



# Case Study Presentation

April 30, 2022

Course: Managing Global Economy/ Professor Janet Tan



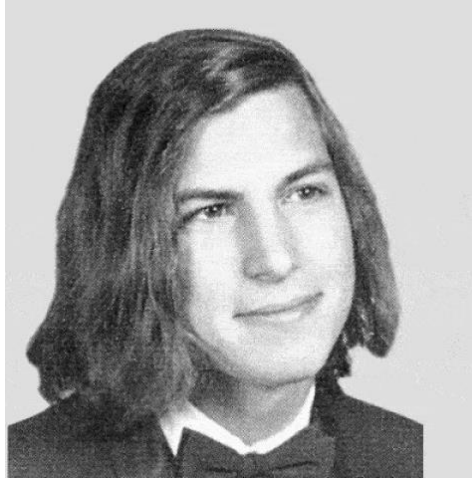
# From Small-Town Italian Start-up to World Market Leader

**The Global Health Impact of a Disruptive Entrepreneur**

Strategically highlighted by the case writers

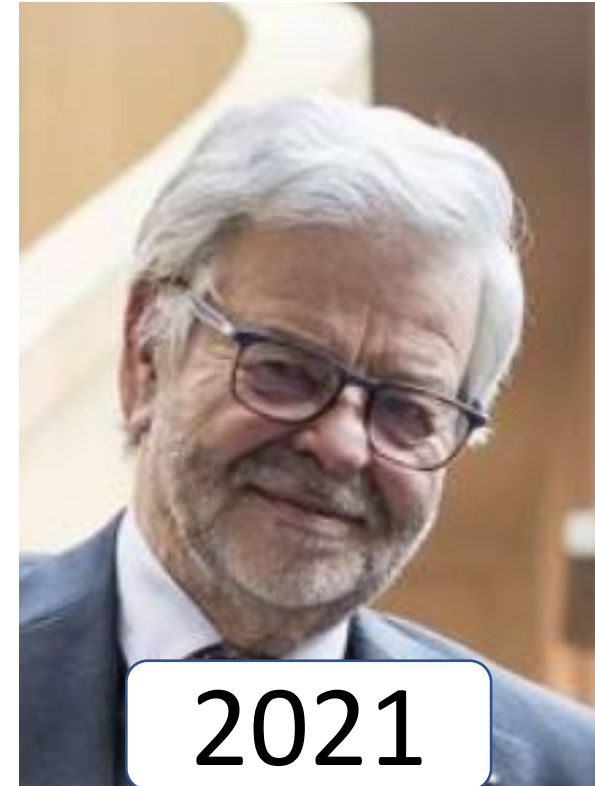
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# Recognize your neighbors? They did it ...



...they created  
immense value  
and became rich.  
Deservedly rich!

**...and he did it as well... U. Ladurner in Italy**



**In 1981 ... & ... 40 years & half a billion \$ later**



# Glutenfreecase.info

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# **Why is it important, possibly for your own health?**

- Food allergies and food intolerances are a growing public health concern
- An est. 25-30% of Americans now prefer a gluten-free nutrition
- The US market for gluten-free products rocketed from near 0 to \$ 1.5 bn in 2020

**It all started in the 1980s with the disruptive innovations of this Italian entrepreneur and had a beneficial impact worldwide.**

## **Goals of session:**

- 1) to teach knowledge of strategy concepts & train practical strategy skills
- 2) to exemplify the strategy concepts with U. Ladurner's story

# Who is behind this Presentation?

- **The case writers:**

- Prof. Dr. Mike Domenghino, U. of Applied Sciences Basel, PMD, Harvard Business School, Affiliate Faculty Member of Harvard Professor Michael Porter's world-wide strategy course; PhD, U. of Fribourg/CH, 25 yrs. Of management experience with Novartis, Reckitt, Procter & Gamble
- Dr. Ingo Pleser, owner/president of Lucullus GmbH and Pleser Hefe GmbH.

- **The strategic thinker** behind the case study and 'inventor' of modern strategy is Professor **Michael Porter, Harvard Business School**.  
M. Domenghino was a Porter student and is an affiliate of his institute.

# Prof. Michael Porter, Harvard Business School,



**Michael Porter is the founder of the modern strategy field and one of the world's most influential thinkers on management and competitiveness.** The author of 19 books and over 130 articles, he is the Bishop William Lawrence University Professor at Harvard Business School and the director of the school's Institute for Strategy and Competitiveness, which was founded in 2001 to further his work and research.

**Professor Porter mentors the project of his Affiliates**  
**[www.isc.hbs.edu/](http://www.isc.hbs.edu/)**

# In the 1980ties....no remedies for Gluten Intolerance

Young drugstore owner Ladurner in Meran/Italy, noticed the pains and unfulfilled needs of his customers. and...



...disruptively created a gluten-free, convenient, healthy & palatable product line and thereby a new niche market

- Expanded the artisanal Dr. Schär company into a worldwide business (sales € 419M/1400 people in 2020)
- Helped millions of gluten sensitive people worldwide to improve their digestion, enjoy tasty food and a normal life
- Became, as a consequence, one of the wealthiest businesspeople in native South Tyrol Province in northern Italy.



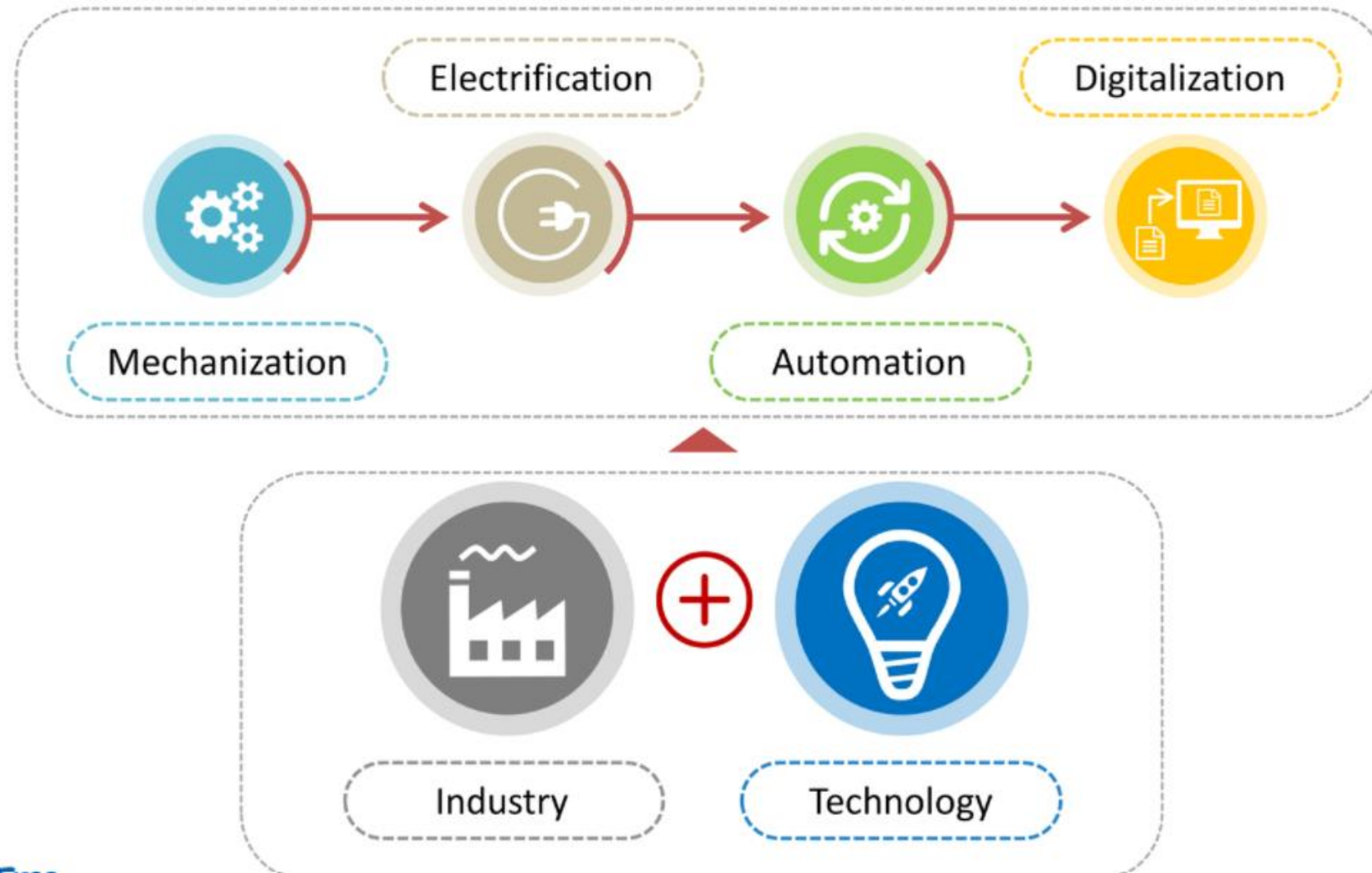
# Strategy Recipe for Innovators:

