



The 15th International Scientific Conference
**“DEFENSE RESOURCES MANAGEMENT
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BLUE OCEAN - NECESSARY BUT NOT ENOUGH

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Abstract:

We are facing a major change, even if there are not many who accept this fact and try to cling to the last powers of this competitive market and it must be accepted that using the same methods can not continue, information flows change, that the one who has the vision on researching, finding and implementing the right solutions will survive and that if you wait for the situation to resolve itself you will fail in the face of this process of globalization and geo-modernization. It must be understood that in reality things do not remain never on the spot. They are constantly evolving. Operations are improving, markets are expanding, and players are coming and going. History shows us our underestimated ability to innovate continuously. A competitive market, called the Red Ocean, will always exist and will always be a reality of economic life. But as supply outstrips demand in more and more fields, competition for some of the shrinking markets, while necessary, will not be enough to sustain high performance. Companies need to see beyond the competition. To make new profits and growth opportunities, you need to create blue oceans.

Key words: blue ocean; innovation, globalization; change; market; evolution; red ocean; profit.

1. Introduction

The term "blue oceans" is relatively new, although their existence is not new. The existence of these "blue oceans" is a reality of the economy, so if we look back we realize that industries such as discount trade, e-commerce, mobile phones, the market for IT equipment such as routers or even express delivery, very well rated in today, with a market value of billions of dollars, they did not exist. Thus, we can question the existence of industries, unknown to us today, but which may exist in a few years from now. [6]

The red oceans represent all the industries present today, and the blue oceans those that do not currently exist, representing the market space still unknown. The term "red ocean" does not come from the fact that it is the opposite of blue, but from the color of blood, symbolizing the fierce struggle on the competitive market in the pursuit of customers and implicitly of profit to ensure the sustainable development of business.

If in the red oceans borders are defined, known and accepted, as well as competitive rules, companies trying to outperform their competitors by capturing as large a segment of demand as possible, in the blue oceans there are still undervalued market spaces, there is the opportunity to rapid growth by creating demand. Most of the blue oceans are created from within the red oceans by expanding the borders of existing industries, however, there are also blue oceans created very far from the borders of existing industries.

The fundamental theme of the article refers to the particularities observed in the traditional companies in the field of retail trade in Romania. The theme is a topical one, especially in terms of accelerated changes in this field, the Romanian retail market being invaded by large international store chains.



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The topic of the article is focused on personal empirical analysis of a retail company that, despite having moments of innovation, ended up making an exit from this market. My personal analysis considers that just creating blue oceans is not enough to survive in a market segment where the main players are very powerful financially.

2. Overview

Maya Supermarket is the largest network of traditional stores in Prahova County.

The company has 100% Romanian private capital, being a family business, currently among the few companies, belonging to the field of retail trade, in Romania, within the local chain of stores (LKA) that have managed to develop in the conditions in which this market has been invaded in the last 10 years by companies with foreign private capital.

Maya Supermarket has gained a reputation, at least locally, for its seriousness and continuous focus on meeting customer needs.

The company's mission derives from the desire to bring the concept of supermarket and modern trade close to as many communities in the county in which it operates, the market offered by Prahova County being quite large, nationally being the second county in terms of population.

Thus, from its establishment in 2009, which coincided with the first store inaugurated, until 2019, the company managed to open another 19 stores making the store network an important player on the local market and, according to the number of operating points, one of the largest traditional networks at national level, the company's strategy aimed at horizontal development.

The company does not have any source of external financing, such as an investor, investment fund or bank loans, the budgets for the development of the store network being fully supported by the revenues generated by the company's activity.

This has led to the fact that many of the current locations are outdated, in terms of interior design, equipment and fleet of machines available to the company, as well as software that helps to properly manage the entire business.

3. The need for a blue ocean

The fact that in recent decades strategic efforts have been channeled towards the development of strategies based on competition in the red oceans, has led to the development of skills to navigate these red oceans in terms of strategic positioning according to costs, differentiation or approach to a single segment of market in which to excel. [6]

This is also the case of the Maya Supermarket company, which managed a horizontal development due to the inauguration of some stores in localities where until then there had been no stores in the area of modern trade.

The Romanian market is a very dynamic and at the same time very attractive market, being considered, in many fields, a market with a huge potential, especially in the field of retail trade, being in the top 5 after the increase of the number of commercial spaces. [4]

Thus, the number of operators holding foreign capital, ie large international chain of stores (supermarkets and hypermarkets) has grown rapidly in recent years, especially due to the lack of legislation in this area to limit these companies.



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In 2019 alone, the big chains of international stores opened, cumulatively, 427 new locations in Romania. Thus, the approximately 3000 stores of the international players present on the Romanian market have a turnover of approximately 11-12 billion euros, while the domestic players with the approximately 65K stores have a turnover of only 8-9 billion euros. [2]

These international chains of stores, which benefit from extremely large development budgets, make the development of the traditional ones in this field quite difficult or even impossible, in some cases, which unfortunately are more and more frequent, even lead to closing the working points of the companies with Romanian capital that cannot keep up with the level of investments supported by these foreign companies.

