proof, meaning that the strategic action is driven by the perceived long-term value of the entry. What actions are required to become future-proof and specifically the desired timeframe is strongly connected to company characteristics, where being future-proof strongly evolved around staying relevant for the customer and the maintenance of the current competitive position and thus reacting to changing customer preferences. Likewise, the reasoning of the incumbent behind these motives were strongly linked to the underlying vision of the company suggesting a contingent relationship between motives and the core characteristics of a company.

Uncertainty surrounding competitor entry and market acceptance further complicated entry decisions. Some companies prefer to wait for validation from competitors, while others embrace a first-mover approach driven by innovation or strategic imperatives. Additionally, the uncertainty of the halo effect compounds the complexity of disruptive niches. Companies struggle with the possibility of tarnishing their brand reputation or inadvertently cannibalizing their existing product lines when accelerating the adoption of the disruptive niche with their entry. *Farmer-owned companies, in particular, must navigate this uncertainty while balancing the need to reassure farmers about the strategic direction of the business. Conversely, shareholder-owned firms may have more leeway to absorb potential risks associated with market experimentation, albeit with careful consideration of shareholder interests. Thus, the interplay between ownership structure and risk perception further underscores the nuanced nature of strategic decision-making in response to disruptive market forces in these cases.* While all companies face similar uncertainties, their responses vary based on these strategic imperatives and risk appetites. Contrary to conventional behavior for the case companies, the innovative character of the company does not necessarily translate to early market entry into a disruptive niche, this suggests the absence of the connection between the innovative character of the company and early entry. Ownership structure played a significant role, shaping risk preferences and decision-making processes.

The mode of entry, whether through internal development, acquisition, or partnerships, is intricately linked to entry timing and perceptions of market growth and uncertainty. Each approach signifies distinct strategic priorities, ranging from prioritizing long-term viability to facilitating rapid market capture or mitigating perceived risks. The timing of entry into the niche market is contingent upon factors such as product development duration and production capabilities. While some incumbents prioritize quality control and in-house production, leading to delayed entry, others prioritize speed-to-market and market share acquisition, even at the expense of quality refinement post-launch. Ultimately, the decision to enter any niche is contingent upon the alignment of the business case with strategic objectives, including considerations of potential cannibalization.

6.2. Contribution to literature

This research has provided several contributions to literature. First, most research on incumbent entry into a new market is focused on international entry (Hill et al., 1990; Ayal & Zif, 1979), while this research contributes to the understanding of domestic market entry of incumbents. Additionally, the emphasis on the influence of the disruptive nature of the niche market on strategic decision-making offers further insights and contributes to the discussion of this line of research.

The second contribution of this research is towards competitive contagion literature. Literature regarding competitive contagion does acknowledge the presence of uncertainty when considering disruptive niches. This study contributes to the discussion of this literature and offers an extended perspective on the role of competitors. Specifically, by broadening the perspective of who influential competitors may be, and challenging the claim that competitors with similar characteristics have the strongest signaling effects. This might be due to the emergence of niches leading to spillover between multiple adjacent industries and their incumbents, implying that competition may arise unexpectedly and from previously unexplored industries.

The final contribution revolves around the presence of contingencies in strategic decision-making regarding disruptive niche entry and the role of competitors. This study contributes by combining these perspectives and provides a comprehensive understanding of how various drivers interact to shape incumbents' decisions in dynamic market environments.

6.3. Managerial implications

This research can offer new perspectives for managers when considering both market research and niche entry. Regarding market research, this study shows that the threat of new entrants is not only coming from incumbents with the same characteristics or product portfolio. Particularly when considering entering a disruptive niche market, new competitors may enter from adjacent industries with different product portfolios, looking to expand in a similar way.

The second consideration is regarding entry timing and signals from competitors. Signals of other incumbents not entering a niche should not deter your company from considering the niche market. Entry timing is impacted by an interplay of both internal and external factors, influencing each incumbent in a unique way. This variation in strategy is evident in the differing approaches to niche entry taken by case companies A and B. Despite both being farmer-owned dairy businesses operating in the Nordics, their timing strategies for entering the plant-based market diverged significantly. Case company B chose to enter the niche early, making its move in 2019, demonstrating a proactive approach to capturing market share and establishing a presence in the emerging market. In contrast, case company A adopted a more cautious strategy, opting to wait until the niche had gained more mainstream acceptance before entering in 2024. This decision reflects a strategic patience and a focus on entering a more established and potentially less risky market.

6.4. Limitations

While the findings of this study contribute to understanding market entry into disruptive niches, recognizing its limitations is crucial for contextualizing the results and guiding future research.

A primary limitation was the restricted number of interviews conducted at some case companies. In some cases only the CEO of the company was interviewed, while the interviews provided high-quality insights and an excellent perspective on niche entry, more perspectives could have enriched the data. In some cases where both the CEO as well as an executive in another position were interviewed, it was noticeable that some perspectives on the topic differed. A perspective where this was seen was the impact of regulations which is expected to be a result of the different function specific experiences and daily interactions. This was to an extent combated by including relevant data from secondary sources, particularly when a smaller number of interviews were conducted. Regardless, the perspectives, experience and knowledge of the individuals interviewed may have resulted in some bias in the gathered data.

Additionally, the decision to limit this research to the discussion of only one industry limits the generalizability of the findings. The strong influence of the ownership structure is expected to be unique to this empirical setting due to the nature of the industry. By comparing cases about disruptive niche entry in various industries, this specific expectation can be examined.

The final limitation of this research is concerned with the exclusion of the behavioral aspects and process of strategic decision-making, particularly related to the contingency theory as discussed by Eisenhardt and Zbaracki (1992) and Burton et al. (2002). Incorporating these perspectives could enrich the analysis by acknowledging the importance of the decision maker and the impact of their characteristics and prior experiences. Such an approach would potentially clarify why companies with similar characteristics display varying attitudes towards entering niche markets, especially in terms of timing, being an innovator versus being a follower.

7. Future research

Based on our results and prior literature on niche entry, incumbents and strategic decision-making theory, we propose four areas for future research.

The first potential area of future research is the impact of ownership structure in the context of disruptive niche entry. When studying the case companies, the impact of ownership structure was apparent, this was expected based on prior research but not to the extent as found in the results of this study. A compelling extension of this research could involve analyzing incumbents who have deliberately chosen not to enter specific niche markets. By comparing these companies with those that have entered such niches, it can enrich the understanding of ownership structures on decision-making when entering a niche market.