## 1. A Disruptive Value PROPOSITION

**Why, how to become an entrepreneur? Discover unmet needs, conceive a (disruptive) solution: the value proposition. Key elements:**

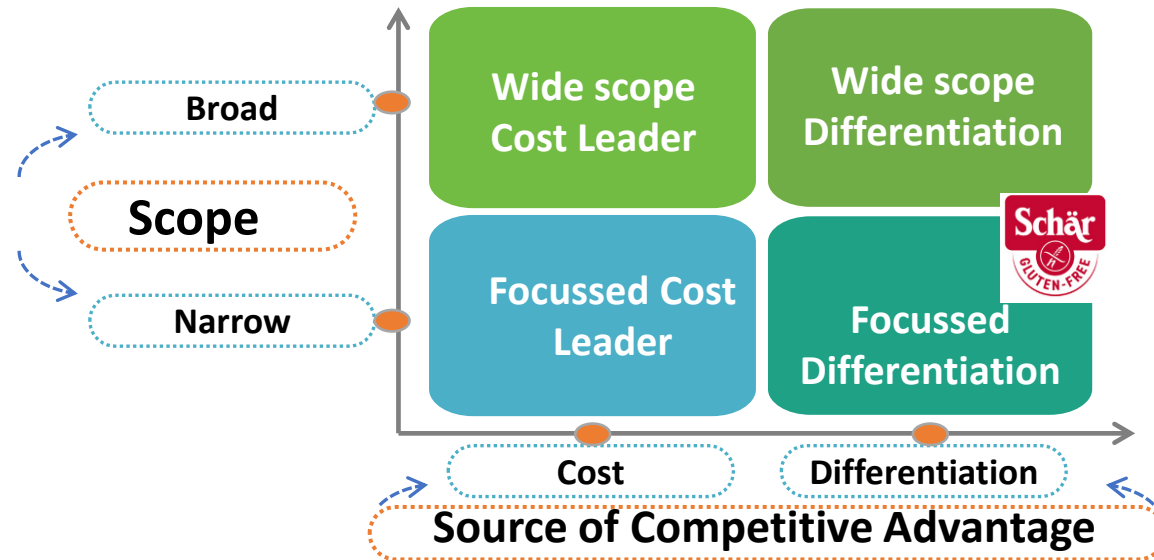
- 1) What is the benefit** sought, the solution of the problem, the vision?
- 2) For whom**, who are the beneficiaries, the target group(s)? Which customers? The producers/shareholders? The employees? Society?
- 3) Alternatives for the customer** to satisfy the needs? Competitors?
- 4) Competitive advantages** of offer? Why preferable? 4 Generic Strategies
- 5) Solution**, ways to solve the problem, reach the solution, the mission?  
**PRODUCT OR SERVICE**, ideally innovative & preferred by customers

# Great Disruptive Innovations: Examples

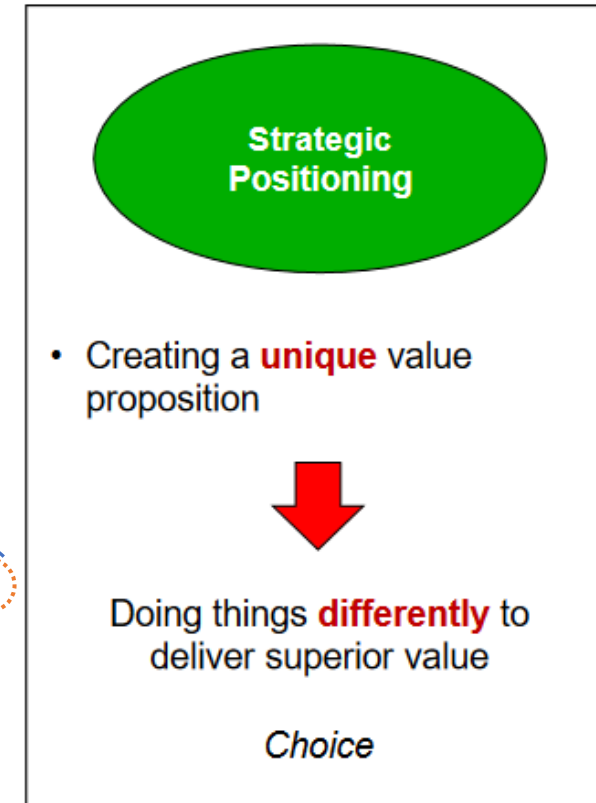


# Disruptive Business Model: A Disruptive Value Proposition & Value Chain

- Disruptive Value Proposition



- Disruptive Value Chain: Do things very differently



# Strategy Recipe for Innovators

## A Disruptive Value CHAIN (incl. Marketing Mix)

Having discovered unmet needs, conceived a new solution:, explored the market, next implementation: the marketing mix/value chain:

