

COMPETITIVE STRATEGIES BETWEEN THE RED OCEAN AND BLUE OCEAN

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Submitted: 5th October 2018

Revised: 28 November 2018

Approved: 5th December 2018

Abstract

Competitive strategies have been seen as a way to overcome boundaries, develop and improve firms. From a marketing perspective, competition plays an important role in gaining a favourable position on the market, which is why more aggressive strategies have been developed. At present, hypercompetition is analysed, characterised by accelerated dynamism, which no longer allows for sustainable and stable benefits. Advantages are temporary, companies being forced to be in perpetual alertness and vigilance. They have to anticipate competitors' movements in order to be able to respond quickly to the market mutations. In this context, the blue ocean strategy appears, making competition irrelevant, focusing on value innovation, creating a new demand that can be met with low costs to the advantage of both the firm and the customer alike. This strategy is beneficial to small businesses, allowing them to remain on the market and develop profitable businesses. The paper continues with a focus group made with companies from Reșița, meant to analyse how they understand the competition on the Reșița market and develop their enterprise in this context.

Keywords: strategy, competition, competitive advantage, hypercompetition, red ocean strategy, blue ocean strategy

JEL : M31, M37

1. INTRODUCTION

In marketing, there is a belief that firms cannot exist unless they have a vision of their own existence, along with a vision of market on which they operate. Kotler(1996), making the analogy of the firm with the human being, states that it must have a "market and product consciousness" . The increasingly dynamic and competitive environment forces companies to engage in specific behaviours and actions. This can only be achieved by developing strategies that can guide the company on the global market.

Strategy is defined as "the structure of objectives, purposes and goals, major policies and plans for their realisation" (Kenneth A., 1981), "a model or plan that integrates the major goals of the organisation" (Quinn si al. 1995), "a theory of the firm" (Barney, 1991), measures (Ansoff, 1965), "ability to infiltrate into the free competitiveness system" (Henderson B,1989), "set of reflections, decisions and actions" (Marchesnay, 2004), "the purpose of an organisation existence" (Lynch, 2002), or "the process of simultaneous examination of the environment present and future" (Higgins, 1983).

Petit Larousse (1995) defines strategy as "the art of coordinating actions and manoeuvring them to achieve a goal."

In the field of competitive dynamics, strategy must focus on achieving the market position that offers maximum potential. Strategic guidance allows the firm to "adapt and / or change environmental aspects for a more favourable alignment"

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(Manu, Sriram, 1996); Macmillan & Tampoe (2000) consider that strategic orientation means "creating a new vision of the future in order to inspire the organisation towards a broader goal."

Strategy involves making decisions after careful analysis, with policies and action plans being put in place to achieve the expected results. Al Ries and Trout (2002) believe that there are no good strategies and bad strategies "Everything depends on who uses them" (marketing as war), a conception that are in line with Sun Tzu's teachings "everyone can see the tactics by which they conquer, but what they do not see is the strategy by which the great victory is achieved".

Of all the strategies that companies design in order to reach the expected results, competitive strategies are most often applied, increasing global competitiveness (driven by accelerated technology development and enhanced accessibility on any market), making it mandatory for companies to respond quickly to competitors' challenges, removing dangers and taking advantage of opportunities.

"The global market is a challenge that requires economic agents to exhibit a proactive attitude and behaviour, meant to ensure an advantageous position within a particular field of activity" (Cruțeru, 2006). The so-called "unconventional strategies" have emerged, whereby companies are trying to adapt to the new, fluctuating situations, to face the increasingly complex challenges and to keep their place on the market. Regardless of how a firm acts (whether conventional or not), business strategy has become a necessity. Goold, Cambell, Alexander (1994) invented the term "strategic tutorship," explaining the key role strategy plays in running a business under the current environment, where markets have changed, technologies are changing at a rapid pace, customers have become impatient and demanding.

2.1. Red ocean strategies

Dex defines competition as "an essential feature of a market economy that reflects rivalry, dispute between economic agents to produce and sell similar or substitutable goods under the most advantageous conditions for them; struggle, rivalry".

In this context, competition strategy has often taken military strategies as model, with market activity seen as a real "war theatre." In this respect the book "Marketing Warfare" (Al Ries, J Trout, 2002) is significant; it, presents offensive principles through which companies can obtain victories on the battlefield. The authors believe that, faced with increasingly tough competition, "the stakes of the game have become to take the business of another." It is about competitive aggressiveness, defined by Lumpkin and Dess (1996) as "a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace." Then they analyse competitive aggressiveness declaring it "a combative and forceful approach toward rivals through pre-emptive actions and aggressive responses to attacks" (2001). Kirzner (1973) considers competition an "incessant race to get ahead", whereas Chen (1996) identifies three factors that lead to a competitive approach, namely "awareness, motivation, and capability". Companies constantly analyse the behaviour of their competitors and the interactions that inevitably occur through their own actions or the rivals'. Dutton & Duncan, (1987) draw the attention on the level of information that firms must have on the intentions and actions of major competitors on the market. Montgomery, Moore & Urbany, (2005) consider that continued information and alertness before competitive aggression helps the company "to both reduce the

number of undetected competitive attacks and reduce the time required to detect an attack”.