Secondly, the role of executives in decision-making would be interesting to research further as discussed in the limitations section. When conducting interviews with different high-level company executives, it became apparent that an executive's personality could influence the company's values and its approach to entering potentially disruptive niches. Although the characteristics of some of the case companies were similar, the attitudes towards niche entry varied significantly, potentially impacted by the decision-maker.

Third, the way in which the weight of different drivers are perceived in companies and its impact, offers an interesting direction for future research. This study found that companies within the same industry, with similar characteristics displayed different approaches to niche entry, due to weighing different drivers in distinct ways. Further research could shed light on what drivers have the greatest impact on decision-making, what specific weights can be assigned to them and how company specific characteristics affect this. Furthermore, the case companies recognized long-term value in adding plant-based dairy alternatives to their offering. The underlying reasoning of what enables actors to “see” this long-term potential would offer an exciting field of study.

Fourth, regarding the methodology of the study, employing the fuzzy-set qualitative comparative analysis (Fs/QCA) method as discussed by Tóth, Henneberg, and Naudé (2017) would allow for greater understanding of the causal complexities. Due to the recommended number of cases “between 10 and 50” it would be necessary to increase the number of cases in order to ensure quality and reliability of the outcomes (Tóth et al., 2017).

Lastly, in the analysis of the qualitative data it became apparent that after the decision to enter is made, there is a trade-off when considering the speed of entry and the quality of the product. An interesting field of study would be to research the correlation between long-term company performance and what decision was made.

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Appendix

Appendix 1. Thesis pre-study survey

Thesis Pre-study survey

The purpose of this survey is to get a better understanding of attitudes towards plant-based products. The completion time of this survey is max. 3 minutes.

We appreciate your participation!

The topic of this thesis is to research the incumbent entry modes and entry timing into sustainable niches within the dairy industry and the different reasons for entry.

Siiri Rauramo & Rosan van der Werf

GDPR

This survey is part of an MSc thesis conducted by Siiri Rauramo (42341@student.hhs.se) and Rosan van der Werf (42342@student.hhs.se) in the spring of 2024.

No personal data will be collected in this survey. Anything you say or state in the survey will be held strictly confidential and will only be made available to supervisors, tutors and the course management team. All data will be stored and processed safely by the SSE and permanently deleted when the project is completed. The thesis will not contain any information that may identify you as participant to the survey. Participation is entirely voluntary. You can at any time withdraw your consent and your data will thereafter be permanently erased. You are welcome to visit <https://www.hhs.se/en/about-us/data-protection/> to read more and obtain information on your rights related to personal data.

Section 1 of 2

I have read the above information and I consent to take part in this study.

Yes or no

Section 2 of 2

Age

Short answer

Country of residence

Finland, Sweden or Denmark

Have you ever consumed plant-based dairy products?

Yes or no

If yes, please specify which ones

Short answer

How often do you consume plant-based dairy products?

Daily, weekly, monthly, yearly, I do not consume plant-based dairy products

How long ago did you start consuming plant-based dairy products?

I do not consume plant-based dairy products

Less than a year ago

1-2 years ago

2-5 years ago

More than 5 years ago

What was the driver of changing dairy preferences?

My dairy preferences have not changed, i.e. I do not consume plant-based products

Health reasons (e.g. lactose intolerance)

Environmental concerns

Dietary trends

Taste preferences

Other

Do you have a favorite/preferred dairy/non-dairy brand?

Yes or no

If yes, what company and why?

Short answer

What companies come to mind when you think of plant-based products?

Short answer

On a scale of 1 to 5, how important is sustainability to you when considering dairy product purchases?

Linear scale: 1 (not important) to 5 (extremely important)

What are your primary concerns, if any, about plant-based dairy products in terms of taste and texture? (E.g. should be similar to traditional dairy products taste, texture is different...)

Short answer

Do you believe that plant-based dairy products are more environmentally friendly than traditional dairy products?

Yes or no

Why or why not?

Short answer

Would you prefer to buy plant-based products from a company selling both dairy and plant-based products or a fully plant-based company?

Dairy and plant-based company

Plant-based company

No preference

If so, why do you prefer one over the other?

Short answer

Would your perception of a dairy brand change if they introduced dairy substitutes?

Yes, in a positive way

Yes, in a negative way

No

If so, why?

Short answer

Is there a product that you feel is missing from the plant-based product assortment? If so, what?

Short answer

Answers

A total of 135 answers were provided to the survey. The answers were given by individuals within the age range of 19 and 64 in Finland, Sweden and Denmark. Due to the large number of answers, below are examples of some of the answers given. These answers provide an overview of the range of answers.

Have you ever consumed plant-based dairy products?

Yes 90.4%

No 9.6%

If yes, please specify which ones

Oat milk, soy milk, Oatly, Alpro, Elovena, Almond milk, plant-based/oat yogurt, coconut milk, plant-based meat, cream, Arla, ice-cream, butter, Benecol

How often do you consume plant-based dairy products?

Daily 28.9%

Weekly 20%

Monthly 25.9%

Yearly 11.1%

I do not consume plant-based dairy products 14.1%

How long ago did you start consuming plant-based dairy products?

I do not consume plant-based dairy products

Less than a year ago 3%

1-2 years ago 9.7%

2-5 years ago 44.8%

More than 5 years ago 26.9%

What was the driver of changing dairy preferences?

My dairy preferences have not changed, i.e. I do not consume plant-based products 22.3%

Health reasons (e.g. lactose intolerance) 23.1%

Environmental concerns 35.4%

Dietary trends 16.2%

Taste preferences 35.4%

Other: ethics, animal rights, preference, family member/boyfriend/girlfriend has dietary restrictions, wanted to see what they taste like, availability

Do you have a favorite/preferred dairy/non-dairy brand?

Yes 41.5%

No 58.5%

If yes, what company and why?

Alpro (9), Arla (3), Becel (1), Elovena (3), Fazer, Juustoportti and Raisio, Oatly (28),

Valio/Oddlygood (5), Sproud

What companies come to mind when you think of plant-based products?

Oatly, Alpro, Elovena, Valio/Oddlygood, Arla, Fazer, Friendly Vikings

On a scale of 1 to 5, how important is sustainability to you when considering dairy product purchases?

1 (not important) 9.6%

2 18.5%

3 25.9%

4 37%

5 (extremely important) 8.9%

What are your primary concerns, if any, about plant-based dairy products in terms of taste and texture? (E.g. should be similar to traditional dairy products' taste, texture is different...)

Taste, additives, taste and texture should be similar to dairy, texture is too different, health benefits, no concerns

Do you believe that plant-based dairy products are more environmentally friendly than traditional dairy products?

Yes 78%

No 22%

Why or why not?