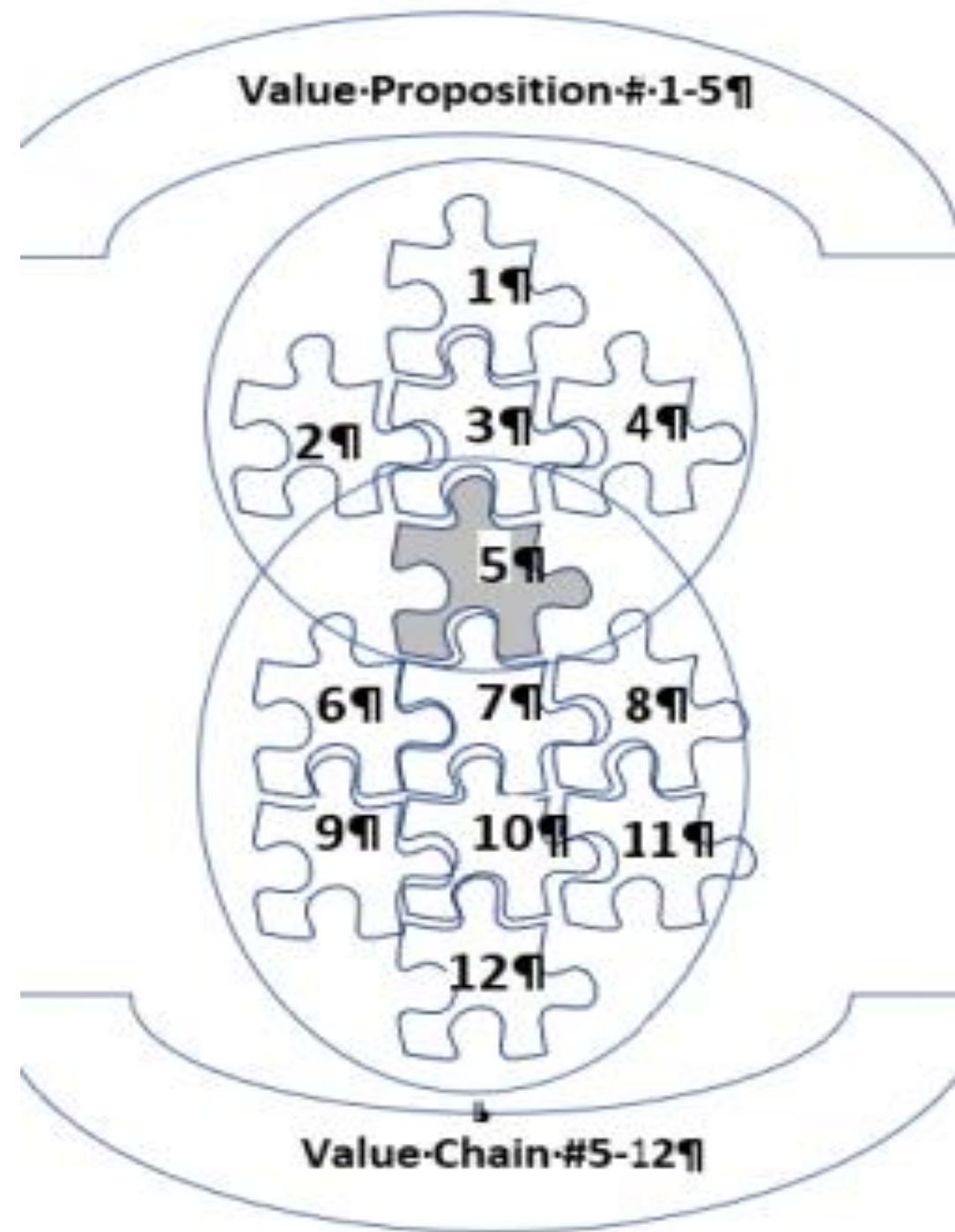
- 5) **Product** and/or service : details to #5 in value proposition
- 6) **Price** customers pay = >the revenue of the firm => profitability
- 7) **Place**, how/where customers can buy, the distribution channels
- 8) **Promotion**/communication: how to make the offer known
- 9) **Processes** to get the product/service to market, organization & structure
- 10) **People**, Human Resources to do the work : skills, remuneration
- 11) **Physical** and financial resources needed
- 12) **Performance evaluation** of results , SWOT, optimization for future

# Marketing Mix in Value Chain

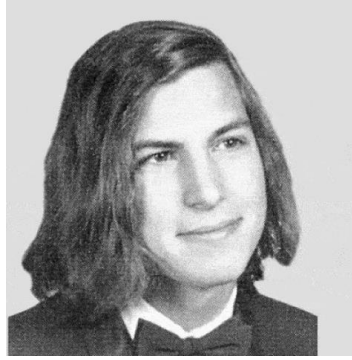




Value  
Proposition +  
ValueChain =  
**Business  
Model**  
must fit  
together like a  
puzzle



# The Great Disruptors already Mentioned... What Was Disruptive?





# Schär's Disruptive Business Model

- **Disruptive Value Proposition**

- (1) Focussed target group: celiac sufferers (esp. babies),
- (2) Highly desirable benefit: painfree digestion, well-being, normal life without fear;
- (3) Competition: few doctors, small artisanal cottage producers;
- (4) Competitive advantage: focussed differentiation;
- (5) Product: small line of palatable bakery mixes

- **Disruptive Value Chain** (enlarged Marketing Mix)

- (6) high price, but reimbursed in Italy;
- (7) Place: pharmacies, drugstores
- (8) Promotion doctor/pharmacy push ,
- (8) people 3-4 young,
- (9) processes: disruptive inexperienced team,
- (10) physical & financial capital: his drugstore

# Exercise: create a Business Model

or **describe** an existing example, e.g. Facebook, now or new Metaverse

[https://www.youtube.com/watch?v=pjNI9K1D\\_xo&list=RDCMUUC04FyDlvYXNecpbG8gyOw4A&index=7](https://www.youtube.com/watch?v=pjNI9K1D_xo&list=RDCMUUC04FyDlvYXNecpbG8gyOw4A&index=7)

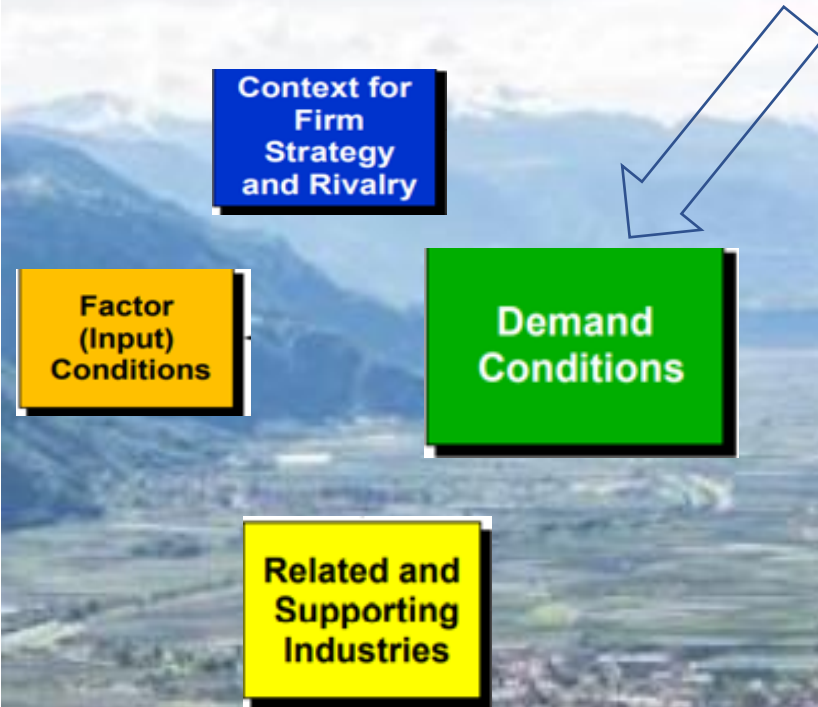
- Your dream project for your entrepreneurial future?
- Your own LIFE PLAN: 1) What is your vision for your life? What's your life like 10, 50 years from now? 2) Who do you want to serve? Yourself (only)? Your family? A company? A higher cause? 3) Who are you in competition with? 4) What is YOUR COMPETITIVE ADVANTAGE? 5) What is your service, your mission in life? 6) at what price will you sell yourself? 7) Where will you work? 8) How do you advertise yourself? 9+10+11) your activities, team and means (\$\$\$) to succeed? 12) What are the results (to date) SWOT: strengths, weaknesses etc.
- An existing offer, e.g. a hotel, a company you want to work for or own



