



# Institutional entrepreneurship in building the Brazilian market of functional yogurts

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## Abstract

**Purpose** – The aim of this paper is to present an analytical narrative of the construction of the Brazilian market of functional yogurt, highlighting the role of Danone as an institutional entrepreneur.

**Design/methodology/approach** – After putting together a theoretical basis from business studies and institutional economics, the paper explores factual evidence of strategic moves by dairy firms in Brazil.

**Findings** – Danone, despite being a second mover, has been able to effectively make use of new values and collective concerns regarding food functionality to create a favourable institutional set in which to operate. Other firms have not been able to challenge its position in the market, simply abiding by the concepts and values created by Danone.

**Practical implications** – On the one hand, case studies based on traditional economic theories usually approach markets with supply and demand adjustment tools or taking technology as exogenous and the sole determinant of the existence of a market. On the other hand, traditional business theories highlight an individual entrepreneur as the only relevant object of analysis. This study offers an alternative guideline to study markets with creative players that craft not only new physical products or directly delivered services, but also concepts and ideas. Studies of other markets or similar markets in different countries can benefit from its insights.

**Originality/value** – The functional yogurt market in Brazil has not previously been object of academic research, and the combined framework of analysis in this study may offer guidance for other market studies.

**Keywords** Institutional entrepreneurship, Brazilian markets, Consumption habits, Functional yogurt, Market construction

**Paper type** Case study

## Introduction

A healthier life with better bodily functions is the main claim in support of the US\$ 1 billion market of functional yogurts in Brazil (Azedo, 2007). It has grown 40 per cent a year on average since 2004 in the hands of three large firms and led by the French food company Danone.

Danone has worked as an institutional entrepreneur in developing and marketing functional yogurts in Europe and then in Brazil. This story sprouts in the 1930s in



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Japan with the creation of Yakult, a fermented milk drink regarded as a landmark in the engineering of dairy food products with a commercial appeal do functionality (Raud, 2008; Menrad, 2003). Danone used the functional food flag waived by Yakult as a bridgehead to develop a new product and persuade consumers to have it in their daily food basket.

Institutional entrepreneurship appears as the firm reshapes an existing institutional structure and influences consumers' decision making. Many authors stress that socialisation creates collective structures known as institutions or conventions through which people learn what has been cumulatively built in society for decision making (Pietrykowski, 1995; Veblen, 1899). This article makes use of these social views of economic decision making, with additional insights from the literature on institutional entrepreneurship, to examine the creation of the functional yogurts market in Brazil.

Four further sections organise our argument. First, a theoretical basis for institutional entrepreneurship is presented. The creation of functionality in dairies as a fundamental resource for institutional entrepreneurship is explored next, followed by an account of the Brazilian market of functional yogurts and the role of Danone as an institutional entrepreneur. Some final remarks follow.

### **Institutional entrepreneurs, institutional sets and consumption habits: a theoretical basis**

Entrepreneurship has been an object of study in economics, business, sociology and psychology. From their efforts, new lines of thought have emerged such as the literature on institutional entrepreneurship.

An institutional entrepreneur is an agent capable of managing resources in order to interfere with institutions, the behaviour of other entrepreneurs and of consumers, and frame a market as a result (Dorado, 2005; Maguire *et al.*, 2004; Munir and Phillips, 2005). The institutional entrepreneur is a distinct social type with regard to the interaction with the overall institutional set (Beckert, 1999). For Penrose (1959), for instance, this interaction leads entrepreneurs to draw cognitive frames or images about how institutional sets work. Such images consist not only of markets but also of existing (or absent) productive resources inside the firm and knowledge about likely combinations in pursuit of new business deeds (Battilana *et al.*, 2009).

The institutional entrepreneur's ability is based on the previous path of ownership and resources utilisation by the firm, and on the support of existing market institutions. Although commonly associated with one person, institutional entrepreneurship is in fact an intersubjective entity.

The experience of a firm in producing goods and interacting with the institutional set in which it operates is bridged by the entrepreneur's process of image building. Inherited productive resources of the firm create path dependence, and their use is conditioned by what the entrepreneur thinks can be done with them (Penrose, 1959).