They are more processed, making plant-based dairy requires less land and water, more research, less Co2, no but I think it's more healthy, no animals involved which means a smaller footprint, animals produce more greenhouse gasses, consuming less water (animal water consumption)

Would you prefer to buy plant-based products from a company selling both dairy and plant-based products or a fully plant-based company?

Dairy and plant-based company 11.9%

Plant-based company 16.4%

No preference 71.6%

If so, why do you prefer one over the other?

Animal rights, do not want to support the dairy industry, more ethical, trusted actor, want to support local production, they are more specialized in their field

Would your perception of a dairy brand change if they introduced dairy substitutes?

Yes, in a positive way 46.2%

Yes, in a negative way 6.1%

No 47.7%

If so, why?

They are in tune with consumer preferences and business opportunities

I think plant-based products are the future so it's important to be flexible.

Company takes sustainability into account through introducing dairy substitutes

I believe it would be against the brand's values to produce dairy products.

It is always positive for a company to try and keep up with the environmental trend.

More options for me as consumer

Because it signal that they are trying to cater to more people

Always good to diversify into new products (as long as they dont replace their current ones of course)

It would seem to me that they take customer's preferences better into account by offering also more sustainable alternatives.

They are realizing that they need to transition to a plant based market and change their investments

They show will for development

Because they're making an effort to be sustainable

Being a part of the solution. Even if its for economic reasons

Is there a product that you feel is missing from the plant-based product assortment? If so, what?

No, ice-cream, good butter, good cheese, protein products

Appendix 2. Thesis survey company perceptions

Thesis survey: Company pre-entry decision-making

This survey is used as a foundation for upcoming interviews.

It consists of 5 sections, each with 3-4 questions. The survey takes a maximum of 10 minutes to complete.

The survey is focused on pre-entry decision-making in companies working with dairy products. We aim to understand the factors influencing decision-making for entry into adjacent product groups, such as plant-based or lactose-free, and company characteristics.

We appreciate your participation!

Siiri Rauramo & Rosan van der Werf

GDPR

This survey is part of an MSc thesis conducted by Siiri Rauramo (42341@student.hhs.se) and Rosan van der Werf (42342@student.hhs.se) in the spring of 2024.

No personal data will be collected in this survey. Anything you say or state in the survey will be held strictly confidential and will only be made available to supervisors, tutors and the course management team. All data will be stored and processed safely by the SSE and permanently deleted when the project is completed. The thesis will not contain any information that may identify you as a participant to the survey. Participation is entirely voluntary. You can at any time withdraw your consent and your data will thereafter be permanently erased. You are welcome to visit <https://www.hhs.se/en/about-us/data-protection/> to read more and obtain information on your rights related to personal data.

Section 1 of 6

I have read the above information and I consent to take part in this study.

Yes or no

Name and company of participant (All information will be anonymized after the interviews have taken place).

Short answer

Section 2 of 6 Decision maker

How many years have you been in the company?

Short answer

Have you made decisions regarding niche entry?

Yes or no

If you have made decisions regarding niche entry, has it been in the same industry where you are now?

Yes or no

Section 3 of 6 Policy

New regulations significantly impact our decision-making?

Linear scale: 1 (disagree) to 5 (fully agree)

New regulations are one of the main drivers of new products' entry?

Linear scale: 1 (disagree) to 5 (fully agree)

Has your company had any impact on regulations?

Yes or no

Section 4 of 6 Company strategy and culture

Is moving into a niche considered risky in your company?

Yes, no or short answer

Is there an entrepreneurial mindset in your company? I.e. risk-taking, taking initiative and ownership is encouraged

Linear scale: 1 (disagree) to 5 (fully agree)

Section 5 of 6 Environment and consumers

Technological advancements impact the decision to move into niches.

Linear scale: 1 (disagree) to 5 (fully agree)

Environmental trends are one of the main drivers of new product entry.

Linear scale: 1 (disagree) to 5 (fully agree)

Consumer demand is one of the main drivers of new product entry.

Linear scale: 1 (disagree) to 5 (fully agree)

Section 6 of 6 Market shaping

We prefer to adapt to changes in the market driven by others, rather than driving the innovation ourselves.

Linear scale: 1 (disagree) to 5 (fully agree)

I have confidence that our actions can direct the course of the developments in the industry.

Linear scale: 1 (disagree) to 5 (fully agree)

Survey answers, excluding name and company

How many years have you been in the company?	34	6,5	4	9	6	3	17	5	1,5	3	4
Have you made decisions regarding niche entry?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
If you have made decisions regarding niche entry, has it been in the same industry where you are now?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
New regulations significantly impact our decision-making?	2	4	4	5	2	2	4	2	1	2	3
New regulations are one of the main drivers of new products' entry?	3	3	2	5	2	2	3	4	1	2	2
Has your company had any impact on regulations?	No	Yes	Yes	No	No	No	No	Yes	No	No	Yes
Is moving into a niche considered risky in your company?	No	Yes	Yes	Depends on the market and the product	Yes	A little risky now, but strategically central for the future	No	Yes	No	No	Yes
Is there an entrepreneurial mindset in your company? I.e. risk-taking, taking initiative and ownership is encouraged	4	3	3	2	4	2	4	4	4	4	4
Technological advancements impact the decision to move into niches.	5	4	3	2	2	2	4	4	3	4	3
Environmental trends are one of the main drivers of new product entry.	3	4	3	3	3	4	2	5	4	3	3
Consumer demand is one of the main drivers of new product entry.	5	5	4	5	5	5	5	4	4	5	5
We prefer to adapt to changes in the market driven by others, rather than driving the innovation ourselves.	2	2	3	3	2	2	3	1	1	2	4
I have confidence that our actions can direct the course of the developments in the industry.	4	4	4	4	5	5	4	4	4	4	3

Appendix 3. Interview guide

*All questions are not asked in each interview, but relevant ones are chosen depending on the interviewee. The goal is to have interviews with at least 1 person in an executive position (CEO, VP ect.) and someone closer to the product and customer (marketing manager or customer category manager)

*Questions are not always phrased this way in the interview. These are guidelines for what we want to understand from the interviewee.

Prior to this interview all participants have answered a short survey in regard to their background, the impact of policy and regulations in decision-making, company strategy and culture, environment and consumers, and market shaping.

Topic: Master thesis at the Stockholm School of Economics, focussing on pre-entry decision-making in companies working with dairy products. We aim to understand the factors influencing decision-making and the timing aspect for entry into adjacent product groups, such as plant-based or lactose-free. Besides companies choosing to enter a niche, we are also particularly interested in companies deciding to not move forward with certain niche entries.

*Ask if recording is ok, all information will be anonymized after.