When dealing with competitive analysis, complex issues are addressed: competitive position, competitive structure, competitive environment, competitive advantage, competitive strategy development, competitive strategies change, etc.

The stronger the competition has been considered, the more competitive strategies have been developed as a way to identify solutions to get the most favourable positions on a given market. Competitive advantages have been created so that they become "decisive factors for the competitive success of the company, regardless of size" (Bell Chip, 2009). This is due to the current interdependence on the market, so that a company's actions can often influence and trigger the response of others on the respective market (Hoskisson, Hii, Wan, Yiu, 1999). In today's society, dynamism forces companies to move quickly, flexibly and creatively to remain competitive. In this context, Kuenne introduces the term of rivalry, noting that any action by a firm will affect the activity of rivals, who will try to protect themselves through offensive or defensive actions. Kuenne regards this rivalry as anonymous, as the initiative of a firm has dispersed effects, and the response decisions are not explicitly engaged (Kuenne, Le Roy, 2002).

The literature highlighted M. Porter's conception of competition as a key aspect of marketing. He considered there are five forces in action engaging the competitive environment: potential debutants; competitive rivalry; substitutes; buyers' negotiating power; suppliers' negotiating power.

"The five forces together determine together the intensity of competition and profitability in the industry, and the strongest force governs and becomes crucial from the point of view of strategy formulating... Even without substitute companies and without the blockage of market entry, the intense rivalry between the existing competitors will limit the potential incomes. "(Porter, 1980). This competition, considered to be moderate, is replaced by what D'Aveni (1994) calls hypercompetitions as a result of a new competitive reality. This new reality has features so dynamic that it no longer allows for sustainable benefits and stable competitive positions. Advantages are temporary, companies need to be able to generate new competitive advantages at all times. "In order to compete irrespective of how short-term the competitive advantage is, companies can implement a strategy based on finding and building temporary advantages through market disruption rather than trying to sustain an unsustainable advantage."

D'Aveni believes that we are currently witnessing a change in the competitive paradigm - it is a shift from slow strategies that imposed stability, to alert strategies, "characterized by a quick-strike mentality on the part of companies aimed specifically at disrupting the competitive advantage of market leaders".

Thus, competitive strategies need to be characterised by continuous vigilance, constant attention to the actions directed to the firms on the market, so that the reaction is correct and at the right time. Moreover, companies must anticipate the movement of competing firms to take the right action at the right time and place. It is a matter of intuition, sometimes, of a reaction based on in-depth knowledge, on professional flair, as competitive strategies are intangible, so they are only visible at the moment they are produced, through results; anticipation is the only way to react in a timely manner.

In this context, competitive advantage is no longer sustainable, it must be created and recreated continuously.

Gamble, Tapp, et al (2008) emphasize that in marketing a revolution is under way, hardly accepted by companies, driven by the "new technologies, integration of poor economies into global demand and supply, liberalisation, privatisation and exploitation of network infrastructure and communications, all affecting the innovation and restructuring capabilities of major industries". They consider these changes to be serious turmoil that leads to increased competition and aggravation of rivalry. "To survive in these new extreme competition conditions, companies need to be faster and more receptive than their predecessors."(Gamble, Tapp, 2008).

McKinsey (2008) appreciates that there will be four forms of extreme competition: trench warfare (for mature and undifferentiated industries), judo competition (for industry in general), white-knuckle competition (for declining industries) and relative stability (the sudden and continuous changes mentioned by D'Aveni).

The world economic situation brings important changes to the competitiveness of the companies and implicitly to the way they choose to manifest on the market. Trade barriers have disappeared, as have monopolies and niches on the market; concurrently there are large mutations in the demographic and simultaneously in demand on the market; urbanisation has also increased and the population has begun to show demanding attitudes towards product quality, distribution, environmental impact. In marketing, the differentiation and positioning of companies are starting to look like clichés, as products are perceived to be more and more similar due to constantly aligned technology. The price argument is increasingly being invoked, as the brands begin to be considered obsolete, the fidelity to them consuming more and more significant resources.

Although companies' competitive strategies do not have to be conjectural, it is clear that they have to be characterised by a sort of dynamism similar to the technological one to ensure market maintaining. Competitive intelligence has to react within a 360-degree circle to instantly capture the mutations and risks that appear in order to be able to react.