# Start 1980 : Poorest Valley/Province in Italy

## Unfavorable Diamond Conditions

Helpful: Only Agriculture & Tourism



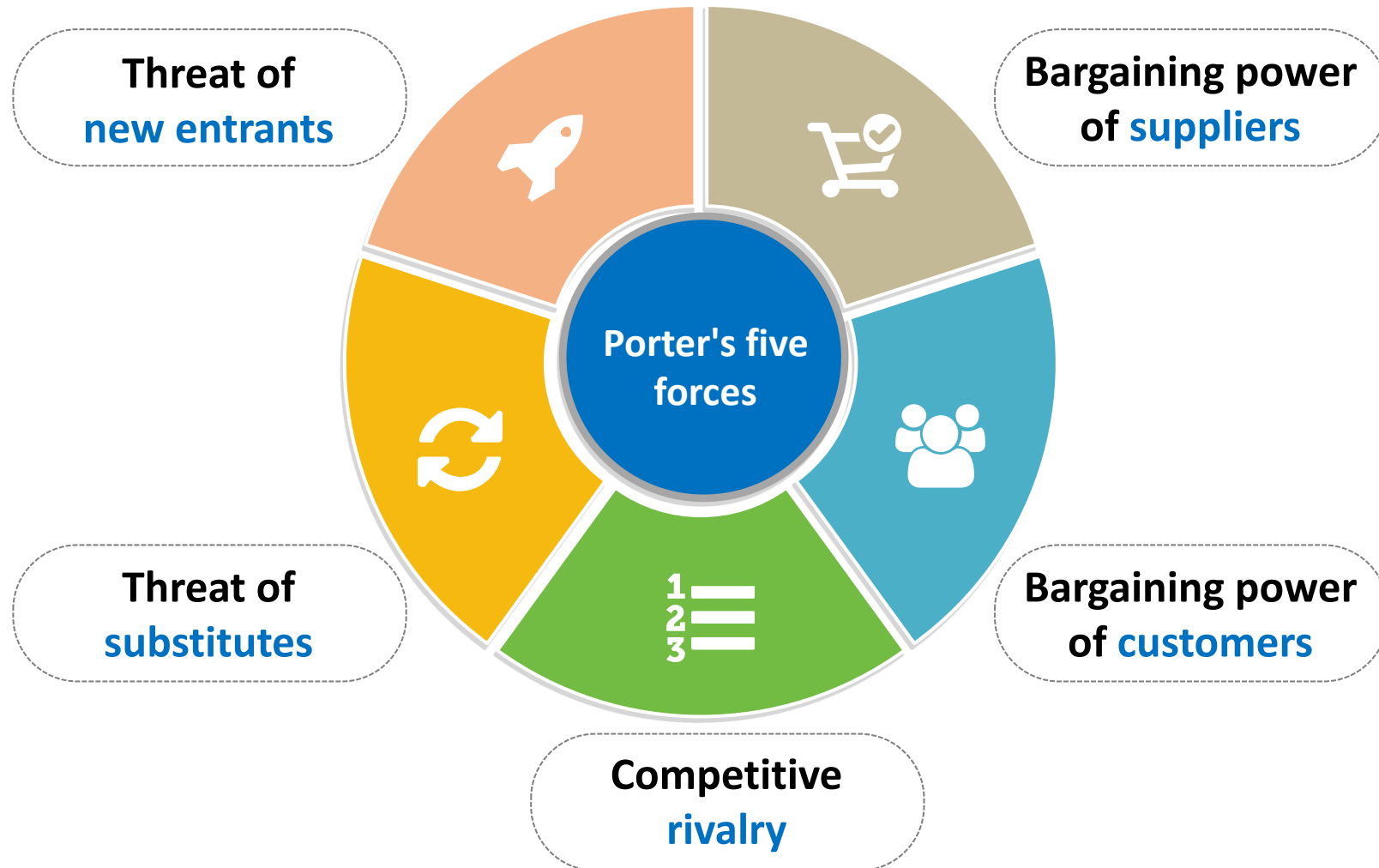




## succeeded in spite of South Tyrols' lack of advantages

- Demand conditions: the only positive factor , few patients but unmet needs, great opportunity, re-imburement by government! But how to exploit the chance, given the following: unhelpful factors:
- Factor conditions: no special knowledge or skills or schools or firms, later Ladurner moved R&D to Trieste with a better diamond
- Related or supporting industries: no suppliers to speak of
- Strategy, structure and rivalry: a complacent business climate, tradition-oriented: Ladurner "South Tyrol did not have the climate, the will to do things differently. Tourism, though flourished.