Background of interviewee

1. Can you tell us about your career at company X, positions and earlier positions?
 - a. Does this influence your decision-making?

Decision-making

2. Can you tell us about the process leading up to the launch of a new product (in general)
 - a. The role of market research (constant exploration?), first mentioning what drives this move (e.g. environmental, customer demand), maybe dive into what they see happening in the market?
 - b. Is this process different for plant-based product entry?
 - c. Impact of ownership structure.
3. Who are the people influencing the decision to launch a product like this / general path of decision-making in the company? (functions of the people)
 - a. Preference on in-house?
 - b. Does the speed when you want to launch the product have an impact?
 - c. Entrepreneurial mindset (survey answer /5)
4. What impacts the timing of product entry?
 - a. Prefer to adapt to changes rather than driving innovation (survey answer /5)
 - b. Refer to a specific product and ask about the timing of this product.
5. What challenges have you faced in aligning policy, strategy, culture, consumer/environmental insights, and entry mode/timing in your market entry decisions? (survey impact of regulations /5) (survey tech advancements /5 are they developed in house?)

6. What is the impact of regulations like? (score from pre-survey)
 - a. Are regulations one of the main drivers of new product entry?

Move to plant-based product:

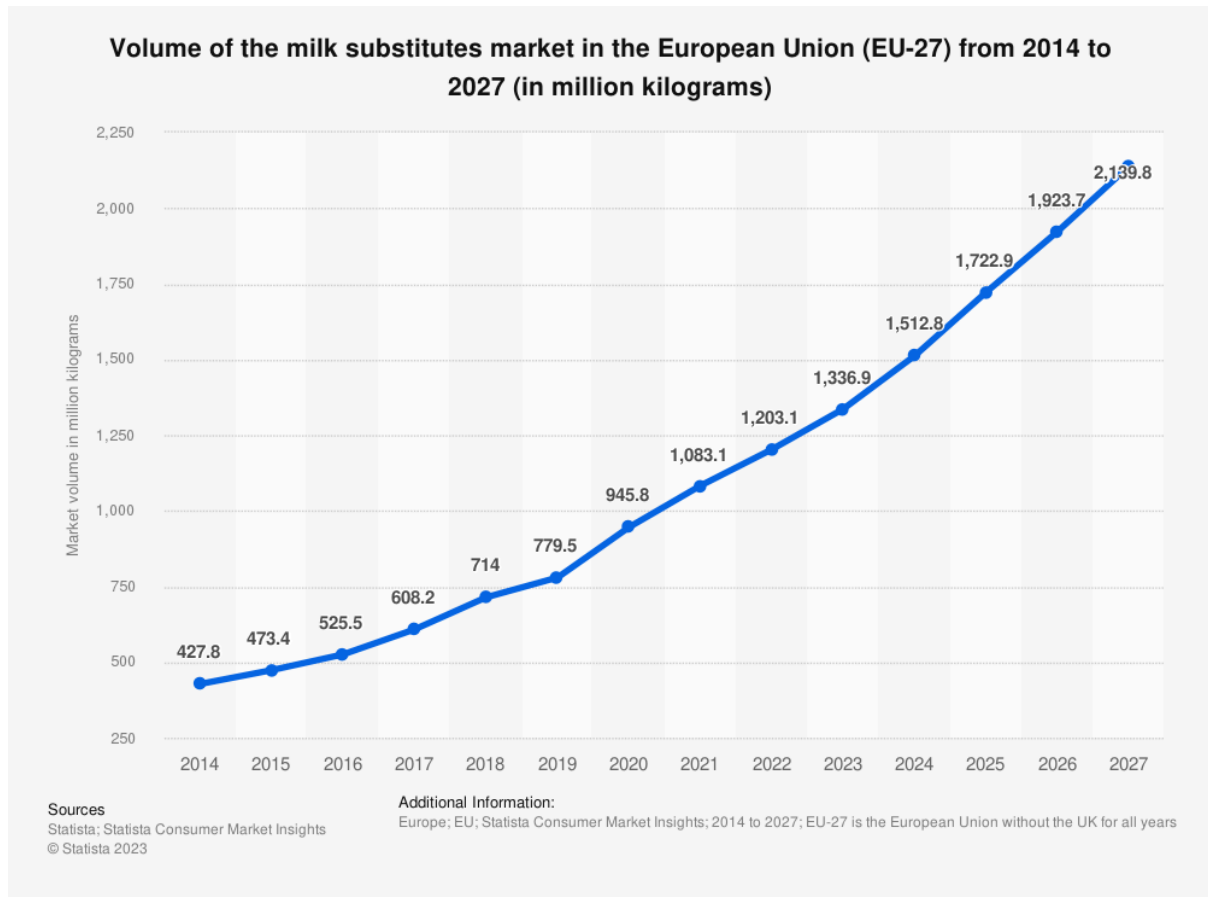
7. Did the mission of the company adjust when deciding to make this move
8. Can you tell us about the (decision-making) process with XX (e.g. Jörd with Arla, OddlyGOod with Valio)? From your perspective
 - a. Things we want to get answered if possible:
 - i. Describing the total process from seeing an e.g. opportunity to launching
 - ii. Innovation model used: E.g. stage gate model for product innovation steps
 - iii. Who is the end decision-maker, cross-functional teams or other ways
9. Brand aspect: did you consider launching the product under another name like Oddly Good etc.?
 - a. Why is this strategy chosen?

Additional questions

10. Is plant based a trend that needs to be participated in? (Likely answered in decision-making section)
11. Future plans for the plant-based product line? Protein products etc.?
12. Were other diversification opportunities within this or other areas researched or exercised?
 - a. Drivers to add products to the Jord line
13. Is there any aspect of your decision-making process for entering niche markets that you think is unique to your company? (Might be answer in decision-making section)
14. Would you like to share any additional insights or experiences related to niche market entry strategies?

*At the end of the interview note again that we will keep everything anonymous and confidential.

Appendix 4. Volume of milk substitutes market in the European Union (2014-2027)



Appendix 5. Table of Interviews

Cases are deliberately not aligned with the upcoming case numbering to maintain anonymity.

