Analysis of Competitive Strategy through Product innovation: A Field Study of COLAITAL Company

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Abstract:

The present study aimed to analyze the impact of product innovation on the competitive strategy of COLAITAL Company. Accordingly, the study reached the following results:

COLAITAL Company for milk and dairy products applies a differentiation strategy, which has contributed to profit growth and strengthened its competitive position in the market.

The study revealed an integration between product design creativity and COLAITAL's competitive strategy through the existence of a significant relationship and impact between marketing creativity, technological creativity, and competitive strategy.

The study confirmed that product creativity has a significant impact on COLAITAL's competitive strategy, as the use of modern machinery increased production speed, reduced errors, and contributed to improving product quality. Process creativity also enhanced competitiveness by enabling the company to dominate market shares of certain products such as pasteurized milk and ghee.

Keywords: *Innovation, Product Innovation, Competitive Strategy, COLAITAL Company.*

Jel Codes Classification : Q31, M31, M21.

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تحليل الاستراتيجية التنافسية ضمن الإبداع في المنتج – دراسة ميدانية لمؤسسة كوليتال (COLAITAL)

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ملخص:

هدفت الدراسة الحالية إلى تحليل أثر الإبداع في المنتجات على الاستراتيجية التنافسية لمؤسسة كوليتال (COLAITAL) وتوصلت الدراسة إلى النتائج التالية: تطبق مؤسسة كوليتال لإنتاج الحليب ومشتقاته استراتيجية التمييز التي حققت لها نموا في الأرباح وعززت من مكانتها التنافسية في السوق. وأظهرت الدراسة التكامل بين الإبداع في تصميم المنتجات والاستراتيجية التنافسية لمؤسسة كوليتال، من خلال وجود علاقة وأثر للإبداع التسويقي والتكنولوجي بالاستراتيجية التنافسية.

ويوجد تأثير للإبداع في المنتج على الاستراتيجية التنافسية لمؤسسة كوليتال حيث أن: استخدام الآلات الحديثة زاد من سرعة العملية الإنتاجية وقلل من الأخطاء، وساهم في تحسين جودة المنتجات. وزاد الإبداع في العمليات من القدرة التنافسية من خلال هيمنة مؤسسة على حصص بعض المنتجات في السوق مثل سوق الحليب المبستر والسمن.

– **الكلمات المفتاحية:** الإبداع، الإبداع في المنتج، الاستراتيجية التنافسية، مؤسسة كوليتال.

التصنيف: *Q31, M31, M21*

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Introduction:

The business environment is undergoing rapid changes in all fields, particularly with regard to the production of modern, high-quality products amid intensifying competition. Consequently, businesses must keep pace with this transformation and change in order to preserve their position in the market. Among the options available to companies for adapting to these rapid changes is the adoption of creativity as a strategic choice to generate new ideas that enable them to stand out under severe competition, especially in relation to designing modern or improved products.

The food and beverage industry is among the sectors facing considerable pressures and numerous challenges. Therefore, it relies on creative thinking methods to develop product design strategies that achieve competitive advantages within the sector. Among the companies operating in this essential and sensitive sector in Algeria, COLAITAL, specialized in milk and dairy products, is positioned as one of the leading competitors distinguished by creativity in product design.

Importance of the Study:

The importance of this research stems from the significance of the subject it addresses, namely creativity in product design and its impact on the competitive strategy of one of the national companies operating in the milk and dairy products sector (COLAITAL). This sector is considered an essential consumer food industry given its production of milk, which is a necessary food commodity for the Algerian citizen. Today, creativity is regarded as one of the approaches that helps businesses achieve competitive distinction over rival firms through the introduction of new and improved products to their customers.

- Providing recommendations to decision-makers within the company.

Objective of the Study:

Through this research, we aim to demonstrate the impact of creativity in product design on the competitive strategy of COLAITAL for milk and dairy products.

- This study aims to explore the factors that enhance creativity in product design and how the company can invest in these factors to achieve competitive superiority in contemporary markets.
- Providing proposals and recommendations.

Problematic:

To what extent does creativity in product design affect the competitive strategy of COLAITAL Company?

Study Limits:

- **Spatial limits:** The study is limited to COLAITAL company located in Birkhadem, Algiers.
- **Temporal limits:** The study covers the period from 2020 to 2025.

Research Methodology:

The case study method was adopted in the field investigation, along with the use of interview and observation tools. The descriptive-analytical approach was employed, as well as the deductive approach through the descriptive method, and the inductive approach through the analysis of relationships between the study variables, applied to the case of COLAITAL Company for milk and dairy products.

Research Structure:

To address the research problem raised, this study was structured into the following components:

I. The Concept of Innovation and Product:

With the emergence of the new era, competition has intensified and the economic environment in the global market has become more Icomplex. Identifying the factors that enable organizations to achieve superiority and sustainability in this dynamic competitive context has become essential and cannot be ignored. Creativity has become a core element in

processes of change and development, moving beyond traditional knowledge and methods to become a fundamental skill for successful businesses.

I.1 Definition of Innovation:

Innovation has been defined in multiple ways by different scholars and researchers. The most important definitions include the following:

- **Wallach:** "Innovation is excellence in work or achievement in a way that adds to the known boundaries in a specific field."
- **Reber:** "Innovation is a term used by specialists and non-specialists to refer to mental processes that lead to solutions, ideas, artistic forms, theories, or unique and novel outcomes."
- **Cronbach:** "Innovation is divergent thinking, which refers to the availability of skills and abilities through which entirely new ideas and observations are reached. In other words, creativity or divergent thinking is the ability to see things in new ways." (Muhammad Jad al-Rabb, 2013)[1]

Innovation is also defined as "the ability to generate new ideas and to find new ways of looking at existing problems and opportunities." (Rumley, 2019)[2]

Innovation is defined as the process of creating new ideas, methods, products, services, or solutions that generate significant positive impact and value. It includes transforming creative concepts into tangible outcomes that improve efficiency and effectiveness or satisfy unmet needs.

Innovation is not limited to technological developments; it also encompasses new approaches to problem-solving, processes, organizational practices, and business model innovations. At its core, innovation involves challenging the status quo, thinking outside the box, and taking calculated risks in order to drive progress and achieve remarkable results.

- **Product Innovation:**

Product innovation involves the development of new products or the improvement of existing ones in order to meet changing market demands and customer expectations. It includes advancements in functionality, design, performance, and user experience. (Jain, 2023)[3]

Innovation is a multi-stage process through which companies transform ideas into new or improved products, services, or processes with the aim of advancing, competing, and successfully distinguishing themselves in their market.