# 1980s: Porter's «Five Forces» Favorable for Profitability



# 1980s Diamond

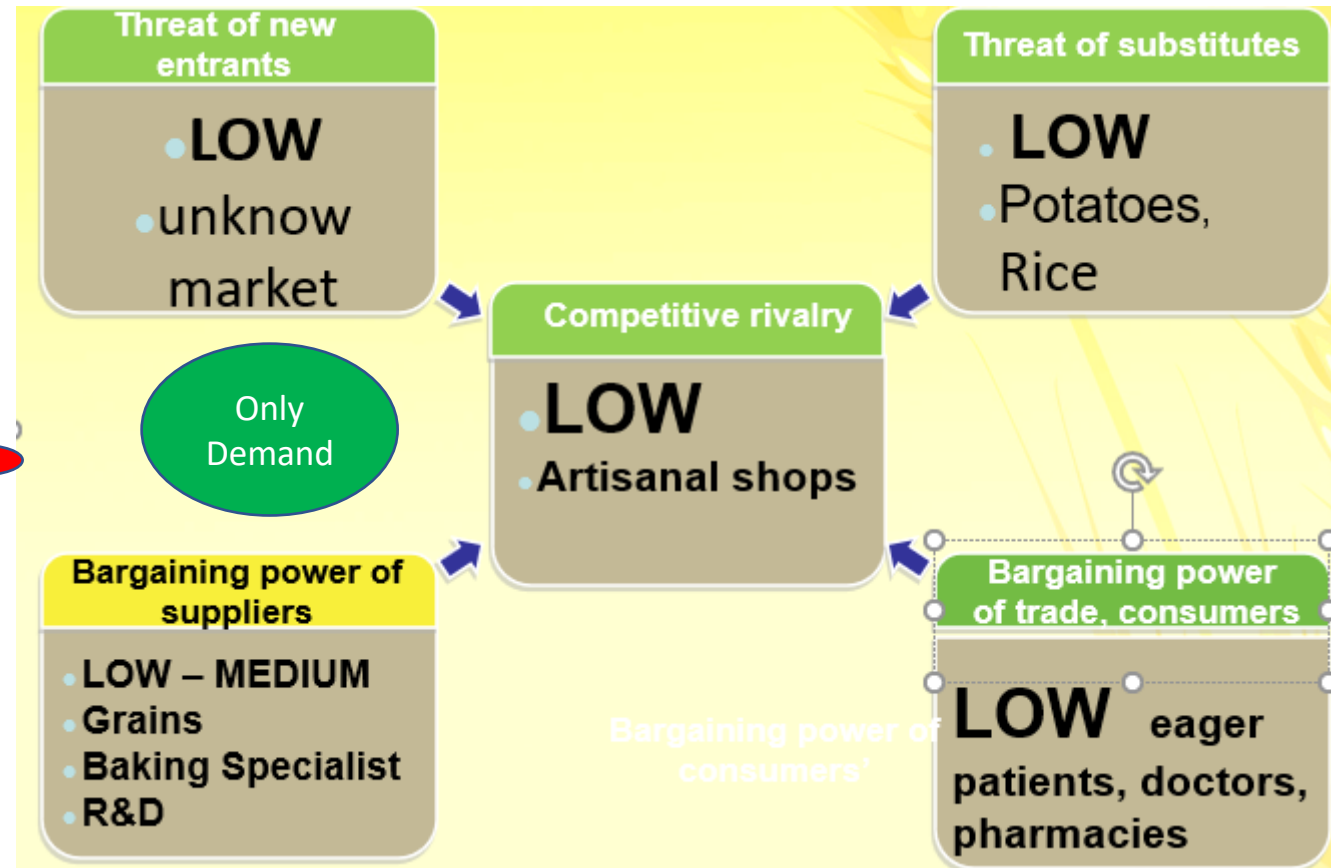
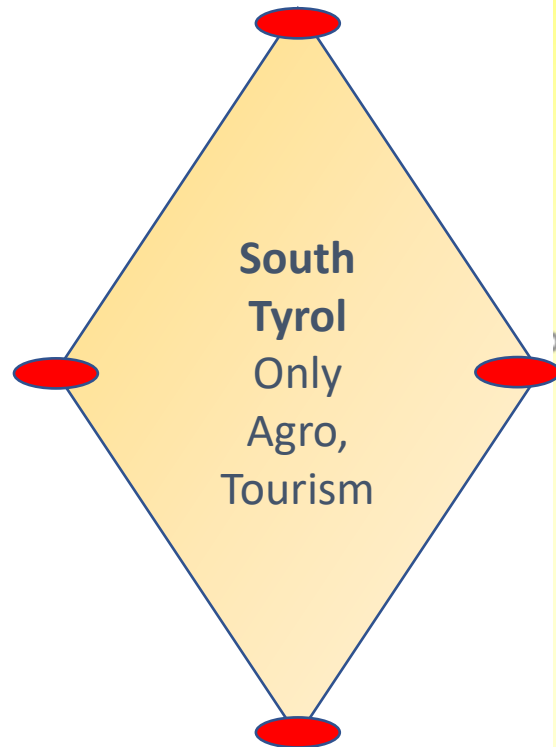
# &

# Forces of



Poor

Good



# Why were the 5 Forces all positive when Ladurner started?

- He was the first and only, no competition
- The customers welcomed his innovative products «with open arms»:
  - doctors and patients loved it.
  - the pharmacies welcomed new sales at high prices
  - Re-imburement by the insurances made for strong demand
- Small market:
  - No threat of the entry by major firms
  - No threat of any substitutes like medications or vaccinations:
- Supply issues: manageable