Position of interviewee	Length of interview
CEO	42 minutes
Head of commercial unit Plant Based (global)	39 minutes
CEO	41 minutes
CMO	51 minutes
Chief Sales Officer	26 minutes
CEO	52 minutes
Customer Category Manager	30 minutes
Brand manager plant based	39 minutes
Head of Supply Planning Sweden	25 minutes
Regional CEO	30 minutes
Destination portfolio manager	46 minutes
Former Upfield (Commercial analytics partner)	29 minutes
Category Lead	30 minutes
Purchasing and Sales Manager*	40 minutes
Sales And Purchasing Director*	40 minutes

*Not included as a case, but rather as additional information on the industry

Appendix 6. Complete Case findings

Case A

Business strategy

Case company A is a dairy company, with a dairy cooperative ownership structure and they entered the plant-based niche in 2024. The quality of the product and its taste play a key role for the company when launching any type of products. One of the reasons for launching plant-based products later than some competition was that the taste was not there yet as “*taste is most important*”. Having a competitive price and a future-proof product, meaning a product that is unlikely to become obsolete or fail in the future, were also important considerations mentioned by interviewees. Prior to launching a product, a business case and thorough assessments are conducted within the company. As the plant-based products were developed internally, it required time to get the appropriate capabilities set up for plant-based production. Building their own capabilities rather than using third party manufacturing was chosen, over entering the market faster. The existing supply chain offers the possibility to keep the price low. Furthermore, the long-term perspective motivated the company to invest in in-house development and production. The company prides itself with being on the forefront of innovation with dairy products in the past but due to the significantly different base of these products, the company preferred waiting for plant-based products to become mainstream before entering this niche. An interviewee also mentioned that there was no issue with being later to enter, as they rather saw the importance of being able to cater to all the different customer needs.

Internal drivers

It was important for the company to cater to all of their customers' needs, especially as they are a trusted company within the dairy industry. Due to being farmer owned, a particularly strong business case needed to be made, when considering the move from dairy to plant-based products as “*farmers impact this decision a lot*”. Farmers are naturally somewhat hesitant regarding the shift towards plant-based products, as this would disregard their production of milk and potentially significantly.

External drivers

The company faces significant competition from the plant-based dairy products sector which was highlighted by four interviewees in regards to launching a product in this environment “*you have one shot to get a launch correct*”. Several interviewees did not see an impact of regulations directly on their product, but rather that there may be some differences between regulatory frameworks in countries, for example when it comes to the retail side. Regulations could be seen to have an impact on expansion to completely new markets.

Competitor niche entry

The interviewees discussed the importance of seeing competitors being able to make a similar expansion into the niche work, as an important factor regarding the timing. Seeing proof that the product works and the market is mainstream was essential to convince the farmers to make this move. Regarding this, an interviewee stated: *“It took years for people to be fully behind this idea (plant-based products)”* and *“It was a long journey, but now people are behind it and believe in it”*. For a long time the company was standing up for dairy, creating a tension between plant-based and dairy products.

Strategic decision niche entry and timing

Seeing growth in the plant-based dairy sector and in comparison a slight decline in the dairy products, made the business case for moving into the niche very clear. The company saw the plant-based niche as potentially disruptive, particularly in regards to their own operations. They decided to leverage the halo-effect when launching the new products by including the brand name on the plant-based products in order to leverage the *“strength of the brand and the trust of the customer”*. They also wanted to highlight the *“Nordicness”* of the brand in the new products.

Concluding observations

In the case of case company A, a farmer-owned entity, being farmer owned, the transition towards plant-based products presented unique challenges, primarily due to the initial reluctance of its farmer stakeholders. The company adopted a cautious approach, choosing to enter the plant-based market only after it had gained mainstream acceptance. This decision was influenced by the competitive nature of the market, fostering a "first time right" mindset within the company's strategic planning. Company A prioritized the development of internal capabilities over quicker market entry via third-party manufacturing partnerships. This approach was aligned with a long-term strategic vision, driving the company to invest heavily in in-house development and production facilities. Historically, company A always stood up for dairy products, creating tension between plant-based and dairy products.

Case B

Business strategy

Case company B is a dairy producing company, with a dairy cooperative ownership structure and started producing plant-based products in 2019. The decision to enter the plant-based market was strategically planned. The company took its time to convince all stakeholders, ensuring the decision was not rushed despite recognizing the need not to lag behind competitors. An interviewee commented on the process, that there were *“tough discussions with the CEO and board”*. Initially the production included a partner but the decision to develop the product in-house in the end versus

buying ingredients was made to maintain quality and control, although this initial shortcut was required to meet market timing. The company understood the necessity of taking calculated risks to stay relevant and future-proof its business: *“You need to innovate and try, and something will pick up”*. This included the development and commercialization of plant-based products as part of its portfolio, while knowing that there is a risk: *“There is always a risk in all (product) launches, especially when moving outside your core business”*.

Internal drivers

The company identified the niche as an interesting direction in 2018, through market research, seeing growing customer demand for environmental products: *“plant-based was identified as something interesting for the company”* and something worth researching and potentially *“seizing the opportunity”*. The ownership structure, including the role of farmers and the board, significantly impacted the decision-making process. Initially, there was hesitation, but after some time, the board granted the mandate to develop the product: *“They were convinced that there was something to investigate here”*. The farmers were not initially convinced and they *“Could not initially throw resources at it (plant-based products) because the company is farmer owned”*, but *“the farmers were eventually convinced by the CEO”*. The entrepreneurial mindset within the milk-based unit was crucial in pushing the plant-based initiative forward, despite the complexities related to production, allergens, and ensuring no cross-contamination. However, not without restrictions: *“You can be very entrepreneurial in mindset to some extent, but your resources are still binded by the company”*.

External drivers

Major competitors were already offering plant-based products, indicating a market readiness. The presence of competitors and consumer trends towards environmental sustainability and health played a critical role in convincing stakeholders of the viability and necessity of entering the plant-based market. The long-term perspective played a role: *“They (stakeholders) asked if it's a long term trend that cannot be missed out on”*. An interviewee saw the plant-based industry as *“it's here to stay”*, giving reason to believe that it is something that makes sense for the company to partake in. An interviewee said that they don't want to miss out on consumers and *“Need to be relevant for consumers and understand them”*. The company conducted continuous market research to understand these dynamics and tailor its strategy accordingly.

Competitor niche entry

The timing of product entry was critical, to capture market share before competitors. The company aimed to adapt to market changes and consumer demand without necessarily being the first mover. The selection of markets for initial launch was strategic, considering competitive dynamics, regulatory environments, and existing relationships with retailers. The markets chosen included the company's

home market, where they knew their customers well and they knew that “*the market was growing*” and since it is their home market it was “*less complicated, with strong and established relationships with retailers across markets*”. The regulatory framework in the markets was also seen as unproblematic as “*There were no indications that regulations would have a big impact*”. Some other markets were seen as “*tricky*” because of intense competition from established plant-based companies, where “*you would need to be more careful with when to launch products and you need to get it right on the first try*”. When looking at direct competitors, the owners and higher executive team could be convinced that it was an area interesting enough to further investigate but without spending too much resources.