Innovation is also the production, adoption, assimilation, or exploitation of a product with added value in the economic and social fields; the renewal and expansion of products, services, and markets; the development of new production methods; and the establishment of new management systems. It is both a process and an outcome.

According to Alan Altshuler and Robert D. Behn, innovation includes original invention and creative use. They define innovation as the generation, acceptance, and implementation of new ideas, products, services, and processes.

Innovation has two principal dimensions: the degree of novelty (whether the innovation is new to the firm, new to the market, new to the industry, or new to the world), and the type of innovation (whether it concerns processes or product/service systems). Researchers in organizational studies have also distinguished innovation from creativity by offering an updated definition of these related concepts:

- Creativity in the workplace refers to the cognitive and behavioral processes applied when attempting to generate new ideas, whereas innovation in the workplace refers to the processes applied when attempting to implement new ideas. More specifically, innovation includes a combination of identifying problems or opportunities, proposing, adopting, or adapting new ideas that are relevant to the organization's needs, promoting those ideas, and putting them into practical application.
- Innovation management is defined as the process of adopting a systematic and strategic approach to generating, developing, and implementing new ideas, products,

services, or processes that create added value for the organization. For companies, innovation management is a key driver of competitive advantage. It encompasses various activities and stages, including idea generation, evaluation and selection, development, prototyping, marketing, and continuous improvement. It also involves creating an environment that encourages and supports innovation, as well as establishing the processes and structures necessary to effectively manage and lead innovation initiatives.

- **Innovation management** is defined as a systematic and strategic approach to generating, developing, and implementing new ideas, products, services, or processes that create added value for the organization. Innovation management is a key driver of competitive advantage for companies. It includes various activities and stages such as idea generation, evaluation, selection, development, prototyping, marketing, and continuous improvement. It also involves creating an environment that encourages and supports innovation, as well as establishing the necessary processes and structures to effectively manage and lead innovation initiatives. (Nick Jain, 2023)[4]

The use of innovation management creativity helps in presenting new ideas, opinions, and concepts to develop new processes or products. However, innovation management does not only refer to the research and development field; rather, it represents the level of seizing opportunities for design, as well as collaboration with both internal and external systems. This contributes to product development, manufacturing, marketing, distribution, and product promotion.

Brands need to understand how to connect new products or services to consumers' lives in order to make innovation successful in the market.

Product innovation refers to the process of improving a product's performance level through the use of a systematic methodology, including its degree of diffusion and the fundamental improvements introduced within system-based changes. It also involves managing other transformations while emphasizing the spread of successful innovation alongside the development of new products and services.

- **Innovation Strategy:**

An innovation strategy, particularly in relation to technology, refers to the ability to understand how technology is used, evaluate performance in its application, and assess the extent to which it contributes effectively to the workforce and the work system. It also involves measuring performance indicators to establish standards for technological innovation, determining the rate of diffusion, and managing related changes while fostering innovation alongside technological advancement.

In terms of goods or services produced, the innovation strategy involves evaluating production performance in response to product quality, identifying deviations in quality using a system-based methodology, and analyzing the rate of diffusion. It also includes fundamental improvements in other system changes while integrating new product innovation in goods and services.

It is a creative activity that begins with expressed needs, available means, and technological possibilities, leading to the definition of a product that satisfies those needs. (Gautier, 2004)[5]

I-2 definitions of product:

There are several definitions of "product", including:

- The American Marketing Association defines a product as anything that can be offered in a market for attention, acquisition, use, or consumption that satisfies a need or want. This includes goods, services, places, persons, and ideas. (Ma'alla, 2013)[6]
- A product is any good offered in the market to meet a demand, need, consumption, use, or acquisition, and it includes both tangible goods and services. (Ulker, 2010)[7]
- "A product is a set of tangible and intangible attributes, including packaging, color, price, manufacturer's prestige, retailer's prestige, and services.

- "A product is a bundle of tangible and intangible attributes designed to satisfy customers' needs and wants. Consumers purchase not merely physical characteristics, but the benefits and value they expect to obtain from the product, which may take the form of goods, services, places, persons, or ideas." (Kotler & Armstrong, 2023)[8]
- **New Product:** Some scholars consider a new product as "any fundamental innovation in the field of products, whether in the form of a substitute product, a product that complements the main product, or the addition of new methods to differentiate existing products, or the occurrence of formal or substantial changes aimed at improving the performance of these products." From another perspective, both producers and consumers perceive the concept of a new product differently. It is defined as a good or service that has not been previously produced or marketed, or as a good or service that is purchased or used for the first time. (Hammoud Jtheer & & al, 2015)[9]

II-Environmental analysis of COLAITAL Company:

Within the framework of the environmental analysis of the COLAITAL company, the study will address the classifications of the milk and dairy products sector, present the company and its strategic segmentation, and examine the PESTEL model, SWOT analysis, and the BCG matrix, as follows:

II-1 Classifications of the Milk and Dairy Products Sector in Algeria

The dairy sector in Algeria is characterized by intense competition due to the presence of many companies producing milk and dairy derivatives in the Algerian market, as well as the multiplicity of influencing factors shaping this sector.

The dairy sector is considered a highly sensitive sector due to the importance of milk as a widely consumed essential product. This continuous consumption reflects a steadily increasing demand for milk and dairy derivatives, which places constant pressure on producing companies to meet market needs and improve the quality of their products.

Accordingly, one of the most important milk and dairy-producing companies in the Algerian market, COLAITAL, has been selected to conduct a field study in order to examine whether creativity in product design has an impact on competitive strategy, particularly through marketing and technological dimensions.

The main objectives of this analysis are summarized as follows:

- To provide an analysis of the general competitive situation of the studied company by identifying its position and competitive strategy.
- To highlight the core capabilities of the company in relation to the market by identifying strengths and weaknesses, as well as potential opportunities and threats.
- To review the creative aspects within the company, starting from marketing, passing through the product itself, and reaching innovation in the production process.
- To examine the impact of creativity in product design through the analysis of field observations, company documents, and interviews conducted with a group of employees within the company under study.
- The dairy sector in Algeria is considered as one of the most important sectors with a significant impact on the national economy. It is witnessing continuous development, which requires companies operating within it to innovate and differentiate themselves in order to remain competitive. COLAITAL is considered one of the leading companies in this sector, striving to achieve excellence and meet customer needs with high-quality products.
- From this perspective, this section aims to explore and analyze the reality of the dairy sector in Algeria and the role of COLAITAL within it. It will examine the sector and analyze the competitive and innovative factors affecting the company's performance, with a particular focus on strategic segmentation and the main areas of activity of

COLAITAL in order to understand how it achieves distinction and success in this competitive market.

