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BLUE OCEAN STRATEGY FOR ROMANIAN WINE MARKET

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Abstract

Is a long history of fierce competition between wine companies, fighting for a better market share, trying to differentiate itself from the rest of firms. In today's overcowed economy, competition results in the appereance of a red ocean, where rivals struggle to capture a return on increasingly limited. Try using new element introduced to provide an easy product to be consumed at any time and does not assume possession of specific information, so the buying decision should be made easily. The new product will have a fresh taste, refreshing, slightly pungent, like champagne.

Key words: *strategy, competitiveness, wine market, viticulture.*

Introduction

Romania is an important european wine producer country, and has a significant historical past and rich cultural traditions associated with this drink, going throught a period of major changes, building a future in line with the European Union. It is also an appreciated member of the international wine community, as a high quality and valued wine producer. Wine is a good food which has an important role in Romania s trade. According to data provided by the Ministry of Agriculture an Rural Development in the "International trade of Romania", in 2010 Romania exported 8919,34 tons of wine, the equivalent of 11,663,87 euro, while in 2009 exported 100,037,04 tons of wine, the equivalent of 12,725,060 euro.

According with the statistic of the National Institute of Statistics (NIS), total area occupied by vineyards decreased from 247,500 ha in 2000 to 181,300 in 2009. Grafted

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vines had a fluctuating evolution: the area decreased from 128,500 ha in 2000 to 115,800 ha in 2003, than increased in 2004 to 131,300 ha, and then decreased again, reaching in 2009 to 92,2 ha. In the same period the area occupied with bybrid vines decreased from 118,700 ha 87,500 ha.

In Romania, the production of wine is, on average, 5,5 to 6 milion hectoliters. According to data provided by the National Vine and Wine Employers, wine production has the next evolution in 2004-2009:it dropped from 6,1 milion hl in 2004 to 2,6 milion hl in 2005, in 2007 to recover, reaching 5,2 milion hl. In 2009, the production increased to 6,7 milion hl.

Wine production and consumption are traditions of the Romanian people, transmitted from generation to generation. In recent years, Romania has decreased, both the wine consumption and the share in total consumption of drinks. Thus, in 1990 Romanians drank 27 liters of wine per person, in 2006 the consumption dropped to 21 liters per person. Reduce average consumption was due, on one hand because of the reduce area planted with vines and the aging of these plantations, and on the other hand, changes in the consumer preferences, due to the rise of wine, mostly focusing on the consumption of spirits and beer, wich can be found on the market at a lower price.

Evolution of the alcoholic beverages annual consumption is shown below:

Table 1 Annual average consumption of alcoholic beverages in Romania, 2001-2009 (liters / person / year)

Product	2001	2002	2003	2004	2005	2006	2007	2008	2009
Beer	54,4	56,0	60,6	71,1	68,6	78,2	92,0	92,5	82,9
Wine and products from wine	25,5	27,0	23,1	30,0	16,4	21,1	23,4	24,6	22,2

Source: Coordinates of living in Romania. Income and consumption, NIS, 2010

Body paper

Organizations has performing and competitive activities proved to be conditioned by the development of coherent strategies, content often influencing the interface effectiveness with suprasistems in which they are included and the way they maintain and increase the market share held.

There is a long history of fierce competition between companies, fighting for a better market share, trying to differentiate itself from the rest of firms. In today's overcowed economy, competition results in the appereance of a red ocean, where rivals struggle to capture a return on increasingly limited. Under these conditions, future market leaders will not succeded in trying to eliminate competition, future market leaders will not succeded in trying to eliminate competition, but creating blue oceans, undisputed market areas are capable of rapid development.

Kim and Mauborgne proposed the "blue ocean" strategy, which emphasizes avoiding competition while creating value innovation that drives down costs while simultaneously driving up value for buyers. They developed a framework that includes four-actions: factors to be eliminated, reduced, increased, and created. Thinking that is different from traditional strategy is the key to creating value innovation. Value innovation is more than innovation; it is about a strategy that embraces the entire system of a company's activities. Value innovation requires a company to make every effort to achieve a leap for both buyers and the company itself.

Red ocean strategy

In contrast to blue ocean strategy, a red ocean strategy is competition-based, the industry's structural conditions are given, and firms compete within those conditions. This assumption is based on what academics call the structuralist view, or structure–conduct–performance, in which the conduct of firms in different industry structures will produce different performances. In red ocean, competition, cost, and price are important elements for surviving in the industry. Also, adequate and appropriate competition is good for industry development, and competition will not hurt companies or customers. In red ocean, differentiation costs a lot of money because firms compete with the same best-practice rules. In contrast with blue ocean, value innovation in red ocean is based on the view that market boundaries and industry structures are not given. They can be reconstructed by industry players. Firms would have better performance if they create value innovation. Kim and Mauborgne call this the "reconstructionist" view. Table 2 compares "red ocean" and "blue ocean" strategies.