=> Opportunity to become profitable instantly

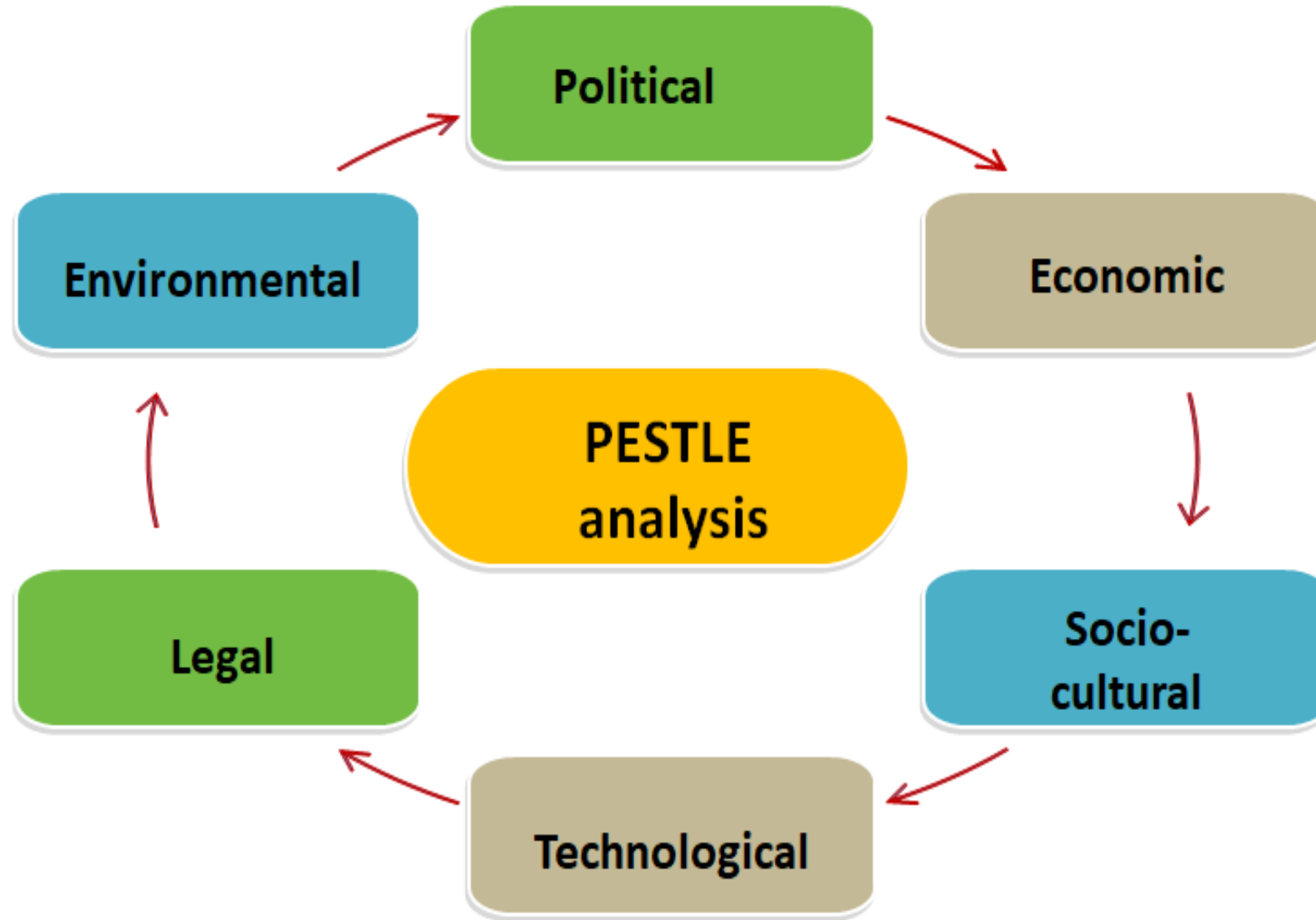
# Following Market Leadership in Italy

## Which Strategies for Internationalization?

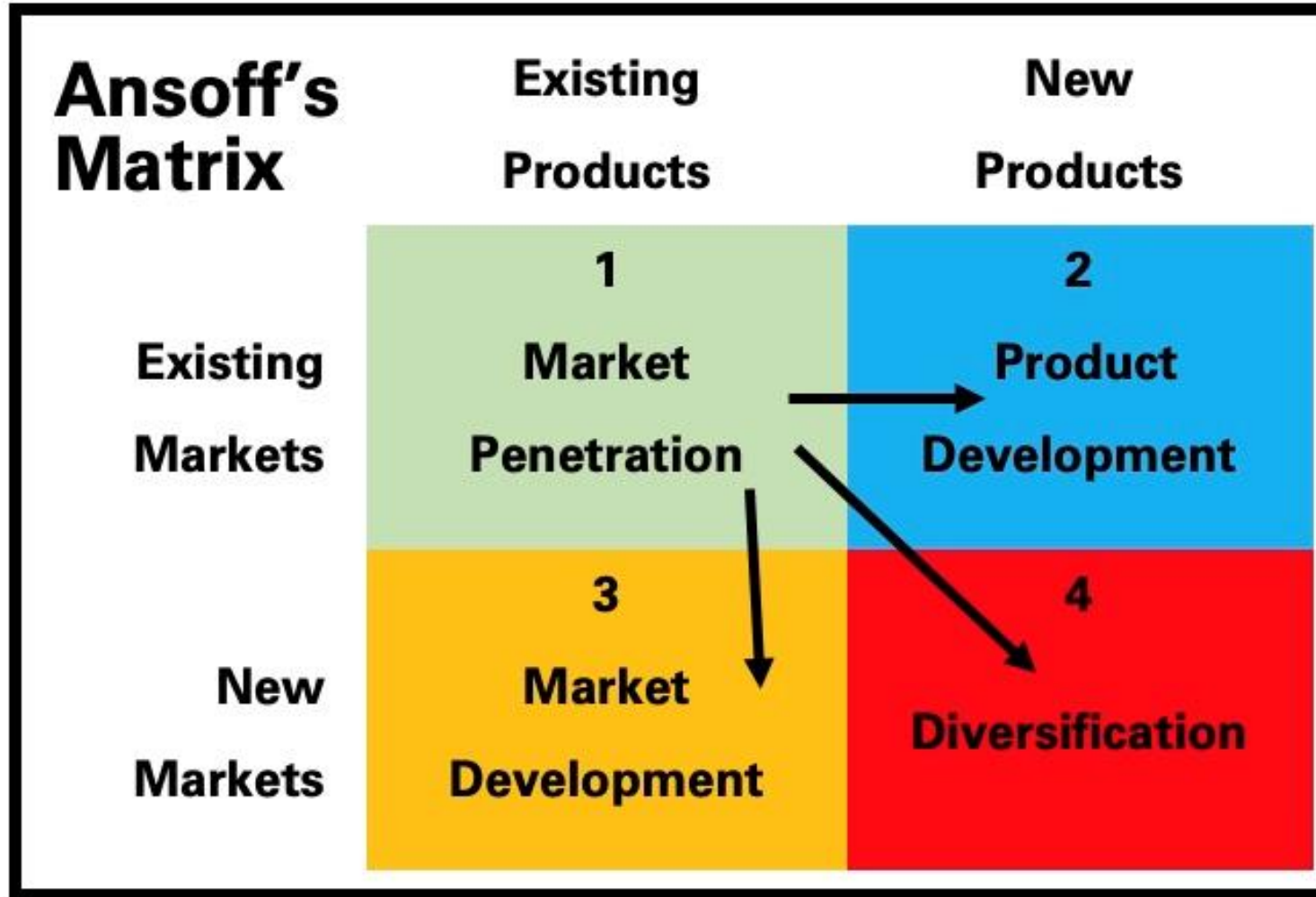
1. Export, the most common strategy to internationalize
2. Adopt a Licensing strategy, set up a Franchising
3. Form a Joint venture with a local company
4. Buy an existing local company
5. Build your own local company
6. Disperse your activities around the world
7. Move your Headquarters someplace more advantageous
8. *Currently, post-Covid: retrench, re-localize back closer*