The milk sector comprises four production activities, namely: (Kaci & Sassi)[10]

1. Milk production.
2. Production of milk derivatives: butter, cheese, yogurt, and dairy desserts.
3. Production of ice cream and juices.
4. Production of artificial butter (Margarine).

The Algerian Classification Schedule of Activities and Products, "NAP 2000," includes the following numbering:

Table n°1: The Algerian Classification of Activities and Products "NAP 2000"

Classification	**Designation of Materials**
Section "C-D"	**Manufacturing Industries**
Sub-section "DA-C"	Agricultural and Food Industries
Division 15	Food Industries
Group 15.4	**Manufacture of Fats**
Class 15.43	Artificial Butter
Sub-class 15.43.00	Artificial Butter (Margarine)
Group 15.5	**Manufacture of Milk**
Class 15.51	Milk and Dairy Products
Sub-class 15.51.11	Liquid Milk
Sub-class 15.51.12	Milk Cream
Sub-class 15.51.30	Butter
Sub-class	15.51.40 Cheese
Sub-class 15.51.52	Yogurt and Sweetened Dairy Desserts
Class 15.52	Ice Cream and Juices
Sub-class 15.52.00	Ice Cream and Juices

Source: Information compiled on the basis of documents provided by the Company.

Among the most important companies operating in the dairy and dairy derivatives sector in Algeria is COLAITAL, which has been selected as the subject of the field (applied) study:

II-2 Definition of COLAITAL Company:

COLAITAL is a company specialized in the manufacturing of dairy by-products, established in 1997. The company offers a wide range of dairy products such as yogurt, fermented milk, pasteurized milk, and other 100% natural products without colorants, using milk collected directly from breeders in Algerian territories where COLAITAL's own farms are located, as outlined below: (Documents provided by the Company)[11]

• COLAITAL relies on a quality management system to ensure high standards in terms of production and service. It operates at the national level, supplying its products to a range of consumers including supermarkets, universities, schools, and military institutions, in addition to cafés and restaurants.

• COLAITAL SPA has an annual production capacity of 269 million liters of milk equivalent. This includes 244 million liters of pasteurized milk and other types of liquid milk, representing 80% of total production, as well as 25 million liters equivalent of dairy products, accounting for 10% of total production.

• COLAITAL owns the latest equipment, including distribution trucks of the Hyundai HD120 type, as well as small Kia 2500 trucks, computers, farm milk distribution platforms, and packaging and filling machines, which will be detailed later:

– The area of the headquarters is 2,300 square meters.

– The area of industrial buildings is 5,800 square meters, and storage facilities cover 1,200 square meters.

– The area of administrative buildings is 1,600 square meters.

– COLAITAL employs a qualified and professional workforce of 611 employees in 2024.

– With a capital exceeding five billion centimes, equivalent to 50,086,650 Algerian dinars in 2023.

• Thanks to its strategic positioning and commitment to quality, the company has managed to establish itself as a key competitor in the dairy derivatives market in Algeria.

COLAITAL places significant importance on its competitive position, given that it holds an important and leading competitive role. This importance was evident through the documents provided to us by the company, as it conducts analyses and studies of its market and archives these studies, which we will address as follows:

II-3 Strategic segmentation of the dairy complex in Algeria:

Strategic segmentation is considered the first stage of strategic analysis and is carried out through two steps: defining the field of activity and identifying the key success factors: (Documents provided by the Company)[12]

1. **Definition of COLAITAL's fields of activity:** the following table illustrates the strategic fields of activity of COLAITAL:

Table n°2: Strategic Activity Areas of the Company

Strategic Activity Areas	Products
Strategic Activity Area No. 01 (DAS 01)	Pasteurized bagged milk
Strategic Activity Area No. 02 (DAS 02)	High-temperature pasteurized milk "UHT"
Strategic Activity Area No. 03 (DAS 03)	- Sterilized milk - Bottled sterilized milk - Cow's milk
Strategic Activity Area No. 04 (DAS 04)	- Fresh cream - Thick cream - Butter

Source: Information compiled on the basis of documents provided by the Company.

Based on the specific characteristics of the proposed strategic activity areas, he analysis leads us to group the latter into two strategic sets:

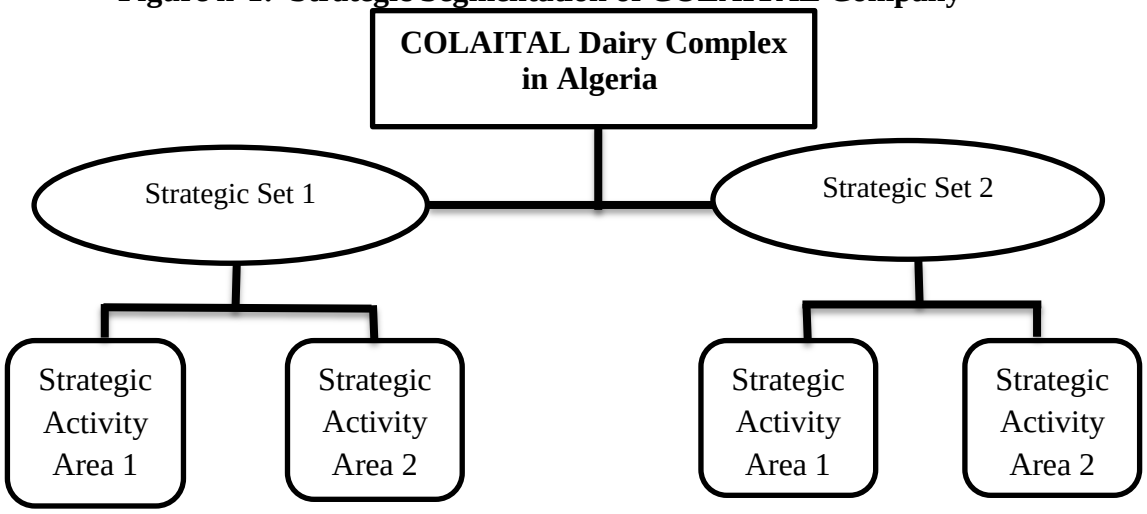
• **The first strategic set:** includes Strategic Activity Area One (DAS1) and Strategic Activity Area Two (DAS2).