Path dependence affects not only firms but also their institutional sets. Entrepreneurs thus face different timings or strategies across different institutional sets in which they operate. This is especially the situation of multinational firms drawing their global and national strategies, as illustrated further next.

An institutional set is what entrepreneurs understand as the institutions with a bearing on their business. They comprise regulatory bodies, business practices (e.g. co-operation and competition forms, communication channels, and use of scientific

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inputs), quality standards, customs, motivations for consumption, market segmentation, among others, and also the prevailing intersubjective assessment of them all by entrepreneurs and consumers. Institutions are, thus, collective habits or rules that create predictable regularities in behaviour, thereby shaping and being shaped by interacting people (Veblen, 1899; Hodgson, 1988; Langlois and Cosgel, 1998)[1]. Relevant works in the literature have used the term “organisational field” in a similar way. The term, however, may unintentionally sound as a set of organisations or coordinated, even if diverging views, interests and preferences (DiMaggio and Powell, 1983; Bruton *et al.*, 2010; Wright and Zammuto, 2012). The notion of an institutional set used here seems more inclusive of the idea of non-organised and disperse, though shared views, interests and preferences that characterise many relevant institutions or their parts, such as consumers’ preferences in a market.

The market, in its turn, is seen here as a somewhat fuzzy part of such institutional set, and the institutional entrepreneur is an embedded agent who interferes in the behaviour of others through those institutions. Consumers learn in the institutional set and establish lasting cognitive constructs, or habits of thought, in consumption (Cosgel, 1997). Several studies (e.g. Hirschman, 1982; Rook, 1985; Scitovsky, 1976) stress that behaviour based on habits is especially expressive in consumption. Habitual behaviour, however, does not mean that consumers’ preferences are unchangeable. Context and exposure to new information also affect them – what Penrose (1959) called “plasticity of consumption.”

An institutional entrepreneur creates an image of how to (re)combine and apply resources not only to obtain a new product but also in an attempt to favourably change consumers’ habits and cognitive frames (Lounsbury and Crumley, 2007). Opportunities are not necessarily there to be “seen”, as Phillips and Tracey (2007) have noted. Entrepreneur not only “look” for opportunities but they also build them. They actively formulate an apt image of new possible market constructs, try to understand how consumers see the institutional set, and then build and introduce new concepts and products accordingly.

Institutions lead entrepreneurs and consumers to be inclined to espouse certain views and values. Entrepreneur thus can influence choice if they shape institutions in such a way that motivates consumers to internalise habits of thought and action that articulate certain concepts, judgements and procedures. Habits and change of habits are the two faces of the plasticity of consumption coin that institutional entrepreneurs target.

On occasions, entrepreneurs can turn a complete institutional set upside down (Dorado, 2005). Inertia, however, makes it evolve mostly in a cumulative and path-dependant way as other forces act to preserve existing production and exchange patterns of interaction. Competition, as a result, involves not only a static picture of an existing environment limited by coefficients of product substitutability but also recursive efforts to transform it (Kim and Mauborgne, 1999).

Before moving on to the empirical discussion, a caveat is pertinent. The reader will notice that the empirical investigation on institutional entrepreneurship is not framed into a textbook description of a case study. In Thomas Kuhn’s (1996) terms, it deals with a non-normal theoretical framework. Its empirical content, thus, has a more exploratory and provocative tone towards further studies along the same lines than one is used to see in a study aiming to add evidence to an established wisdom frame.

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### A new cognitive construct: functionality in food

Food systems seem to have been impacted by the atmosphere of risk and uncertainty since the 1980s, when egg consumption in the UK was struck by the event of Salmonella and later by bovine spongiform encephalopathy (Yeung and Yee, 2012). Asia and Europe have recently lived through avian influenza and then the swine flu. In 2007, Brazilian cooperatives were found selling milk tainted with caustic soda and hydrogen peroxide. Additionally, genetically modified ingredients in food have also caused apprehension (Burton *et al.*, 2001).