# Before entering a market: the PESTLE analysis



# Expansion Abroad: Ladurner's Strategic Options



# AAA : Adaptation, or Arbitrage or Aggregation Strategy

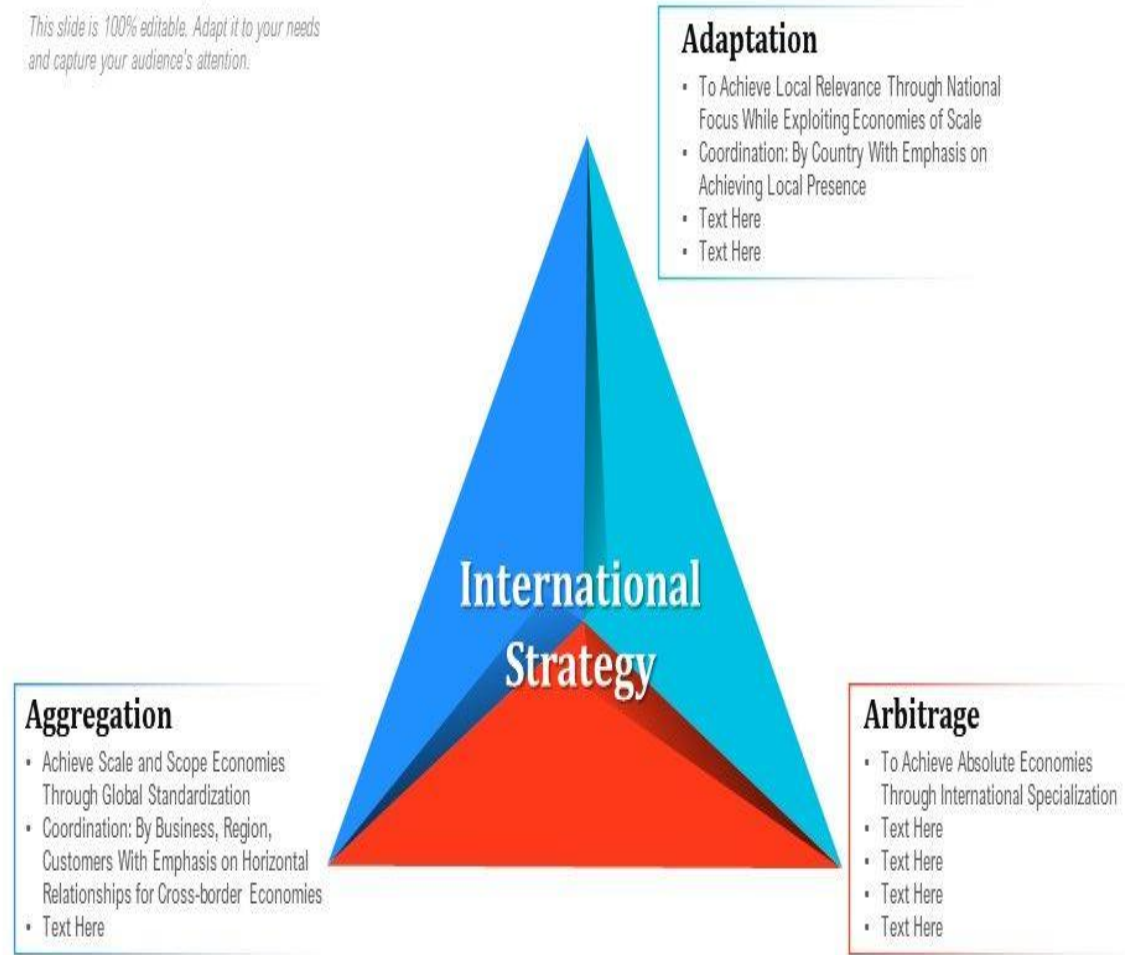
Strategy with respect to local tastes

- Adaptation: meet local standards
- Arbitrage: be purposely different
- Aggregation: standardization, satisfy globally identical needs

• Ladurner's credo:  
"Food is local"

## AAA Strategic Triangle Framework for Organization Global Expansion

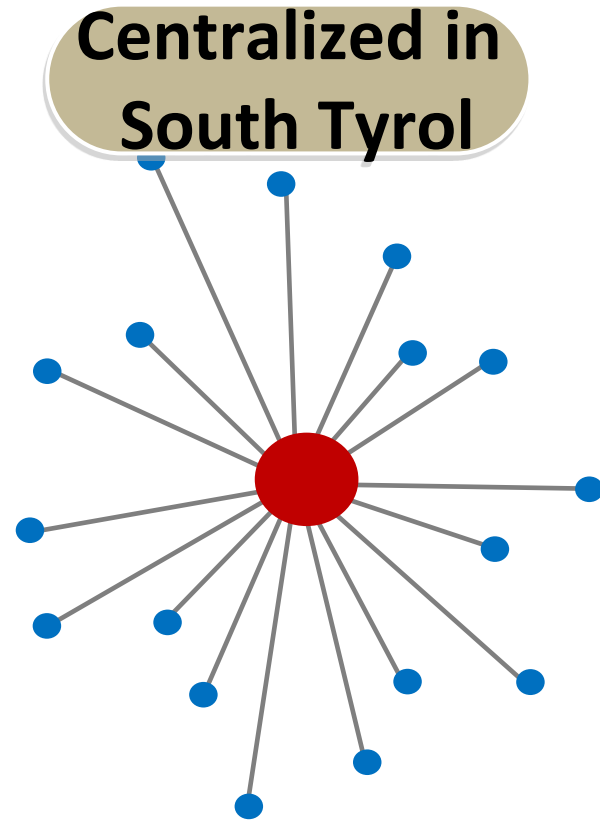
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and capture your audience's attention.*



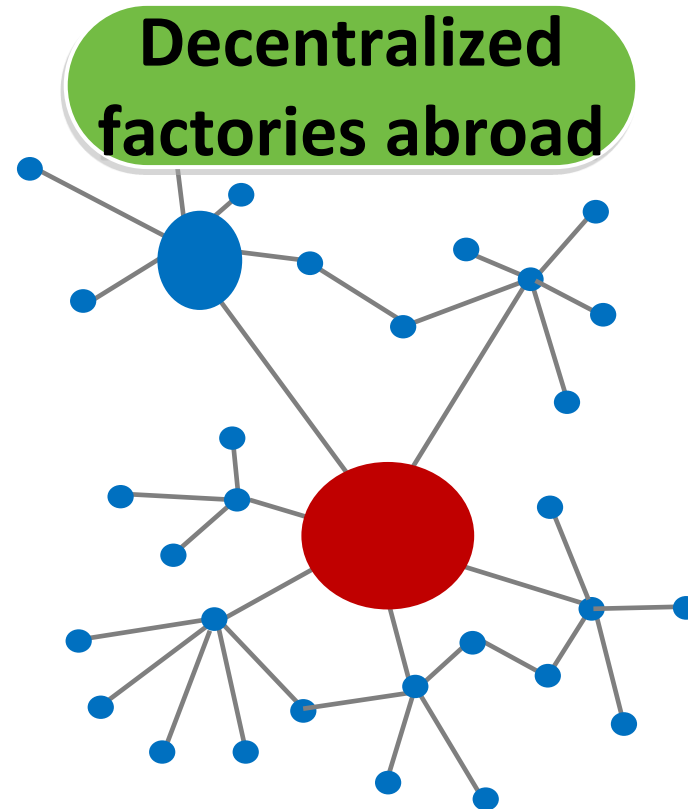
# Export to Spain & France, Acquisitions in UK & Germany

- Dr. Schär's organisational strategy changes:
  - From production only at home to factories abroad
  - From Research & Development at home to Trieste
- Transition from «**global**» to «**multi-national**» to «**transnational**» strategy

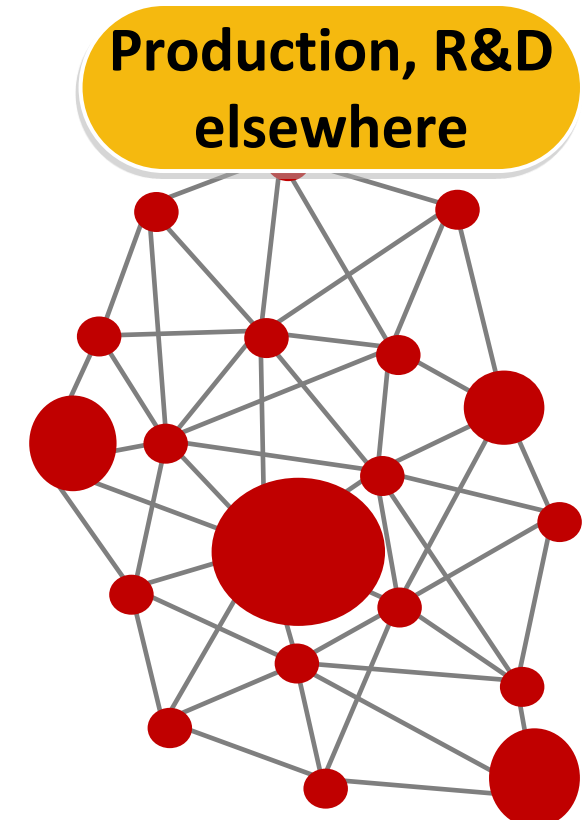
# Schär's Evolution: From Global Hub to Multinational and Transnational Strategies