Table 2. Red ocean vs. blue ocean strategies

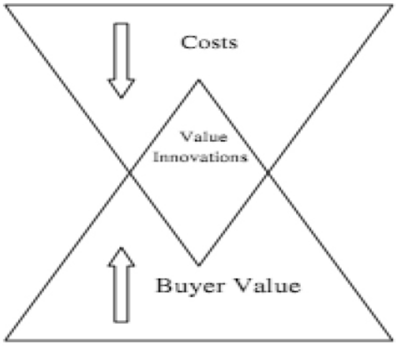
Red ocean strategy	Blue ocean strategy
Traditional thinking.	Innovative thinking.
Compete in existing market.	Create uncontested market.
Beat the competition.	Make the competition irrelevant.
Meet existing demand.	Create and satisfy new demand.
Trade off between value and cost.	Trade off is not necessary.
Pursue differentiation or low cost.	Pursue differentiation and low cost.

Source: **Kim WC., Mauborgne R. (2005):** *Blue ocean strategy*, Cambridge, MA: Harvard Business School Press.

Blue ocean strategy and competition

As a company succeeds and expands in the blue ocean, more companies will try to enter this market. Therefore, creating barriers against imitation by competitors is very important.

Figure 1: Value innovation: the cornerstone of blue ocean strategy



Source: **Kim WC., Mauborgne R. (2005):** *Blue ocean strategy*, Cambridge, MA: Harvard Business School Press.

The following are imitation barriers that explain why a blue ocean strategy is not easily imitated by competitors.

- Value innovation does not comply with conventional logic thinking.
- Change is not an easy thing for a company with an original brand image, operation, or culture.
- A natural monopoly will obstruct other players from entering the market.
- Patents or legal rights will stop imitation.
- First-mover advantages, such as cost advantages and network externalities, will discourage imitation.

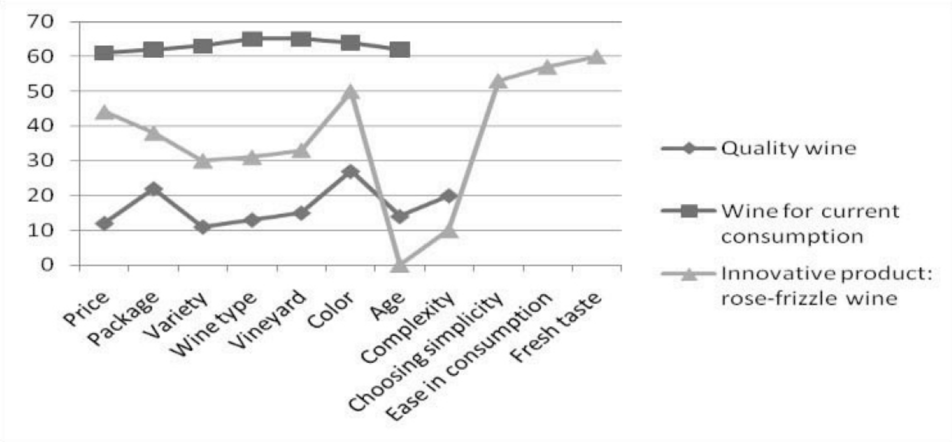
The four-actions framework and strategy canvas

Kim and Mauborgne proposed a four-actions framework to reconstruct buyer value elements in order to craft a new value curve. If there is value innovation, it will easily be found in the new curve and existing curves. There are four key questions that should be asked to challenge an industry’s strategic logic and business model:

- Which factors taken for granted should be eliminated?
- Which factors should be reduced well below the industry’s standard?
- Which factors should be raised well above the industry’s standard?
- Which factors should be created that the industry has never offered?

Based on these questions, we interviewed wine consumers and nonconsumers.Based on the grid in Fig. 2 depicts a strategy canvas for a quality wine, a wine for current consumption and a inovative product: rose-frizzle wine. It reveals that the quality wine and the wine for current consumption have a similar strategy, while the innovative wine has a much different strategy.

Figure 2 Strategy canvas for wine



Analyzing the above figure, diagram Develop - Diminishes - Eliminate - Create, which is the method of implementation of the Blue Ocean Strategy, it notes that you want to enter the market area blue by the following changes: they will try topractice a price lower than that of competitors offering quality wines for thisdecreasing and aging and storing wine costs. Criterion eliminating aging, reduce the need for capital invested in the wine waiting to aging, resulting in faster transformation of the wine produced in the liquid. Also, try using new element introduced to provide an easy product to be consumed at any time and does not assume possession of specific information, so the buying decision should be made easily. The new product will have a fresh taste, refreshing, slightly pungent, like champagne.

Conclusion

The novelty brought by the implementation of the Blue Ocean Strategy is to provide such a young wine and cool foam and fine rose color, the bouquet and taste specific enough acid. Thus, consumer / buyer satisfaction will increase consumer needs, promoting also the idea of novelty and by facilitating the purchase decision process of a wine.

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