Those events hit the mind frames of consumers, leading many to a more precautionary approach to food safety (Aoki *et al.*, 2010). Concerns about food safety can also be aligned with the modern urban habit of fast food consumption. Such habit, largely marked by time-saving and ease, has paralleled the emergence of a new family structure, new retailing conveniences, frozen and microwaveable food, ready-to-eat meals, industrialized snacks, and so on (Goodman and Redclift, 1991). Simultaneously, different groups in society (e.g. vegetarians, the organic movement, physicians) raised concerns over the effects of such habit on health.

Such shared concerns transformed the institutional set around the food industry, which looked for new concepts and ideas regarding food attributes. Safe and healthy, fast and easy-to-make food seemed to be ingredients for a new image of what the food markets could become if properly concocted with institutional entrepreneurship.

This is when functionality in food emerges as a new concept or cognitive category responding to those shared concerns. The notion of functionality has a range of related definitions. Generally, food is seen as functional if its consumption either improves health or avoids health problems beyond what is expected from what is seen as conventional food. More detailed studies about the working of the human body have helped give it more visibility, prompting for instance the creation of the International Society for Nutraceuticals and Functional Foods in 2008 – an organisation that publishes a scientific journal devoted to the theme (*The Journal of Functional Foods*).

This has not resulted from scientific work alone, but also of institutional entrepreneurship in innovating and creating a new concept of food. One just needs to look at supermarket shelves and recognise fermented milk, vitamin enriched cookies, and fibre-rich cereals, for a short list of examples.

The terminology used to describe functional food was introduced in the 1980s in Japan as a by-product of institutional entrepreneurship in the dairy market (Raud, 2008). Functional dairies became popular after the positive response fermented milk had in Japan. In the 1930s, research carried out by Dr Minora Shiroda about infant mortality caused by intestinal infection and malnutrition led him to discover a micro-organism he named *Lactobacillus casei Shiota*. The micro-organism can live in the human intestine and inhibit dysbiosis in its flora. *Lactobacillus casei Shiota* became the basis for the production of the first artificial functional food in 1935, brand named Yakult. Over the 1960s and 1970s, the production of Yakult reached other six countries in Asia and Brazil as a result of its large Japanese community (The Yakult Company, 2011). This opened the way to a much larger consumers' group, spreading the idea of functionality to daily-consumed dairy products – a promising combination of resources. The Yakult Company (2011) company proudly states that "Yakult is part of dietary habits of people in 32 countries around the world."

With a smaller Japanese community, Europe saw the introduction of Yakult only in 1993 in the wake of healthier diets (Raud, 2009). This change in the European institutional set led incumbent entrepreneurs to review their images of the yogurt market in Western Europe. Productive opportunities were envisaged and European dairy producers launched their *Lactobacillus casei* based products in 1994. They seemed conscious that functional properties could be a resource to mobilize in dairy goods. In that year, Danone launched Actimel in the UK (and in other European countries with other brand names), its first yogurt with what they initially called *Lactobacillus casei Defensis*. Its main intent was “making Actimel synonymous with ‘natural defence’” (New Nutrition Business, 2007), and changing its general meaning to a specific and favourable meaning within its institutional set (Maguire and Hardy, 2009).

As Yakult had shown institutional entrepreneurship in introducing functional fermented milk to consumers, the emulation of Yakult became a strategy for resource mobilisation by those European firms. This cleared the way for further resource mobilisation in the creation of a yogurt allegedly able to promote regular intestinal activity. In retrospect, the research and consulting organisation New Nutrition Business (2007) asserted that “Actimel’s [Danone’s yogurt] meteoric rise helped create a category which did not previously exist”.

According to Mäkinen-Aakula (2006), consumers’ cognition about yogurts is relevant for the potential results institutional entrepreneurs may want to produce through functionality. The resource mobilisation of functionality in yogurts has been facilitated by consumers’ preceding concerns about food quality and safety. This has been linked to an interest in a healthier life (Medeiros, 2008), to which food functionality claims to contribute by means of balancing body functions and preventing disease.