• **The second strategic set:** includes Strategic Activity Area Three (DAS3) and Strategic Activity Area Four (DAS4).

The grouping of these areas is based on the similarity of the technologies used, in addition to their common elements relating to the consumer base on the one hand, and their impact on the company's revenues on the other hand. This similarity determines the nature of the overlap in the skills and competencies required to manage the company's competitive advantage.

Accordingly, the strategic segmentation of the dairy complex in Algeria may be presented as follows:

Figure n°1: Strategic Segmentation of COLAITAL Company



Source: Information compiled on the basis of documents provided by the Company.

2. Analysis of Key Success Factors in COLAITAL Company:

Based on the data provided by the officials of the marketing department, the key success factors in COLAITAL were identified as follows:

• Inventory Management:

- Contributes to ensuring product availability at the appropriate times and avoiding stockouts.
- Reduces storage costs and costs resulting from excess inventory.
- Ensures more effective use of funds instead of tying them up in unnecessary inventory.

•Technical Control:

- Ensures accurate monitoring of production processes, leading to high-quality products.
- Reduces waste and improves the use of resources, thereby increasing the efficiency of production operations.
- Enables COLAITAL to introduce new products or improve existing ones through the advanced technologies it possesses.

•Customer Relations:

- COLAITAL maintains strong and sustainable relationships with customers, which increases their satisfaction and loyalty.
- Good customer relations encourage repeat purchases and improve the company's reputation, while also contributing to the enhancement of products and services through the constructive feedback of COLAITAL's customers.

•Distribution Network:

- The company owns dedicated trucks that ensure products reach the largest possible number of consumers across diverse geographical areas, which has reduced additional costs for COLAITAL.
- COLAITAL also places emphasis in this regard on rapid delivery to customers, thereby enhancing their satisfaction.

•Product Reputation:

- The good reputation of COLAITAL's products contributes to building customer trust in the company and its products. It has played a major role in granting the company a competitive advantage in the market, which has facilitated the attraction of new customers.

• Product Pricing:

- COLAITAL adopts appropriate pricing that attracts different customer segments, in line with the competitive strategy pursued to compete with other products in the market in terms of price and superior quality.

- This strategic pricing increases the profit margin without losing customers, as COLAITAL offers products affordable to all customer segments.

II-4 SWOT Analysis of COLAITAL Enterprise:

The following table presents the SWOT model of COLAITAL Enterprise

Table n°3: SWOT Model of COLAITAL Company

Strengths	**Weaknesses**
• Proprietary distribution network (point of sale). • High-quality and competitive product. • Private farm. • New machinery. • Dedicated delivery trucks. • Diverse product range. • Targets both B2B and B2C markets. • Strong reputation in this sector due to its experience and commitment to quality. • Leading position in the military market. • Production of 100% natural and colorant-free dairy derivatives. • Raw materials (milk) collected directly from its own farm.	• Dependence on suppliers • Absence of a marketing and market research department • Dependence on raw milk supplies
Opportunities	**Threats**
• Expansion into new national or international markets. • Collaboration with other companies to develop innovative products.	• Increasing competition in the dairy products market. • Fluctuations in the prices of agricultural raw materials. • Evolving food health and safety regulations. • Risks associated with weather conditions and climate change affecting milk production (global warming).

Source: Prepared by the researcher based on documents provided by the Company.

SWOT Analysis of the Colaital Company can be summarized as follows:

1. **Strengths of the COLAITAL Company:** These are as follows: (Author's own elaboration based on documents provided by the company)[13]

• Private distribution network: This network has enabled the company to fully control product delivery, thereby enhancing operational efficiency and reducing costs. It has also facilitated direct interaction with customers, allowing opportunities to improve service quality and respond quickly to any issues. COLAITAL's private distribution networks include distribution channels spread across northern Algeria and the southwestern region, in addition to military institutions.

• High-quality and competitive product: COLAITAL's high-quality products have helped build a strong reputation and increase customer loyalty, while also reducing return rates and complaints.

• **Private farm:** This stable source of milk has ensured high product quality and production continuity, while reducing dependence on external suppliers, thereby providing greater stability for the company.

• **New machinery:** The company possesses modern machinery with a high level of production efficiency, reducing technical downtime. It also contributes to improving product quality and increasing production capacity to meet growing demand. The company's production equipment includes: machinery for producing, filling, and packaging milk and its derivatives, product collection machines, milk pasteurization machines, and both large and small trucks.

• **Private delivery trucks:** These trucks provide scheduling flexibility and full control over delivery operations, which has helped the company avoid delays and additional costs. The company owns a fleet of Hyundai HD120 large trucks and KIA K2500 small trucks.

• **Diversified range:** Product diversification has helped reduce risks associated with reliance on a single product, and has also enabled the company to target multiple customer segments and increase revenues.

• **Targeting the B2B and B2C markets:** Diversifying the target market (i.e., B2B—business-to-business exchanges between institutions—and B2C—business-to-consumer transactions) has strengthened the company's customer base and increased its flexibility in dealing with market fluctuations, thereby contributing to the achievement of stable revenues.

• **Strong reputation in the sector:** The company enjoys a good reputation that attracts new customers while retaining existing ones, within the framework of its commitment to fulfilling obligations by ensuring high-quality products and continuously enhancing them.

• **Leading position in the military market:** This market has provided the company with stable and long-term contracts, ensuring financial stability. The military market includes all military areas and barracks across different regions of the country.

• **Production of 100% natural dairy derivatives free from colorants:** The attractiveness of COLAITAL's products has had a positive impact on health-conscious consumers, leading to increased demand for natural products.

• **Raw materials from the private farm:** COLAITAL owns a private farm from which it obtains milk directly, allowing it to monitor milk quality from the farm stage until it enters the production process. The farm also ensures supply stability.

2. **Weaknesses:** These are as follows:

• **Dependence on suppliers:** Despite having a private farm, it remains insufficient to cover its needs, which leads to reliance on a limited number of suppliers as a precaution against risks resulting from supply chain disruptions. Therefore, it is important for COLAITAL to diversify its supply sources to reduce these risks.

• **Absence of a marketing and market research department:** During the field observation of the company, it was noted that there is no specialized marketing department, which limits the company's ability to identify new opportunities and respond effectively to market changes. Therefore, it is important for the company not to rely solely on traditional marketing thinking and focus only on selling its current production, but rather to exploit market opportunities, strengthen its strong market presence, and consider entering new markets.