Strategic decision niche entry and timing

The process leading up to the market entry faced several challenges, including aligning with strategy, culture, consumer and environmental insights, and managing the timing of entry. The company had to navigate internal constraints, market expectations, and the competitive landscape to successfully launch its plant-based products. The company initially decided on an external supplier instead of internal production due to timing considerations, while trying not to be too late to the market. With the initial launch, the stakeholders were hesitant in leveraging the brand name, only after a relaunch in 2024 the brand name was displayed on the packaging.

Concluding observations

The ownership structure of case company B, including the influential role of farmers and the board, significantly impacted the decision-making process. This influence was evident in the initial launch, where stakeholders showed reluctance to leverage the brand name. Consequently, only after a relaunch the brand name got displayed on the packaging. Despite initial hesitations, the company pursued an expansion into plant-based products, recognizing its long-term relevance. In order to enter the market fairly fast and capture market share before competitors, initial production included a partner. In the end, the decision to develop the product in-house versus buying ingredients was made to maintain quality and control. Recognizing the strong competition from established plant-based companies, company B employed a “*get it right on the first try*” strategy for subsequent plant-based product launches.

Case C

Business strategy

Company C is a conglomerate company, with a diversified ownership structure, hence the focus is on one of the company’s brands. These brands include for example dairy and oats focused brands. The company’s expansion into the plant-based products category took place in 2021, mainly under the oats focused brand, with some products in the dairy focused one. The shift towards plant-based has been

greater under the oats brand, hence this is the focus of the interviews, with some commentary regarding the other brands as well. The company conducts constant market research, considering competitors, customers and products: *“understanding the size of categories, planning, dynamics is important, and above all you need to understand the end customer”*. They want to leverage the brand and how customers perceive it, when expanding to the plant-based niche. The company also *“has a strong history of innovation”*, particularly in regards to some of their product offerings. This innovative mindset is something that is brought to the plant-based product groups as well. An interviewee mentioned the importance of finding a balance between short term profits and long term strategy, while *“long term strategy is the main driver”*. Due to the ownership structure, investments have to be financially feasible, taking the ROI into consideration.

Internal drivers

When moving into the niche, company C leveraged the halo effect, by including their brand name on the product packaging instead of introducing a new brand. It was important for the company to launch a product that is in line with the existing products making it a *“natural”* expansion and one that fits the brand. The company is not farmer owned and an interviewee noted that this has potentially made decision-making in regards to plant-based products easier for them, when comparing themselves to competitors that are farmer owned: *“For them (farmer owned companies) the shift must have been more radical”*.

External drivers

The company's shift to plant-based products was a response to market demand and environmental considerations. According to an interviewee environmental considerations are at the core of the company. Regarding environmental factors, an interviewee said that *“ESG needs to be in good shape”* and that *“it has to be there especially in plant-based foods”*, while noting that from the customer direction, environmental concerns are *“more talk than action”*. The company has fully carbon neutral production, and also a sustainability program since 2018. An interviewee noted that regulations have some impact, particularly when considering expansion into other countries: *“Everything has to be planned very carefully, especially when it comes to international expansion”*.

Competitor niche entry

An interviewee noted: *“You need to introduce innovative novelties that have features, like protein, where you can convince the customer (to buy your product)”*, in regards to the increasing competition with plant-based products. Prior to entering the plant-based niche, it was *“important to see proof from other companies that it was successful”*. An interviewee described their timing of entry by placing the company as *“maybe the first 30% of movers, but at least not the first 10%”*, they wanted to be early but, as stated by the interviewee *“not stupid early”*.

Strategic decision niche entry and timing

The company's expansion into the plant-based niche followed their core values: the importance of innovation and a balance between environmental objectives and business considerations. They were quite early with niche entry, while still wanting to see proof of competitors' success.

Concluding observations

Case company C's diversified ownership structure did not hinder the move towards plant-based products; rather, this shift was viewed as a natural expansion and something that fits the brand. The company aimed to capitalize on its established brand identity and customer perceptions during its expansion into this niche. Despite being an early mover into the plant-based niche, company C found it important to "*see proof from other companies that it was successful*". An interviewee described their timing of entry by placing the company as "*maybe the first 30% of movers, but at least not the first 10%*". The company has a strong long-term focus but also places an emphasis on short-term ROI due to its ownership structure. Environmental considerations are deeply integrated into the company's core and are recognized as almost a hygiene factor that "*has to be there*". However, the company is aware that environmental concerns from customers are "*more talk than action*".

Case D

Business strategy

Case company D is a dairy company with a dairy cooperative ownership structure. An interviewee stated that the company is powerful because they have a strong long-term vision that the farmers also understand "*at the moment, the owners understand that they need to be a part of the sustainable society*". An interviewee said it is also typical for the farmers to pass on their business to their children. The sustainability process in the company is being driven from a top-down perspective, in collaboration with owners, while still giving room for innovation and ideation from all perspectives. An interviewee also highlighted that "*the company needs to have enough resources to make new innovations*" and that if RnD resources are cut "*they will lose from competition*". The importance of the long-term perspective in decision-making was highlighted when expanding to plant-based products "*they saw that there was going to be growing demand for dairy substitute products*". The company is following both tech and trends when considering innovations and products.

Internal drivers

The company has strong internal RnD- and technological capabilities, making it possible to experiment with new products, as it is not necessary to invest in a new product line each time. The company also has a very entrepreneurial mindset, where this type of experimentation is encouraged. This can be seen through innovation and testing out new products: "*They have the room (to innovate*

and test) and they have to have the room”, because “They want to keep up the culture that they can do new things and innovate”. The brand is also seen as very strong by both retailers and customers, and they see that the company “always delivers and products are of good quality”.

External drivers

Within the last five years, the company has identified a shift towards sustainability and recognized the significance of climate change. The company's vision shifted from a dairy perspective to a dairy and food perspective in order to include plant-based products. They understood that there was a trend for plant-based products, but that at the same time, dairy products are still needed. Hence, they see plant-based products as *“not a substitute, but an addition”*. A factor mentioned was the impact of nutritional guidelines in different countries. Particularly in Finland and Sweden, there are strict nutritional guidelines regarding, for example, meat and dairy consumption at schools and hospitals, as well as the need to decrease the consumption of these products. This is one of the reasons the company produces plant-based alternatives. An interviewee also mentioned that dairy and food companies try to collaborate *“like lobbying EU decision makers”* and that on the EU level decisions like *“‘healthy’ products might have less taxes”* are made, which impact the company.