Mäkinen-Aakula (2006) argues that the successful unfolding of the functional yogurt business depends also on technical features of production. Producers need to muster the administration of taste and texture, the combination of flavours, and the legitimacy of expert recommendation of the daily ingestion, as seen with Yakult. Those technological aspects are resources explored by institutional entrepreneurs, and draw on the resource bundle held and developed along the history of each firm. They are not sufficient, however, as entrepreneurs must persuade consumers to buy their products before knowing its taste and texture, and keep buying it after that. Firms in Brazil that now produce functional yogurt had a stake in the dairy markets already, specifically in the yogurt market. This shows a correlation between accumulated knowledge and resource mobilisation, and the development of a functional product, and thus a potential entry barrier for new players. Raud (2008) says that only multinational or large companies would be able to mobilize enough financial and technological resources to enter that market – to which persuasion capacity should be added.

### **The Brazilian market of functional yogurt**

The institutional set surrounding a healthier lifestyle in Brazil has recently seen a significant turn that broadly follows changes experienced earlier by richer industrialized countries. Since the 1970s, urban population has increased significantly (from 58 to 85 per cent) and now most families (about 51 per cent) are headed by women (IBGE, 2012). The number of families in which both man and

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woman work out of home has also increased since the 1980s (IBGE, 2012). Food consumption habits have changed concurrently. Brazilian families have less time to prepare their meals at home – between 2001 and 2009 the number of individuals eating out increased 105 per cent (IBGE, 2009). The faster lifestyle of Brazilians changed their motivations to decide what and how to eat.

In the early 1990s, Brazil experienced a period of greater trade and capital flow liberalisation. In what followed, well-known international fast-food chains made an early move with a focus on marketing convenience and time-saving. Big supermarket chains and processed food firms followed suit. As an illustration, between 1994 and 1997, internal consumption of frozen meals increased 190 per cent (Supermix, 1999).

In the late 1990s, however, concerns over food safety, obesity and heart conditions related to the regular consumption of industrialized and fast foods in a hectic urban lifestyle hit Brazil too. This new mindset helped creating new motivations for food consumption. They merged what could be seen as the best of two cognitive frames, now widely shared – healthy and safe, simple and ready-to-eat food. The institutional set has incorporated and regularly retransmitted messages about healthy eating lifestyles in association with health and beauty standards or what is considered a balanced meal. Consumers who value such cognitive constructs about food thus expect or look for its health promoting attributes. This is a general view of the Brazilian institutional set, in which functional yogurts have been introduced.

The Brazilian functional yogurt market has grown around 40 per cent annually since 2004 (ABRAS, 2009). Among its participants, there are currently four big players worth mentioning. The first is Danone Company, the French firm that holds nearly 90 per cent of the market (ABRAS, 2009). The second is the Swiss company Nestlé, and third is the Brazilian firm Batavo. The fourth relevant player is the Brazilian Agency of Sanitary Surveillance (ANVISA). In general terms, ANVISA plays a similar role to the FDA in the US, only with a budget that is about 4 per cent of its North American sister agency (ANVISA, 2012; Washington Post, 2012). The Anglo-Dutch corporation, Unilever, recently entered the market in a joint venture with Brazilian food producer Perdigão, but with little impact so far. In such a concentrated market, Danone and ANVISA are mostly responsible for the current institutional set.

Batavo was the first mover in the market, launching its functional yogurt BioFibras in 2002 (Azedo, 2007). With hindsight, the product manager of Batavo in 2007 recognised the company's lack of aggressiveness to persuade consumers that functionality was present in a regularly ingested product sold in supermarkets, like yogurts (Azedo, 2007). Apparently, that attitude compromised its first-mover advantage. BioFibras had bacteria and added fibres in its formulae, but its marketing emphasised the functionality of fibres only. This attribute could be easily found in other products and apparently did not break new ground before consumers.

According to our analytical framework, the product manager of Batavo realised that an important piece of institutional entrepreneurship was missing at the launching of its functional yogurt. The company was innovative in the traditional sense. It held the technology and productive knowledge required – two key resources to mobilise, according to Mäkinen-Aakula (2006). Nevertheless, Batavo did not manage to impinge on consumers a new cognitive construct to become associated with its product. Only in 2006, Batavo regrouped its efforts to increase investments in BioFibras (Perdigão, 2006).