It is believed that in the near future the competitive advantage will be given by firms that will address value co-creation (Pralhad, Ramaswamy, 2004) - producers and consumers will jointly contribute to value creation, use of information as a primary resource in economic activity, and as leverage in the knowledge of the market and consumer satisfaction (Iancu D), continual innovation as a manner of satisfying an increasingly demanding and well-informed consumer (Le Roy F, Torres O, 2002).

2.2. Blue ocean strategies

Nowadays, sciences are experiencing significant crises, ambiguities leading to multiplicity of opinions, changing visions that have recently been seen as immutable, approaching new territories, overcoming classical areas of action. Economics is also undergoing profound opinion changes, and controversy is getting more and more acute. One denies the conception that the human resource is a mere cost element, and man a symbolic being, devoid of spirituality and feelings, concerned only with pecuniary motivations. Thus, the stress goes on the importance of ethics, social responsibility, moral involvement in economic processes, with strong consequences from the perspective of human and social emancipation. Marketing has also been harshly criticised, with reproaches directed not only toward questionable sales tactics or the development of consumerist ideology, but also toward the scattering of resources, the destruction of the environment, the aggressiveness of market actions.

By trying to replicate its values and gain legitimacy at the firm level, marketing has been tackling competitive strategies in a different, responsible and courageous manner over the past decades. This is how the so-called blue ocean strategy, appeared designed by W Chan Kim and Renee Mauborgne in 2004, and developed in 2005.

The authors combat the existing competitive strategies considering them to be aggressive and part of the so-called red ocean, while the proposed strategies are part of the blue ocean, being uncompetitive, focusing on the process of creating a new market where competition is irrelevant. Through this strategy, through ingenious processes there is an increase in demand so that both sides - firm and customer can be satisfied. "Their goal (of companies) is not the overcoming competitors. It is to provide a spectacular increase in value through which competition becomes irrelevant. Focusing on the value of innovation, not on positioning against competitors, causes companies to challenge all the underlying factors of competition in a particular field, and not to assume that for the simple fact of doing something, competition is linked to buyer values." (Kim, Mauborgne, 2005). The essence of this theory is based on value innovation, that thinking that causes simultaneous differentiation and affordability. Innovation goes beyond the conventional framework of mechanistic thinking. It is a multidimensional concept that goes beyond the technological approach including, for example, innovation in services, organisational innovation or innovation of the business model. "(Lăcătuș S, UVT).

According to this concept, companies should not be exhaustively concerned about competition and rivalry, but should be focused on creating a new space in which to act and manifest themselves freely and without constraints. This space is an alternative obtained by innovation and creativity, a capture of existing opportunities, a novel way to meet latent needs. This creates a new demand, which the company aims to cover as satisfactorily as possible. Another key issue of blue oceans is that the company focuses on its non-customers. "Non-customers, not customers, know best the issues and intimidation elements that limit the size and boundaries of the industry. Therefore, in order to create a new demand, the analysis and understanding of the three levels of non-customers is an essential component of the blue ocean strategy." (Kim, Mauborgne, 2005).

Understanding non-customers often generates innovative solutions that increase demand again. Trying to analyse why they are not buying products, which their motivations are and solving them, firms turn them from non-customers into customers without appealing to the competition's customers. The blue ocean strategy considers that only this approach eliminates the harmful practice of imitation (specific to competition) in favour of innovation, i.e. redefining the issue in question (not finding a solution to an already existing problem).

This strategy allows small, but innovative companies to carry out cost-effective activities in a market suffocated by large companies.

STRATEGIA OCEAN ALBASTRU Concentrare pe clienții noi	STRATEGIA OCEAN ROSU Concentrare pe clienții existenți
Crearea de noi piețe pentru deservire	Concurarea pe piețe existente
Minimizarea importanței competiției	Batalia cu competiția
Crearea și surprinderea de noi cereri	Explorarea cererii actuale
Eliminarea compromisului între valoare și costuri	Realizarea unui compromis între valoare și costuri
Alinierea întregului sistem de activități al firmei pentru a urmări diferențierea și de costurile scăzute	Alinierea întregului sistem de activități al firmei cu strategiile de diferențiere SAU de costurile scăzute

Source: <http://virtualboard.ro/blue-ocean-depasirea-concurentei>

2.3. Competitive strategies of small firms in Reșița

The Focus Group method was used to analyse the competitive situation for small firms in Reșița. There were six small companies, companies that do business: three of them are firms selling foods (meat, vegetables, fruits, food products), a company has as its activity press distribution, two companies sell natural products.

The following questions were asked for an efficient discussion:

How do small businesses see the competition on the market?