**Global  
Strategy**



**Multi-national  
Strategy**



**Transnational  
network Strategy**





# Only Worldwide Brand & Actor

## Worldwide Sourcing, Positioning & Local Products

- Branding, Communication
- Transfer Knowledge, People
- **Cooperation w/farmers: better raw materials, R&D for better cereals, less waste,**

**Higher value for farmers & Schär:  
«Farm to Fork»**



## Economies of Scale & Scope



As of 2012:  
A stroke of Serendipity  
Lady GAGA and popular  
authors advocate a  
gluten-free diet... but for  
unrealistic benefits

# As of 2012 Gluten-free became a Lifestyle

- In Europe, like earlier in the USA, «eating glutenfree» became a lifestyle fad with up to 30% of the population
- Celebrities like Lady Gaga promoted unrealistic expectations: «free from ...» makes you slim and fit, reduces risks of a heart attacks.

Gaga <https://www.youtube.com/watch?v=VaYvVz0T1Do> at 12,15

[https://www.youtube.com/watch?](https://www.youtube.com/watch? Stars, GaG at1.00)

- Pseudo-medical publications became bestsellers proclaimed **that gluten and carbohydrates are at the root of Alzheimer's disease, anxiety, depression, and ADHD.**

<https://www.youtube.com/watch?v=J6JrHteOsII> at 30sec

**=> Opportunity or threat?**



# Positioning Issue: Health or Lifestyle?

What should Dr. Schär communicate to professionals & the public?

## Key strategy principle:

- Decide what NOT to do, what your brand does not stand for!  
Key mistake: all things to all people.
- Is the «free from..,» medically sound and believable, and will it stay or vanish like other fads?
- If 10+% of the population want to eat glutenfree bread, pizza etc, should Ladurner expand the distribution to where people buy their food: supermarkets?
- **Positioning and distribution issues seem linked?**

# Schär stays 'medical'

## "But feel free to buy for your own reasons..."

### Videos on Schär's Positioning

TED gluten danger <https://www.youtube.com/watch?v=J6JrHteOslI>

video letterman Gaga 1 minute  
<https://www.youtube.com/watch?v=VaYvVz0T1Do>

famous stars glutenfree ,Gaga at 1.00  
<https://www.youtube.com/watch?v=FjvgLUcPBk0>

Against GAGA <https://www.beyondceliac.org/celiac-news/lady-gaga-the-latest-celebrity-to-go-gluten-free/>

How is Schär communicating now: Longest table

- [https://www.youtube.com/watch?v=R4J8P\\_hgMG8](https://www.youtube.com/watch?v=R4J8P_hgMG8) get us together
- <https://www.youtube.com/watch?v=zhOrgXvEoto> 1' w/logo
- <https://www.youtube.com/watch?v=APiJXokFPk4> 30'' w/logo
- [Schär Made with the best of us | Family – YouTube](#) redundant

Coke <https://www.youtube.com/watch?v=5SR-E50BgAs>

### The Lifestyle Fad & Germany Boost Sales





2020

# Clouds are moving in Deterioration of 5 Forces

Since 2020 Threat from Pharma Substitutes

Lower  
Entry  
Barriers

Stronger  
Supplier  
Power

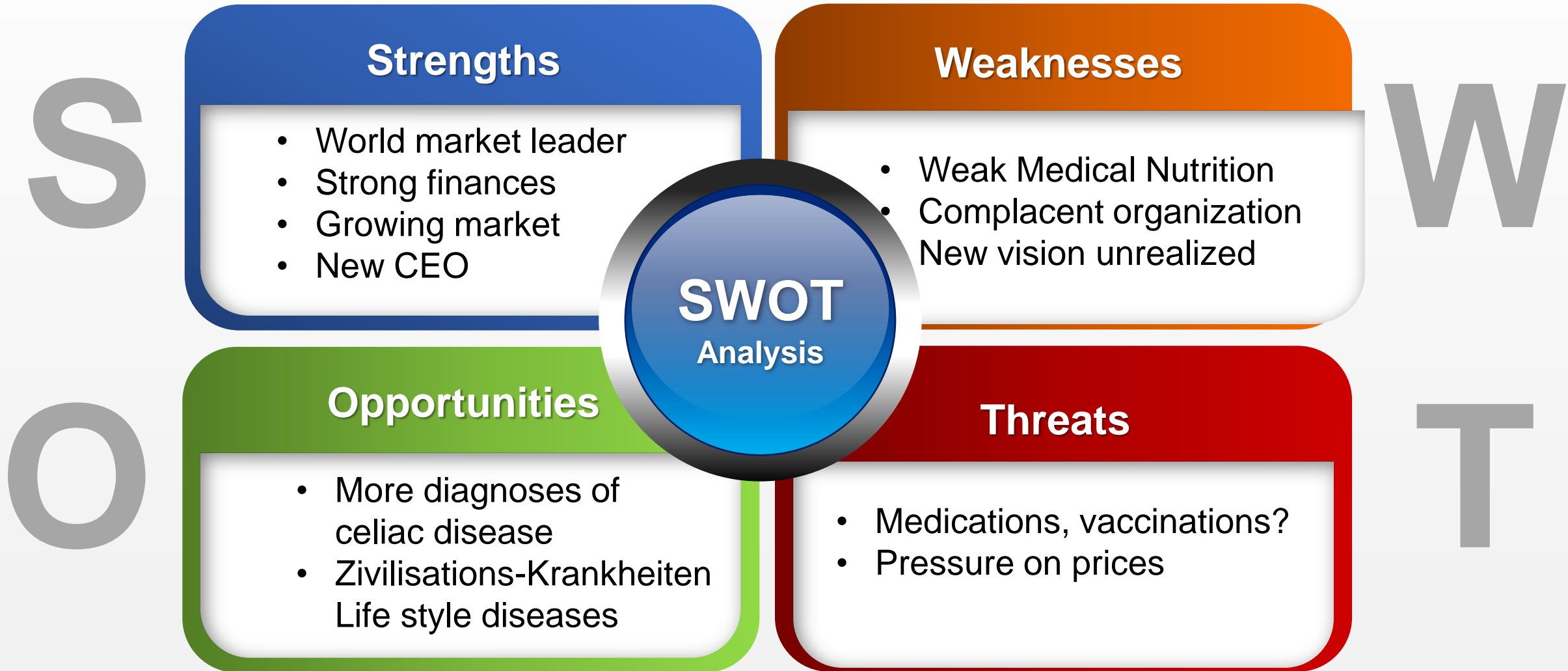
Rivalry  
Heated

Medication  
Possible

Stronger Power  
of Trade



# 2021-22 issue: How to Grow? SWOT Analysis



# **What are your Suggestions?**

## **Review of Learnings – Take aways?**

- Discussion with Participants