By the early 2000 s, Brazil was in contact with Yakult and BioFibras (Azedo, 2007; Raud, 2008; The Yakult Company, 2011). Its functional dairies market had widened and seen some new concepts and ideas. Incumbent firms were working towards persuading consumers on the basis of specific functional attributes of their products, such as the alleged benefits to guts, heart and blood circulation.

As for Danone, exploring markets in Europe and in countries that had a positive contact with Yakult seemed a promising path for expansion. After all, consumers had to some extent internalised functionality of dairies in their habits. The company had operations in Brazil since 1970, and eventually launched its functional yogurt market there in 2004[2]. In the following two years that market grew 325 per cent, of which the French company held a 90 per cent share (AC Nielsen, 2007).

An initial step by Danone was to claim a trademark for the bacteria added to Activia (Raud, 2009). Danone pursued not only legal exclusive rights for the bacteria but also for the term Probiotic – used to define living organisms that, if adequately administrated, offer health benefits to its host (Raud, 2009). This was an attempt to appropriate the most popular concept held by consumers about functional yogurts in Brazil – a sort of brand name that could be easily associated with its particular product.

The trademark name chosen by Danone for Brazil was DanRegularis. “Dan” clearly refers to the firm that produces the yogurt, creating an easy association for consumers. Accordingly, one of Danone’s slogans in promoting its functional yogurt was: “Activia Danone, the only one with DanRegularis”. “Regularis” highlights the functional attribute claimed to the yogurt, reminding consumers of the benefit they can obtain with the product. Moreover, the Latin zest of the word gives a sense of scientificity to the public initially targeted – educated, mid and mid-high income groups. It bridges what consumers do not know (“good bacteria”) and what they know or are concerned about (the regular working of the digestive system) or that discomforts them (irregular gut activity)[3].

Despite being a factual second-mover, Danone acted as a first institutional entrepreneur in Brazil. The firm invested resources to create and promote concepts related to its products, thereby sticking them to the cognitive constructs of consumers and others involved (e.g. government agencies and potential competitors). A monopoly space and a strong focal point resulted from being the first to name a probiotic and having exclusive rights to use it.

Danone started an extensive advertisement of Activia on TV, supermarket shelves, and its website, where consumers were informed about a challenge – the “Activia Challenge” (Raud, 2008). Consumers were challenged to drink the yogurt daily for two weeks and evaluate the results. If not satisfied, Danone would refund them. In the website they could download a free interactive calendar in which one could write notes and comments about the yogurt. Users had to register personal information and Danone used the data for personal marketing[4].

Danone has relied significantly on the mindset promoted by Yakult and BioFibras, while reinforcing and expanding it by means of advertisement, scientific images, and empirical tests by consumers. Its actions as institutional entrepreneur was followed suit by Nestlé and Batavo. Nestlé entered the Brazilian market in 2006. It tried to replicate the persuasive pressure Danone exerted on consumers to gain market share in an institutional set very much moulded by the French company’s actions. The Swiss

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firm, however, has not managed to command as much institutional entrepreneurship as its main competitor. As a result, Nesvita has not threatened the market power of Activia, despite the similarities in the publicity of both products.

Batavo, the only Brazilian firm with a significant stake in this market, has not threatened Activia either. BioFibras, Batavo's flag ship in this market, was launched in 2002, without much success (Azedo, 2007). When BioFibras was re-formulated in 2007, Activia's "challenge to consumers" was very evident in the media, pushing Batavo to a new start by imitating the leader and avoiding the high costs of institutional entrepreneurship – something they had a sour taste of a few years earlier.

Beside direct interaction between producers and consumers, regulatory institutions play an important role in firms' behaviour as institutional entrepreneurs. Overall, they carry enduring values and interests in a specific society, and in our particular analysis, they act socially by dealing with the risks involved in food production and consumption. Accordingly, regulation limits institutional entrepreneurs' actions and, at the same time, lags behind entrepreneurial knowledge and action in many relevant fronts.