The main advantages of these companies are offered by the development and promotion budgets, which offer them the possibility to build new locations in the absence of spaces for rent and promotion at national level on the main television stations.

The company's problem is represented by its inability to respond to the appearance on the market of more and more international store chains, the competition being very high, the options for customers are diversified, thus affecting the company's revenues and implicitly the profit. In addition, the number of localities that do not have a supermarket store for the daily shopping of the inhabitants is reduced.

The chances of red ocean development are steadily declining. Technological progress has helped increase industrial productivity and also diversify the range of products and services to an unprecedented level. Also, with the elimination of trade barriers, market niches and monopolistic markets begin to disappear.

Thus, Maya Supermarket has been, since a few years ago, in the position of looking for alternative growth solutions.

4. Creating a blue ocean

The main problem with these blue oceans is that they are largely unmapped. [6]

Although there is much discussion about the blue oceans, at the same time there are very few practical recommendations for their creation, the lack of these analytical frameworks and tools to effectively manage risks make the creation of the blue oceans a desideratum, decision makers, in managers, consider this strategy very risky.

The reluctance of managers to approach the blue ocean strategy comes from the so-called red ocean traps, the understanding of which is very important having close links with the practical side. This reluctance is the result of misinterpreting the concept of the blue ocean strategy, which leads to the stagnation of companies in the competitive market. We can specify here that the main factors that lead to the non-involvement of managers in defining such a strategy:

- Fear that the basic activity of the company must be abandoned.
- Believing that this strategy is based exclusively on setting low costs.
- Believing that the blue ocean strategy is exactly the same as innovation or differentiation strategy
- The false belief that the blue ocean strategy is a niche strategy or just a marketing strategy. [6]

We will see immediately that, in fact, marketing is exactly what is missing or not said to complement this strategy.



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Below we present the main characteristics that define the two strategies: the red ocean versus the blue ocean: [1]

Red ocean	Blue Ocean
Competition in the existing market space	Creating an undisputed market space
Overcoming competition	Transforming competition into an irrelevant one
Exploiting existing demand	Creating and attracting a new demand
Accepting the cost-value ratio	Elimination of cost-value ratio
Alignment with the strategic option of differentiation or low cost	Alignment with the pursuit of differentiation and low cost

Table 1

5. Practical application

In 2014, against the background of a visible stagnation of the network development, the owner of the company decides to call on a consultant to succeed in moving to another level.

It is also concluded that the essential change that can lead to the creation of a blue ocean is the introduction of refrigeration lines in stores instead of classic metal shelves to keep soft drinks and beer at low temperatures so that at the time of purchase it is ready to consumption.

This meant the creation of a new market space that made irrelevant competition from the localities where they had stores. In addition, with this added value, a higher shelf price could be applied for the same type of product sold by competitors, thus increasing the profit margin.

For the Maya Supermarket company, 5 years of development followed, during which time it managed to reach 20 locations opened in 17 localities in Prahova and Dambovita counties.

However, the decline was inevitable, making its presence felt since 2017, when the number of new locations opened per year decreased, the company's profitability being affected by the migration of customers to competing stores.

At the end of 2019, against the background of these figures and due to the aggressive expansion of the large store chains, the business owner decided to sell the business to the Profi store chain. [1]

6. Conclusions

The blue ocean strategy provides a lever to strengthen a business's position relative to other competitors. With the help of innovation we can access untapped market spaces, improve performance, reduce costs or improve brand image. [3]



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Defining the blue oceans is the basis for growing a business and by constantly applying this strategy can create a real revolution in the field. However, there are a few things to keep in mind. In the book *Blue Ocean Strategy*, the authors talk about creating these blue oceans as the alternative solution to escape from the red oceans, but in reality, they hardly discuss the factor that contributes decisively to the success of any blue ocean strategy, namely marketing. [5]

On the other hand, accessing a new, undisputed market space cannot last forever, and the fact that we leave our competitors behind at the moment does not mean that they will not retreat and will copy in a very short time the idea that led to the generation of a new demand.

What the Maya Supermarket company did not understand is that the innovative process, once started, must be constantly supported by the marketing process, the process of selling new services or products resulting from the creation of these blue oceans. The creation of the blue oceans is not enough, it is necessary to cultivate this process and to introduce it in a periodic routine.

Also, the company did not take into account the competitive market, a very strong one in this sector and with a very high financial power, which retreated very quickly and managed to cancel, in a relatively short time, this created advantage. Due to the lack of a budget to modernize stores, improve logistics or finance marketing campaigns, the company began to face problems whose solution was possible only with the help of a capital infusion such as a bank loan.

Thus, the road to the transfer of the company and the abandonment of this business became only a matter of time, which happened.

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