• **Dependence on raw milk supply:** The heavy reliance on raw milk exposes the company to supply risks, particularly in cases of production shortages or natural disasters. Developing alternative milk supply strategies could mitigate these risks.

3. **Opportunities: These are as follows:**

• **Expansion into new national or international markets:** One of the available opportunities for COLAITAL is expanding into new markets, which would lead to increased revenues and a diversified customer base, thereby reducing risks associated with dependence on a single local market.

• **Collaboration with other companies to develop innovative products:** Such cooperation can lead to the development of new products that attract new customer segments and strengthen the company's market position.

4. **Threats:** These are:

• **Increased competition in the dairy products market:** Rising competition may put pressure on product prices and reduce profit margins. It is important to focus on creativity, innovation, and quality in order to maintain competitive advantage.

• **Fluctuations in agricultural raw material prices:** Price volatility of raw materials can negatively affect operational costs and profit margins. Therefore, it is necessary for COLAITAL to adopt hedging strategies against such fluctuations.

• **Development of food safety and health regulations:** New regulations may lead to increased operational costs if COLAITAL is not prepared to comply. It is important to closely monitor legislative developments and adapt quickly to avoid any unplanned actions that could result in decisions potentially threatening the company's future.

• **Risks related to weather conditions and climate change:** Climate change can negatively affect milk production, leading to supply fluctuations and increased costs. Accordingly, it is essential to develop strategies to adapt to these changes.

From the above, it can be concluded that the SWOT analysis shows that Colaital possesses several strengths that place it in a strong competitive position, such as its private distribution network, high product quality, and private farm that ensures stable supply. However, the company faces challenges related to dependence on a limited number of suppliers, as well as the absence of experienced personnel in the marketing department. The company's opportunities include expansion into new markets and collaboration with other companies to develop innovative products. On the other hand, market threats include increased competition and fluctuations in raw material prices, which impose challenges requiring effective strategies to address them. By leveraging its strengths and addressing its weaknesses, while focusing on available opportunities and developing plans to counter threats, COLAITAL can strengthen or even consolidate its competitive position in the market and achieve sustainable growth, given the level of creativity that characterizes its product design.

II-5 PESTEL Analysis of the COLAITAL Company:

The following table presents the PESTEL model of the COLAITAL Company:

Table n°4: PESTEL Analysis Model of the COLAITAL Company

Factors	Elements
Political	• Government regulations related to the production and marketing of dairy products.
Economic	• Economic growth rates and consumers' purchasing power. • Exchange rate fluctuations and their impact on import costs.
Social	• Consumer preferences and trends regarding dairy products. • Evolution of dietary habits and increasing demand for natural and healthy products.
Technological	• Technological progress in the production, processing, and distribution of dairy products. • Adoption of new technologies such as improved pasteurization.
Environmental	• Environmental regulations related to the production and packaging of dairy products.
Legal	• Health regulations and food safety standards applied to dairy production. • Amendments to import laws.

Source: Prepared by the researcher based on documents provided by the Company.

PESTEL Analysis Model: The PESTEL model is divided into six fundamental factors, as follows: (https://www.worldstopexports.com)[14]

1. **Political:** Algeria has a stable political environment characterized by the facilitation of governmental regulations related to the production and marketing of dairy products. According to the International Security and Stability Index, Algeria ranks 96th out of 163 countries. Algeria also maintains good political relations with most African countries, which is beneficial for COLAITAL and other Algerian economic businesses in exporting their products.
2. **Economic:** Algeria possesses an investment-friendly economic structure. The International Monetary Fund (IMF) ranked Algeria as the strongest economy in Africa for the year 2024, estimating its GDP at approximately 266.78 billion USD. [15]
3. **Social:** Based on data published by the specialized platform Worldstopexports, Algeria is among the top five importing markets for milk in the world, along with China, Germany, the Netherlands, and Belgium. These five countries together account for more than one-third (37.4%) of global demand. Global spending on imported milk in 2022 reflects strong demand patterns. (Author's own elaboration based on documents provided by the company)[16] Therefore, the market in which COLAITAL operates is not yet fully saturated, as it faces continuous demand for its products and changing consumer preferences regarding dairy products. The company also takes into account the values and traditions of Algerian society by offering halal products and employing Algerian workers.
4. **Technological:** COLAITAL relies on technological progress in the production, processing, and distribution of dairy products, as well as the adoption of new technologies such as improved pasteurization.
5. **Environmental:** COLAITAL complies with environmental regulations related to the production and packaging of dairy products, in accordance with the directives and laws of the Ministry of Environment and Renewable Energies.
6. **Legal:** The following are some of the laws governing the operations of the COLAITAL Company: The COLAITAL company is subject to the regulations governing enterprises operating in the milk and dairy products sector, including the regulation of prices for pasteurized milk packaged in bags at the production stage and at the various stages of distribution) Executive Decree No. 20-155, dated June 8, 2020(.[17]

2–4 Boston Consulting Group (BCG) Matrix Analysis of the COLAITAL Company:

Based on COLAITAL's product portfolio, each product can now be analyzed and positioned within the BCG Matrix to determine its strategic location:

1. **Question Mark Area:** COLAITAL products such as sterilized milk, cow milk, bottled sterilized milk, fresh cream, butter, and ghee are considered question marks, as they have low market share but high growth rates. Accordingly, COLAITAL should increase investment in these products to potentially transform them into future star products. The most appropriate strategy in this case is a focus strategy. (Author's own elaboration based on documents provided by the company)[18]
2. **Star Area:** High-temperature sterilized milk (UHT) is a star product within COLAITAL, as it achieves both high market share and high growth rate. The company should prioritize financing and marketing this product to sustain its success and generate higher profits. The most suitable strategy here is growth and expansion.
3. **Cows Area:** Pasteurized bagged milk (LPC) is considered a cash cow, as it has a high market share with a low growth rate. COLAITAL should invest the cash flows generated from this product into developing and improving other high-growth products located in the star category, such as UHT milk, or in the question mark category (sterilized milk, cow milk, bottled sterilized milk, fresh cream, butter, and ghee). The most appropriate strategy is diversification.
4. **Dogs Area:** The sterilized cheese product (Petit Suisse) falls within the dogs category, as it has both low market share and low cash flow. The company should either

withdraw from this product or adopt a harvesting strategy to achieve short-term cash flow. As for yogurt, the company completely discontinued it in 2024. The most appropriate strategy is contraction, such as liquidation, divestment to another company, withdrawal, or elimination of products located in the dogs category.