Medeiros (2008) has surveyed regulation about functional foods around the world. According to her, as a front runner in the development of functional foods, Japan is perhaps the only country with a specific regulation set, determining that functional foods be classified and stamped by the Japanese Ministry of Health, Labour and Welfare. In the USA and Europe, functional goods are not legally recognised as such. The Food and Drug Administration in the USA strongly regulates products with disease-risk reduction claims, but not so much with regard to structure and function claims – a category around which functional products have been developed. The European Union has currently no unified legislation, despite the establishment of The European Commission Concerted Action on Functional Food Science in Europe. Most European countries deal with the issue in a similar way to the USA, with a wide manoeuvre area for functional claims. For food to be considered functional, its claims for nutritional or physiological benefits should be substantiated. Labels are also submitted to assessment; their information must be clear and cannot suggest that consumers' health will be affected if the product is not consumed (Medeiros, 2008).

In Brazil, food functionality is dealt with by ANVISA, a regulatory agency created in 1999, and operational since 2000. It scrutinises claims based on scientific evidence according to information shown in the product's label. The robustness of scientific arguments about health benefits of functional yogurt has been recurrently questioned, however. Marion Nestle (1999) argues that claims of such products are mostly exaggerated of their real functionality. Nestle (2003) claims further that the food industry influences regulation, the academic field, and the media in order to promote its goods. Wai-ling (2004) stresses that its publicity can have ambiguous messages and biased allegations. Part of the scientific community suggests that not much is really known about the ingestion of vitamin, minerals, and other elements beneficial to health, and about the risks of their ingestion in great quantities (Nestle, 1999).

As for interfering on consumers' habits and cognition, science and academia rarely work as direct sources of perceptive information. Firms' publicity and the media channels are the main institutionalised means of mass information to reach Brazilian consumers. Danone used TV marketing intensively to present its new functional product, trying to persuade consumers of its values for a healthy lifestyle based on

systematic and scientific evidence. Moreover, information on labels made public by the media can be regarded as scientifically relevant in the eyes of entrepreneurs whose strategy of resource mobilisation is based on factual information. This shallow scientific ground of evidence has drawn ANVISA to act upon advertisements[5].

ANVISA's first action with an impact on the institutional set was the prohibition of Activia's TV ad (ANVISA, 2008). It assumed that consumers were lured by Activia's power to heal gut poor functioning, considering that it can be a symptom of more serious illnesses, whose diagnosis could be delayed if people accepted the TV ad suggestion. In the end, the prohibition thwarted that communication channel and somehow invalidated the claim.

Despite challenging an institutionalised persuasion channel, ANVISA's actions did not interfere in Activia's competitive position. As previously pointed out, Danone was responsible for building the concept of functional yogurt in Brazil mainly through TV ads. Their suspension could perhaps slow down persuasion of non-consumers, but as ANVISA had no scientific or legal grounds to prove its arguments, little effect should be expected with regard to the mindframe of existing customers. ANVISA could have acted as an institutional entrepreneur in order to challenge consumers' habits, but it lacked competences and resources. Hence, Danone's initial moves still sustain its leadership in the Brazilian functional yogurt market.

In a competitive process, institutional channels explored by a firm can also be explored by others, as Nestlé and Batavo have shown. Once no obstacles exist for the three big companies to buy TV airtime, the restriction on Danone was a big opportunity for Nestlé and Batavo to work on consumers' habits and cognitive frames at the margin.

Nestlé's resource mobilisation was concentrated on TV campaigns, mainly after the prohibition of the Activia ad. While Danone sought to consolidate the concepts of functional yogurt, Nestlé worked on catching up with its main competitor, making direct comparisons to its product and revealing superior qualities in attributes like taste and nutritional values. Danone took Nestlé to court, which considered Nestlé's ad unfair competition and ruled its prohibition (Raud, 2008). The ban on both TV campaigns lowered the chances of any change in market positions and on the mind-frames of consumers' decision making. As for Batavo, it had never been the target of regulatory penalties or pursued confrontational marketing, which is consistent with its leader-following strategy. Institutional inertia and the cumulative process of actions gave BioFibras a steady, though small, participation in the market.

The Brazilian functional yogurt market illustrates how institutional entrepreneurship precedes regulation. By definition, institutional entrepreneurship can confront an institutional set, which includes the regulatory apparatus. Danone's actions involved bypassing formal limitations specific to a productive process and to the contents of a good, as well as to the channels that connect them to consumers' cognitive frames in order to move preferences to its favour.