Competitor niche entry

The company was very fast in the process of launching its plant-based products due to internal capabilities like within RnD. An interviewee stated that the product has improved a lot in quality, taste, and structure. This is due to tech improvements, how oats are used, how everything is cooked, amongst other factors. The company wanted to launch very fast due to notable competition already in the market. They also wanted *“to make sure they had their space in the store”*, indicating that they are well aware of the competitive landscape, particularly when determined at the level of retail shelves. The company has room in its production to innovate, and hence they do not have to be very efficient with production.

Strategic decision niche entry and timing

A major factor in the company's decision-making concerning niche entry relates to the entrepreneurial mindset in the company, which is present through the possibility to try and test new products. An interviewee said, *“it's the only way to be the most innovative”*. The company also sees itself as being powerful due to its long-term perspective additionally, owners see that it is crucial to *“be a part of the sustainability society”* for long-term success. The company *“used to be the most innovative dairy company in the world, and now they want to be the most innovative food company”* in order to stay relevant and follow customer demand. Regarding the need to be innovative and flexible, an interviewee said *“They understand that milk is the heritage, but now food is part of the vision and strategy”*.

Concluding observations

Case company D is a dairy company with a dairy cooperative ownership structure. The brand is perceived as very strong by both retailers and customers and is seen as reliable in terms of quality. The company adopts a long-term strategic perspective, recognizing the simultaneous demand for both traditional dairy products and emerging plant-based alternatives. Plant-based products are hence seen *“not a substitute, but an addition”*. The company wanted to launch fast, *“to make sure they had their space in the store”*, reflecting the awareness of the competitive landscape. The entrepreneurial spirit at Company D is evident in its commitment to innovation and product testing. This mindset is integral to the company's culture, as emphasized by an internal statement: *“They have the room (to innovate and test), and they have to have the room”*.

Case E

Business strategy

Case company E is a joint-stock company producing dairy and plant-based products and was recently acquired by a PE firm, providing *“financial security, with the ambition to grow and internationalize”*. The company launched its first plant-based products in 2016. The strategy is based on *“doing things differently”* from competition, by focusing on high quality, local ingredients, and a more premium brand, with sustainability at their core. An interviewee mentioned that in today's world, considering sustainability is seen as a hygiene factor and not a differentiator anymore. The company *“wants to have an offering for everyone who wants good-tasting products”*. They also have the capabilities to make decisions fast and test new products, with fairly limited risk, due to being able to produce small quantities of a new or modified product. According to an interviewee, the company has a competitive edge thanks to its *“product, quality and taste”*, with taste being key and highly appreciated among customers. Continuous market research is conducted in regards to customer preferences and where to take the product offering, also considering market expansion. Based on research on consumer demand, they were able to see that there are customers that *“would appreciate the non-dairy products”*. The key factor, according to an interviewee is *“to be close to consumers, listen to them and learn and get inspiration from them to develop”*.

Internal drivers

An interviewee from the company highlighted the importance of catering to all customers and their different needs and preferences, with a strong commitment to inclusivity. *“The company tries to be very inclusive”*, by having mostly lactose-free products, with some gluten-free and plant-based products. Sustainability is a core value of the company, as highlighted by an interview: *“From the beginning, the company has had sustainability at its core. There are no artificial products or ingredients, and everything is local, when possible”*.

External drivers

The company launched its first vegan products already in 2016, being one of the earlier adopters of vegan products to complement their dairy products. An interviewee said that although they were fairly early, *“they have never been afraid of taking risks”* and particularly when looking backward, the interviewee noted, *“There is a risk: if you are known as a non-dairy brand, it would be a challenge to be considered a serious player in the dairy side”*. Still, the move to plant-based products was seen as *“a natural step”* for the company. Factors like regulations are monitored by the company, but they do not significantly impact operations. For example, sugar taxation is something that the company sees as having a potential impact on their products. Therefore it has been considered when conducting market research on customer preferences and priorities when assessing their product offering.

Competitor niche entry

According to an interviewee: *“a boom of plant-based products could be seen a few years ago”*, which led to more players wanting to join this niche. Among the competition, there are *“no products with really high quality, with most other products being very ‘industrial’”*, which is where the company wants to differentiate itself. As the company added plant-based products to its offering quite early, it can be seen as being ahead of the competition. As of now, there are not a lot of similar products on the market.

Strategic decision niche entry and timing

The company wants to be recognized as providing a premium product and catering to all customer groups and preferences. They are not targeting vegans particularly, hence: *“the product needs to be so good that you don’t notice the difference in the taste”*. An interviewee noted that if only vegans were to buy their vegan product, it would not be enough as the segment is still quite small. The company recognizes that to remain relevant, they need to continuously monitor customer preferences and market trends and act accordingly.

Concluding observations

Case company E is a joint-stock company that included plant-based products in its product offering as early as 2016. The company places importance on catering to all customers and their different needs and is committed to inclusivity. The expansion into the niche was seen as a *“natural step”* for the company, although the risks coming with the move were recognized: *“There is a risk: if you are known as a non-dairy brand, it would be a challenge to be considered a serious player in the dairy side”*. The company wants to make a product that is not particularly targeted at vegans but rather a product that caters to all consumers: *“the product needs to be so good that you don’t notice the difference in the taste”*. The company has the capabilities to make decisions fast and test new products, with fairly limited risk, due to being able to produce small quantities of a new or modified

product. Sustainability is also at the core of the company, while it can be seen as a hygiene factor for companies, the company places particular importance on the sustainability of their products.

Case F

Business strategy

Case company F, a limited-company, made the decision to transition from partly plant-based products to exclusively plant-based, where the change in products was not significant, but *“it's more about the positioning of the company”*, where the *“plant-based message can be seen as a competitive advantage”*. The company recognized the potential of plant-based products over traditional dairy, stemming from changing customer preferences towards healthier and more sustainable choices and due to the environmental impact of dairy production. The company is shareholder-owned, with a strong environmental and future forward focus. The ownership strategy of the company involves structuring the company as an attractive investment for future sale, with an emphasis on a clean, environmentally friendly, and innovative product portfolio.

Internal drivers

Committing to being fully plant-based decreases the risk of contamination between dairy and non-dairy products: *“if you have a mix of plant-based and dairy, contamination can be difficult to control and everything needs to be checked a lot”*. The company's approach to developing new products involves extensive customer research, testing and market analysis to ensure a competitive advantage and that products are accepted into the market. This is done by leveraging expert groups, focus groups and market testing to validate customer approval: *“not internally driven, but rather driven by market trends”*. The company explores diversification through acquisitions to enhance its technological capabilities and expand product offerings: *“the company is a niche player and needs to make acquisitions to get a hold of necessary technology”*. This enables targeting different customer needs with a unified message focused on a commitment to sustainability and innovation.