As a conclusion from the BCG matrix analysis of the COLAITAL Company, we note that:

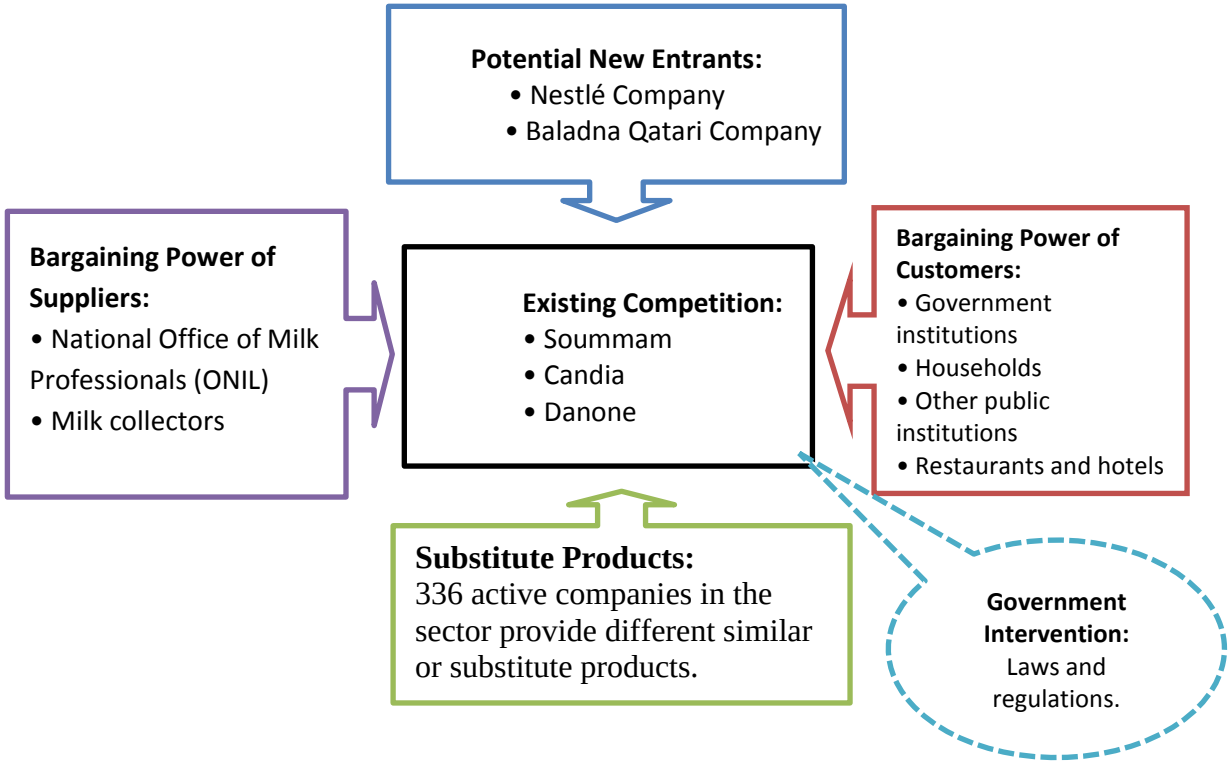
- Strategy diversification is highly important to achieve balance between products with high market share and high growth rate, and those with low market share but high growth potential.
- It is important to allocate more resources and investments to star products to ensure continued success and higher profitability.
- Cash flows from cash cow products should be reinvested in developing other high-growth products in the star or question mark categories.
- Products in the dogs category require either withdrawal or a harvesting strategy to ensure short-term cash flow.

Colaital can achieve success and sustainability by adopting appropriate strategies for each product category and efficiently allocating resources in line with the BCG matrix analysis.

Thirdly – Competitive Strategy of the COLAITAL Company:

Based on the data provided by the company, we have developed Porter's model for the Colaital Company as illustrated in the following figure:

Figure n°2: Porter Model of the COLAITAL Company



Source: Prepared by the researcher based on documents provided by the Company.

Porter's Analysis of the Colaital Company: It can be summarized as follows: (Author's own elaboration)[19]

1. **Current Competition:** The milk and dairy products market is characterized by intense competition, which is reflected in the increasing number of production units across the national territory. According to a 2016 study, the number of milk and dairy processing companies registered in the National Commercial Register database

reached 778 companies, while only 173 companies were recorded in the database of the National Milk Office (ONIL).

To measure the intensity of current competition, we will focus on the main competitors of the COLAITAL Company in the Algerian market:

• **Candia Company:** The mission of the Candia Group is to produce and market sterilized long-life milk on the one hand, and on the other hand, it produces derivative products such as milk-based products, juices, orange beverages, fruit cocktails, etc. Its main objective is to diversify its products while continuously improving their quality in order to best satisfy its customers across the national territory.

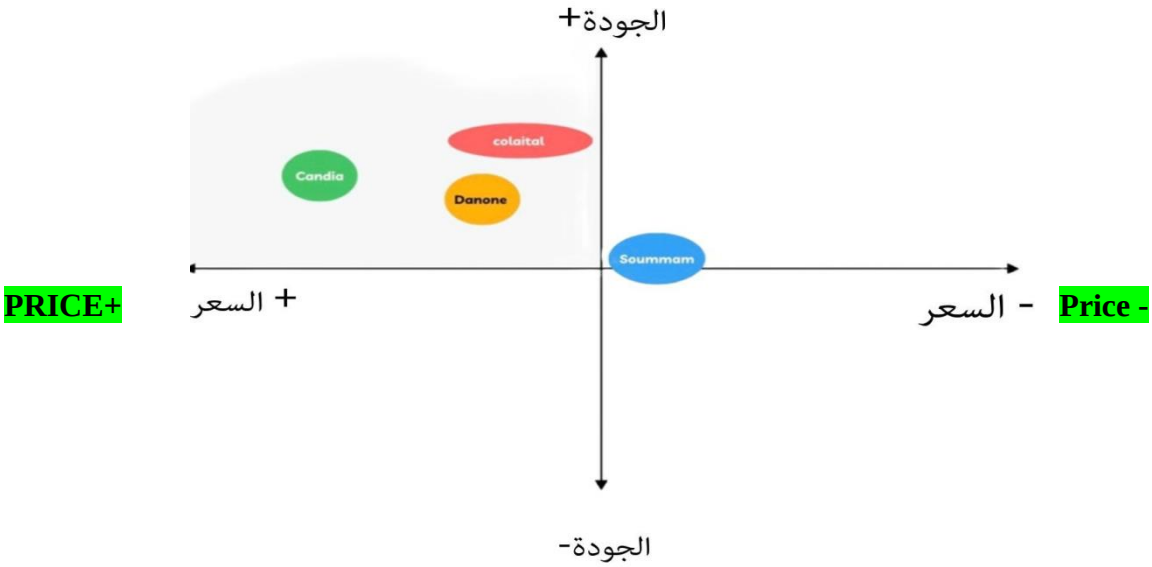
• **Danone Company:** Its activity is structured around three business segments: dairy products, biscuits, and bottled water. It has a presence in 90 countries. Recently, it has moved into the infant dairy sector through the acquisition of Bebelac and Milupa companies.