All these companies have perceived the last years as difficult from this perspective, the competition of the big stores being considered stronger, even suffocating. Virtually all companies have appreciated the development of commercial activity in Reșița for the last few years as explosive, culminating with the opening of 3 large supermarkets this year: Profi, Lidl, Kaufland. These stores are territorially dispersed, so there are few neighbourhoods that do not have easy access to them, which is considered a big drawback for small neighbourhood stores.

How did small firms react to this increase in competition?

Companies reacted differently. Some still have an expectative reaction, following market events and trying to predict trends, others have reacted, trying to get differentiated. Thus, the meat merchant company attempted to position itself on the market under the name of the "Smoke Library", producing in-house a record number of products prepared in its own manner. Correlated with other quality-oriented strategies, the company has so far managed to maintain its business in the same way over the past few years. Other firms simply gave up the business, selling it, being convinced that this competitive market cannot be defeated by small firms. Stores selling natural products also have strong competition brought by major pharmacies and big stores that also market these products.

What is the competitive strategy these companies apply?

Companies in the focus group are anchored in the red ocean; they look at how large firms with large financial resources resort to important technological innovations that offer them strategic advantages, trying to fight through an empirical guerrilla strategy with limited impact over time. They do not know well the environment in which they act, interpreting economic events in a personal manner, specific to the entrepreneur. There are no well-targeted objectives and no clear strategies in relation to it.

Do small businesses know the blue ocean strategy concept?

None of the companies are aware of this strategy. When some of the cornerstones of the strategy were exposed, the attending persons seemed interested but also intrigued. They do not think they can perform such actions, the concepts presented - value creation, innovation - seem difficult to imagine and apply. There is a need for consulting offices to implement new, innovative ways for small firms to overcome the simple framework of imitating large businesses, guerrilla methods by which they operate on the market, actions carried out without a vision.

How do small businesses regard their future from the competitive perspective?

None of the present firms are looking into the future. They are focused on the present, which they find complicated; the essential business of these companies is to survive, the future seems distant and confusing. However, during the talks, two companies expressed the belief they will be able to pass on to their heirs the company incorporated 20 years ago. But these firms are seen exactly as they were created, entrepreneurs do not see new ways to approach business. The other attending people are skeptical about the future of their companies: the competition on the market is very tough and the small firms cannot cope with the unequal battle.

3. CONCLUSIONS

The present age is characterised by a dynamic and holistic economic dimension, a plurality of interpretations and approaches from subjective perspectives, which determines the fluidisation and interpretation of information, with positive consequences on human consciousness, which can thus manifest openly and permissively.

Society triggers new paradigms, profound changes, or approaches older concepts from another perspective, strongly influencing the value system and trying to find the predisposition of honest judgment and viable strategy in what Kotler calls the new type of normality, "chaoticism" (2009). Competitive strategies are considered in marketing a way of strengthening competitive position, thus contributing to the development of the economic branch and implicitly of the economy as a whole. The occurrence, according to some authors, of the network-type society, favours the interconnection, the plurality of interests on the same market, the right to act and develop without restriction and without protection. At the same time, the variety of information that any company has at the moment allows for innovation and creativity to manifest itself openly and freely without obstacles. In fact, all innovative processes, all business successes are based on human training, the creative search for solutions, inventiveness and originality. Business development opportunities are becoming more accessible by exploring one's own skills and competencies.

Thus, replacing the red ocean strategy with the blue ocean strategy no longer seems a coincidence; is the result of the system of norms and values that developed societies apply, considering them the only ones capable of positively boosting the results of the future economy.

Intellectual expansion, combined with economic knowledge, pragmatic skills and creative capacity of the human resource, is the only way for companies to behave on the market in the manner desired by consumers, i.e. to create and meet human needs.

Small and medium enterprises have the strong advantage of being close to the consumer, knowing their latent needs, being able to easily adapt to the rapid changes that take place in society. By using modern means of communication, advanced

technology, for utilitarian purposes, they can manage to address the market correctly and efficiently, while at the same time gaining success.

Reșița's small enterprises do not seem to understand the dynamics of the present society, nor its challenges; they react shyly, stereotypically and inefficiently, anchored in the red ocean, suffocated by competition, compounded by the financial strength of large firms. Small businessmen are not informed about changes in national and international markets, they do not know the new economic paradigms. In this context it should be beneficial to organise certain courses, counselling sessions, meetings with university teachers, in order to address the issues that provide high economic value, direct the Reșița companies towards creativity, knowledge, information.

They must be taught to change their thinking, behaviour and attitude, to identify market opportunities, to find solutions in order to provide consumers with products and services that are radically different from those provided by hypermarket chains. Re-evaluating human capital in firms, increasing responsibility and professionalism, reactivating creativity are key values that will become more precisely outlined in the coming period and are the most valuable asset of small businesses.

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