Danone's first actions were successful in establishing concepts and the necessary elements to frame consumers' habits and cognition and capture their preferences. When ANVISA reacted, consumers' habits and cognition had already been driven in a favourable way to the consumption of Activia. The prohibition of its TV ads could have hampered that movement. Resource mobilisation to seize on the occasion was made on traditional grounds by Nestlé. It pursued a larger market share, not reshaping

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its institutional set and consumers' habits beyond simply changing brands of similar products – in other words, a market for itself as Danone pursued. Even here Danone had the competence to make a legal case that resulted in the ban of Nesvita's TV ad. This guaranteed a stronger institutional inertia in the Brazilian market of functional yogurt, preserving thus the leading position of Danone. With the main communication channel being now more closely controlled, those concepts, habits, and cognitive frames Danone strove to create and make its own had even more time to settle down on consumers' preferences.

### Final remarks

The study of Brazilian functional yogurt market shows that supply and demand for food are complex social constructs, and that the social identity of participants matter. Based on that, we stressed the role of firms as institutional entrepreneurs, acting toward moulding consumers' decision making by recombining and transforming concepts that became increasingly relevant in their cognitive frames. This has been carried out with the creation of a concept of a food supported by institutionalised procedures; the combination of historical timing and the manipulation of apt means to introduce new concepts of foods therein; the active role of entrepreneurs' cognition and image formation that involved the conjunction of upheld and new productive capabilities, old consumption habits and new public concerns, and disputed scientific claims within a permissive regulatory environment. For a new concept of food to be grasped, firms act to persuade consumers to review their concepts mostly in a cumulative way, adjusting their cognitive frames and habits. The introduction of functional yogurts in Brazil is evidence of this logic. When presented to consumers, the product was directly related to new ideas about what food itself was supposed to be and to existing concepts of functional goods.

In Brazil, experience in dairies and traditional yogurt production was the basic resource for firms to compete in the making of a functional yogurt market. In addition to that, they had to mobilise further resources in order to create and persuasively communicate the new underlying concepts and values of and around functionality. The latter made use of the "healthy eating in a hectic lifestyle" momentum and also of scientific support to its claims, whereas the former was pursued through directly engaging potential customers in having a close communication channel in their first experience with the product. Traditional legal resources were also present when regulation limited the range for firms' manoeuvre. In Brazil, Danone was effective in those stances, making Activia a near synonym for the Brazilian market of functional yogurt. The firm was mostly responsible for reshaping an existing institutional structure around yogurt consumption and reforming consumers' cognitive frames. By successfully socialising new concepts, such as functionality in yogurts, the company helped creating a collectively shared mindframe with preferences that feed a new billionaire industry.

### Notes

1. Habits are seen as a mostly non-deliberative and self-actuating propensity to engage in a previously adopted pattern of thought or action (Hodgson, 2004). Although not repetitions themselves, habits arise from repetitive situations and prior activities that are enduring and self-sustaining (Hodgson, 2004).

2. Danone and Nestlé had resources inherited from their European experience. Danone successfully introduced its functional yogurt in Europe in 1994, followed by Nestlé (Raud, 2008).
3. Danone gave its functional yogurt different brand names in different countries. This seems part of a communication strategy linked to both the resources already mobilised by the firm and those it wants to control in its attempt to build a new and more favourable institutional set.
4. The “Activia Challenge” has been modified but remains a central part of Danones’s strategy to reach out to consumers. Its current version is available at: [www.activiadanone.com.br/programa/](http://www.activiadanone.com.br/programa/)
5. A referee suggested that such action might be a light touch from the regulator in carrying out a strategy that favours innovation in the industry. ANVISA was operational for about five years by that time – a young regulatory agency – and its budget was about 3 per cent of FDA’s (ANVISA, 2007). Although its action can be seen as a light touch with regard to the impact on the industry, the claim that it has been motivated by an innovation drive is hard to establish. The very budget limitations of the agency suggest a light touch of the State on regulatory issues in general, the nature of which may involve innovation promotion only incidentally.

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