• **Soummam Company:** Since 2009, Soummam Dairy Company has been developing an ambitious milk production program across the national territory through the establishment of an ecosystem that includes independent farmers, collection centers, and transportation networks.

The following figure illustrates the competitive strategy adopted by the COLAITAL Company and its positioning among its competitors in the Algerian market.

Figure n°3: Strategic Positioning of the COLAITAL Company

Quality+



PRICE+ **Price -**

Quality-

Source: Information compiled on the basis of documents provided by the Company.

The figure illustrates the competitive strategy and positioning of COLAITAL, Candia, Danone, and Soummam in the Algerian market. The horizontal axis represents price, where the left side indicates high prices and the right side indicates low prices, while the vertical axis represents quality, where the lower section indicates low quality and the upper section indicates high quality for products. (Author's own elaboration)[20]

- COLAITAL adopts a differentiation strategy and positions itself as the best provider of dairy products in terms of quality among its competitors. It is located at the top of the quality axis, which indicates that its products are considered superior in quality compared to Danone, Candia, and Soummam. COLAITAL's high positioning on the

quality scale is accompanied by high prices; therefore, it is located at the extreme end of the high-price axis. This indicates that COLAITAL targets the premium market segment, where consumers are willing to pay higher prices in exchange for the highest perceived quality of dairy products.

- As for Danone, it adopts a similar competitive strategy to COLAITAL and is positioned at a high level of quality but at a lower price. This places Danone as a high-quality but slightly more affordable option, targeting primarily middle-class consumers who seek dairy quality but are more price-sensitive.
- **Candia Company** also adopts a differentiation strategy, offering medium-quality products at relatively low prices compared to other companies. It is positioned approximately in the middle of the quality axis, meaning that the quality of its products is neither very high nor very low. On the price axis, it is located on the left side, away from COLAITAL and Danone, which indicates that its prices are relatively lower compared to both COLAITAL and Danone. Therefore, Candia targets consumers who seek a balance between acceptable quality and low prices, offering medium-quality products at affordable prices. In this way, Candia meets the needs of a broad segment of consumers who are not willing to pay very high prices but also do not accept the lowest levels of quality.
- As for **Soummam Company**, it follows a cost leadership strategy, as Soummam is considered the lowest-priced option. This indicates that it competes more as a low-price dairy brand in the mass market, sacrificing quality to reduce costs in order to attract price-sensitive consumers.

From the above, it can be concluded that COLAITAL stands out as a perceived leader in quality with reasonable pricing, making it a premium dairy brand sought by customers who are willing and able to pay a reasonable price for exceptional quality across its product range in the market.

2. **Bargaining Power of Customers:** The bargaining power of customers is an important element in analyzing competitive forces according to Michael Porter's Five Forces model. For instance, when customers purchase large quantities of products, they gain greater bargaining power, meaning they are able to negotiate better conditions such as higher discounts, additional services like after-sales services, or deferred payment terms.

Some institutions contracting with COLAITAL use this strategy, entering into medium- and long-term agreements to purchase COLAITAL's products. Through these agreements, these institutions benefit from several advantages, such as:

• Deferred payment: allowing customers to pay at a later date.
• "Priority customer" principle: receiving preferential treatment and better services compared to other customers.
• Number of active firms in the sector: the increase in the number of companies operating in the dairy sector means that customers have more choices, which strengthens their bargaining power because they can switch to another supplier if they do not obtain suitable conditions from COLAITAL.

Based on this analysis, it can be concluded that institutions contracting with COLAITAL and purchasing in large quantities benefit from better conditions and have stronger bargaining power. At the same time, the increasing number of competitors in the market gives customers additional bargaining power, as they can compare offers and choose the most suitable one.

3. **Threat of New Entrants:** New companies entering the market can pose a threat to existing firms by introducing new competition. The threat of new entrants to the COLAITAL Company is represented by both Nestlé Algeria and the Qatari company Baladna.

• **Nestlé Algeria Investments:** The Swiss company Nestlé has invested 10 million Swiss francs (approximately 11 million USD) to establish a milk powder repackaging plant in Algiers. The plant has a production capacity of 5,000 tons annually and employs 50 workers. Nestlé's objective is to increase its customer base from 500,000 to one million customers per day. Although Nestlé is relatively new in the Algerian market, it considers Algeria a strategic location to expand its presence in the African market. The main threat to COLAITAL lies in the possibility that Nestlé may begin producing daily consumption milk in both standard (LPC) and high-temperature (UHT) forms.

• **Baladna Company Investments:** Algeria has signed an agreement with the Qatari company Baladna to develop a cattle farm and milk production plant over an area exceeding 100,000 hectares, with an investment value of 3.5 billion USD. The project covers 117,000 hectares and is based on a partnership between Baladna (49%) and the Algerian state represented by the National Investment Fund (51%). As for the threat posed by Baladna to COLAITAL, the project includes cattle breeding and the production of milk powder and its derivatives, which represents a significant threat to COLAITAL. With such large-scale investment and extensive land coverage, Baladna aims to become a strong competitor in the Algerian dairy market, which could reduce COLAITAL's market share if it does not take strategic measures to strengthen its position.

In a nutshell, the analysis of the threat of new entrants shows that the dairy market in Algeria is experiencing strong entry from new companies such as Nestlé Algeria and Baladna, which intensifies competition and increases the challenges faced by COLAITAL. It is important for COLAITAL to adopt innovative and effective strategic measures to address these challenges, such as diversifying its products, improving customer relationships, and leveraging its experience in the market to achieve success and maintain a competitive advantage in the face of future challenges.

4. **Threat of Substitute Products:** The threat of substitute dairy products is related to consumer taste or nutritional value, and this varies according to Algerian consumer culture and income level.

• **Substitutability in terms of taste:** This means that some consumers may prefer certain types of milk and dairy products over others based on personal taste. For example, some individuals may prefer bagged milk due to its lower price, while others may prefer UHT boxed milk because it lasts longer.