External drivers

The company recognizes that *“although vegans make up a small percentage of the population, there is a broader interest in plant-based diets which has led to growth in the segment”*. A strong external push comes from the shift towards more flexitarian diets as well as the recognition of the environmental impact of dairy production. The company is not primarily driven by regulations, but it acknowledges the business opportunity related to the demand for products with a reduced carbon footprint as well as sustainable packaging. This also aligns with a broader trend in retail towards sustainability, which aligns well with the company's strategy as discussed by an interviewee: *“retailers are looking to decrease their carbon footprint, which is good for the company”*.

Competitor niche entry

“Everybody can make plant-based products, it's more about the commitment”, as stated by an interviewee. The company differentiates itself from the competition by fully committing to be plant-based, while many only add plant-based products to their portfolios. The company sees itself as more flexible than competition that is typically farmer-owned. An interviewee also mentioned that *“big companies could be more scared to hurt their brand image, while smaller, more niche companies can make quicker changes”*.

Strategic decision niche entry and timing

Successfully launching new products means meeting customer expectations, convincing retailers of the viability of the market trends, and aligning with environmental and health-driven consumer demands. The company stays mindful of the political dynamics and the impact of policies on market opportunities for plant-based products. Having a *“‘clean company’ with no plastic and plant-based products is a very clear message to both consumers and investors. It is a better fit for the future and a clean and simple package”*.

Concluding observations

Case company F, is a limited company that made the decision to transition from partially plant-based to fully plant-based, with the change being *“not internally driven, but rather driven by market trends”*. Diversifying its product portfolio and enhancing technological capabilities was done through acquisitions. The company has a strong environmental and future-forward focus and recognizes that: *“although vegans make up a small percentage of the population, there is a broader interest in plant-based diets which has led to growth in the segment”*. The transition to exclusively plant-based products was seen as a clear message and competitive advantage. In addition to products, the company acknowledges the business opportunity stemming from regulations, related to the demand for products with a reduced carbon footprint as well as sustainable packaging. The commitment to be fully plant-based also decreases the risk of contamination between dairy and non-dairy products.

Case G

Business strategy

Case company G, a limited company, entered the plant-based category in 2017, through an acquisition. The company's internal motivations for entering a niche market are heavily influenced by strategic alignment and the drive to streamline operations. An interviewee said the following when discussing customer preferences: *“Taste is the number one thing that people look at, and the number one reason why dairy users don't like the products”*. Hence there needs to be continuous research and development of products, to keep up with the competition and growing- and changing customer demands. The company aims to reach both niche market customers and the more mainstream

customers. The goal of the company is *“to be category captain in the future, by leading categories with the data that they have and create possible new categories”*. The company is constantly looking for new opportunities.

Internal drivers

As highlighted in an interview: *“If production is very complex it's also expensive”*, the decision to exclude dairy from most of its offerings was done with the *“Aim to harmonize the portfolio in all markets”*, and make it financially attractive. The company's decision-making leverages a deep understanding of operational complexities, as seen when it opted to eliminate dairy production due to its low profitability and operational challenges. This shift allowed the company to enhance its focus on growing, and to focus on the more profitable plant-based categories, rather than dairy. Risks are analyzed carefully in the company, but risk taking is generally encouraged. The company for example has a ventures program through which *“entrepreneurship and risk taking are encouraged, while trying to get internal entrepreneurs to step onto the stage”*.

External drivers

External factors influencing Company G's market entry includes changing consumer preferences and industry trends. An interviewee highlighted that the significant growth in plant-based product demand shaped the company's strategic decisions. They saw that *“the dairy category is not developing and consumption is going down. While simultaneously plant-based categories have been growing heavily”*. This made focusing on plant-based products an easy decision for company G. Furthermore, regulatory environments and market conditions in different countries also play a role, although they do not directly impact decision-making but require adjustments to product formulations to comply with local regulations. This includes factors like regulating sugar levels in products, considering sugar taxes, or adding vitamins. Sustainability is also a factor, but it can be seen as more of a requirement rather than something to differentiate with: *“Consumers are not making purchase decisions on the sustainability angle anymore, but rather based on the offering”*. Technology is mentioned as one of the external drivers influencing the company. It is a key pillar in developing products where *“the process needs to be super effective”*, because the plant-based category has grown significantly in size and is constantly growing.

Competitor niche entry

The company keeps a close watch on competitors' actions, by looking at what kind of products are being brought to the market and seeing if there is an opportunity for them and if it makes sense for the company. An interviewee stated that *“their taste needs to be on the same level as competitors”*, hence constant development is needed. They are not a category leader in the plant-based products yet, but in some other categories they are the leader, so in some ways they can understand both perspectives. An

interviewee stated that since there are a lot of other companies also expanding their plant-based product portfolios *“it is easy to follow, but difficult to challenge them”*.

Strategic decision niche entry

When discussing risk taking and the move to plant-based and interviewee said: *“Risks are analyzed very carefully and quick actions aren't taken, business cases are looked at from various angles: competitive landscape, how it fits the company and what investments might be needed”*. Moving into a plant-based product category was seen as a *“long-term decision with a long process, involving a lot of different people”*.

Concluding observations

Case company G, structured as a limited company, strategically entered the plant-based market in 2017 through an acquisition. The move was driven by a profit-oriented perspective, with the company recognizing that: *“the dairy category is not developing and consumption is going down. While simultaneously plant-based categories have been growing heavily”*. Central to the company is the aim of reaching both niche and mainstream customers. Risk-taking is encouraged in the company, while simultaneously, all risks are carefully calculated, and decision-making leverages a deep understanding of organizational complexities. The shift towards plant-based categories allowed the company to enhance its focus on the growing, more profitable, plant-based categories, and shift the focus away from dairy.

Appendix 7. Artificial Intelligence

Artificial intelligence has been used to a limited extent in aiding the writing process of this thesis. First, ChatGPT was used in some instances to assist in giving ideas or alternative formulations for text. An example of this is the prompt “*What is another word for (word)*” in order to find synonyms for certain words, or “*What is another way to say or formulate (word or phrase) in (number) words*” to make certain texts shorter or more concise. When AI was used for this purpose the following demand was consistently used: “*Please improve the flow of the inputted text and make it more concise without adding additional information*”. Second, Grammarly was utilized to perform spell checks, in order to ensure the high quality of grammar and spelling and to prevent errors. AI was not used for any confidential company information to ensure privacy of the information shared. These two tools contributed in increasing the quality of the thesis, but were not solely relied on and at all instances critically assessed.