• **Substitutability in terms of nutritional value:** Some consumers may substitute dairy products with other food products such as cheese and meat to meet their nutritional protein requirements; however, these do not constitute a true substitute for milk in daily consumption.

From the analysis of the threat of substitute products, the researcher concludes that substitution of dairy products depends on consumer preferences and nutritional needs. It is also evident that the substitutability of dairy products in the Algerian market is influenced by multiple factors, including personal taste and nutritional value. Although substitute products are available, the cultural and dietary attachment to milk allows it to maintain its prominent position in consumer preferences. Therefore, competing companies such as COLAITAL should rely on product innovation to enhance product attractiveness and strengthen customer relationships, which helps them remain strong and competitive in the growing Algerian dairy market.

5. **Bargaining Power of Suppliers:** The bargaining power of suppliers is reflected through several key actors in the milk processing industry in Algeria.
   • The National Office of Milk Professionals (ONIL), which handles the importation and distribution of milk powder.
   • Livestock breeders who supply fresh milk.
   • Import and export companies that import other inputs used in milk processing.
   • Regarding pasteurized milk and high-temperature milk—which represent the

majority of COLAITAL's products—the bargaining power of suppliers is mainly centered on the supply of milk powder by the National Office of Milk Professionals (ONIL).

This means that COLAITAL is highly dependent on these raw materials for its production. In addition, the company faces an additional challenge from livestock breeders and fresh milk distributors, who account for approximately 20% of its raw material purchases. This indicates that the supply of fresh milk may be affected by market fluctuations and competition within this sector.

Based on this analysis, it can be concluded that the bargaining power of suppliers represents a significant challenge for COLAITAL in the milk processing industry in Algeria. The heavy reliance on raw material supplies such as milk powder and fresh milk makes COLAITAL vulnerable to market fluctuations and supplier conditions. Therefore, it is important for COLAITAL to adopt innovative strategies to diversify its supply sources and improve its relationships with suppliers in order to ensure continuous access to raw materials under suitable prices and conditions, thereby enhancing its competitiveness and success in the Algerian market.

Conclusion:

In conclusion, it can be inferred that companies' attention to innovation in product design, including COLAITAL, has become an indispensable necessity in the modern era. The rapid changes in the external environment experienced by organizations due to the information revolution and accelerated technological development further emphasize the importance of this orientation. In addition, increasing customer awareness and the growing strategic orientation of firms in general toward innovation highlight it as a means of achieving excellence.

The key findings of this study are as follows:

- The study showed that innovation in product design plays a central role in COLAITAL's differentiation strategy, through its creative marketing approach and its perception of points of sale as an opportunity that was successfully exploited, contributing to deeper market penetration in the Algerian market.
- Technological innovation contributed significantly to the company's success, as COLAITAL's investment in modern machinery and technologies, as well as in research and development, enabled it to improve production processes and ensure the delivery of high-quality products that meet safety and health standards. These innovations represented a turning point in increasing customer satisfaction and strengthening trust in the brand.
- In a context characterized by uncertainty and continuous challenges, COLAITAL recognized the role of innovation in product design as a decisive factor in strengthening the company's competitive advantage, supporting its competitive strategy, and ensuring its sustainability in a highly competitive market.

The study also demonstrated the integration between product design innovation and competitive strategy, by examining the impact and relationship of marketing and technological innovation with competitive strategy. Accordingly, the following results were reached:

• Marketing innovation provides the company with a competitive advantage through the adoption of a differentiation strategy, thereby attracting customers to distinctive products.

• Focusing on developing high-quality products at appropriate prices represents a cost leadership strategy and is a key factor in attracting customers and achieving competitive advantage.

• Paying attention to understanding customer needs and preferences enhances the company's market position and contributes to building a strong competitive position through innovation in the elements of the marketing mix.

• Focusing on a specific market segment has given the company the opportunity to innovate and differentiate its products, which has led to the achievement of a strong competitive position.

• Technological innovation has enabled COLAITAL to reduce production costs, enter competitive markets alongside other firms, and differentiate its products and services from competitors.

• It has enabled the company to focus on a specific group of consumers, whether through developing production lines, improving products, or targeting a particular market, in order to effectively meet their needs and preferences.

• The company can increase barriers to market entry by excelling in production methods and technical know-how, as well as improving product quality.

Marketing innovation has influenced COLAITAL and given it a faster pace in a market characterized by increasing competition through:

• COLAITAL's pricing policy enhances its competitive strategy through price diversification and the provision of differentiated products that meet consumer needs.

• The company's distribution strategy has enabled it to be present in both civilian and military markets.

• The use of the Facebook platform to promote its products has increased brand awareness and improved its ability to enhance products through direct interaction with customers.

Among the results of the impact of product innovation on COLAITAL's competitive strategy:

• The use of modern machinery has increased production speed and reduced human errors.

• Modern machines have contributed to improving product quality through precise filling and durable packaging.

• Process innovation has increased competitiveness by enabling the company to dominate market shares of certain products, such as pasteurized milk and ghee.

• Product innovation has enabled the company to respond to changes in consumer preferences.

• Attractive product design has helped COLAITAL strengthen its competitiveness and achieve positive results in the market.

Recommendations:

Based on the findings reached, we present the following recommendations and suggestions:

• COLAITAL Company should move toward a high-quality production stage and not limit itself to outperforming local companies, by adopting modern and advanced management methods.

• The company's management should recognize the positive impact of innovation in product design and marketing activity on improving competitive performance, thereby strengthening its ability to face competition, through allocating a significant budget to this purpose.

• The company should focus on developing its marketing activity through the use of modern tools and technologies such as digital marketing and social media marketing, and not rely solely on Facebook, which would enhance communication with customers and increase growth opportunities.

• The company should make greater efforts to exploit available market opportunities without missing them, in order to ensure its qualification and continuity in its activity. In parallel, it should anticipate potential threats and develop innovative marketing strategies to avoid them, as was the case during the milk crisis that affected Algeria and how COLAITAL capitalized on it.

• The company should focus on continuous innovation in product design and development to ensure that consumer needs and expectations are consistently met, thereby strengthening its competitive position in the market.

• The company should also invest in training and developing its employees to enhance their creative and marketing capabilities, which will help it achieve its objectives efficiently and effectively.

• The company should allocate a larger and sufficient share to research and development activities to ensure the introduction of new and innovative products that align with market expectations and technological changes

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