The Impact of The Strategic Differentiation upon the Positioning of the Companies on the Market

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Abstract. For a single need of the consumers there are thousands of products available, with the same content and with a different packaging and brand. All these thousands of products are competing to be the no. 1 option of the consumers, battle that relies less upon the increase of the value for the customer and more upon overcoming the competition. The fact that in any economy the competition had and continues to have an important role, by sustaining the technological innovation as well as by trying to establish an affordable price for the customers cannot be denied.

1. Introduction

We must notice that the competition should determine the economical agents to focus upon the consumers, more precisely to satisfy their needs at the highest level. Nowadays the idea of competition is so distorted that the consumer is just a puppet in this competition game in which the companies are guided in their whole activity according to the position of their competition. If we take into account also the disloyal competition practices like the monopoly, the oligopoly, the cartel, etc., the market researches that represent only a hidden manner to analyze the competition and not the preferences and the position of the consumer, the invasion of the privacy by requesting strictly personal information (for example the Personal Identification Number), then the chances of a new company to enter the market will be very few, and the battle between the old players will be even more fierce.

Is there any manner in which a company can stay on the market, making profit, without entering the fierce battle of the competition? These are the questions upon which we based our research and we made the present research paper. Once with the appearance of the famous Orange-Vodafone cartel and with the record sums these companies were fined by the Competition Council, the curiosity for the manner in which the market giants run their market strategies and their real interest towards the needs of the consumers also grew.

Also taking into account the company marketing of Kotler it a new problem needs to be solved: How can you as a company simultaneously satisfy the interests of the consumers and the own interests, in the same time registering profit and keeping the distance from the fierce battle of the competition?
Our researches lead us to the "Blue Ocean Strategy" of W. Chan Kim and Renee Mauborgne. It did not prove to be only a wonderful alternative to the cartel and to the disloyal practices determined by the competition, but also a plausible strategy for any business that stagnates or with a desire to grow.

2. The analysis of the competition environment from the mobile phones market from Romania

Orange is the largest mobile phone operator from Romania, established in 1998 and it activated on the services market until April 2002 under the Dialog brand. The company represents the Romanian branch of the global mobile phone operator Orange SA, mobile communications division of France Telecom. In February 2006 Orange had over 7 million customers, which represents a market share of 56,95%[86]. Orange attracted in the fourth trimester from 2010 over 60.000 new customers. However, the number of users decreased with 500.000 during last year, from 10,9 million at the end of 2009 to 10,46

[86] *www.wikipedia.ro*

million at December 31st 2010[87].

Orange is in a direct competition with Vodafone for the 13,7 million mobile phone users from Romania. Vodafone Romania is the second largest mobile phone operator from Romania according to the number of customers, being launched in April 1997 as the first GSM network from Romania. The two mobile phones corporations drew the attention of the Competition Council starting from 2006, being closely monitored as profit, number of customers, turnover. The information that "the first two mobile phone operators from Romania, Orange and Vodafone have registered together a net profit of about 745 million euro in 2008, and the next three mobile phone operators (Cosmote, Zapp, RCS&RDS) registering net losses" drew even more the attention of the Competition Council. Would this represent a natural evolution of things?

The monitoring of the two mobile phone market leaders continued, the Competition Council trying to analyze the manner in which it acts on the competition market, being suspected of dominant position on the market abuse. The first investigation was made after the complaint filed by NetMaster Communication, a fixed telephony operator at the national level, authorized by ANRC and which benefits from its own numbers, who is present on the Romanian market from 2003. This complaint has as its object the dominant position abuse made by Orange and Vodafone, claiming that the two corporations have blocked some of the phone calls of its customers.

15th of February 2011 represents the day that will enter in the pages of the history of the competition market, designating the decision of the Competition Council to fine the two mobile phone operators, Orange and Vodafone with 63 million Euro for abusing their dominant market position, representing over 3% from the turnover of the operators. Thus we can say that today we have a body that has the role to ensure the balance of the competition game and to fine the ones that break the restrictions imposed upon the competition market. Nevertheless it required 5 years to give a final verdict, time in which the mobile phone competition market was affected by the dirty game of the two operators.

What is the solution for making this process more efficient? Is there any other path that Orange could have followed in order to become only market leader and not the leader of the Competition Council's amounts of fine?

3. Differentiation – the key to success in business

The Blue Ocean Strategy relies mainly upon differentiation and low cost. The cornerstone, as it was named in the bestseller of W. Chan Kim and Renee Mauborgne, is represented by the value innovation, meaning an extra use feature for the buyer, for which he would be willing to pay a higher price, justified by the extra value gained. On the contrary with Porter's theory, according to which you can only perceive a high price with the differentiation of the product by adding an extra feature, with a use only apparently relevant for the consumer, the Blue Ocean Strategy offers a real value, the buyer not being deceived to over evaluate the product to a higher cost. In order to find that extra value we need to analyze the current mobile phone market and discover the areas where there is a potential for development in the future. For this purpose we tried to make a strategic sail in order to identify the trend of the current mobile phone market players and the trend towards which Orange has to go in order to avoid the competition fights (Figure 1).

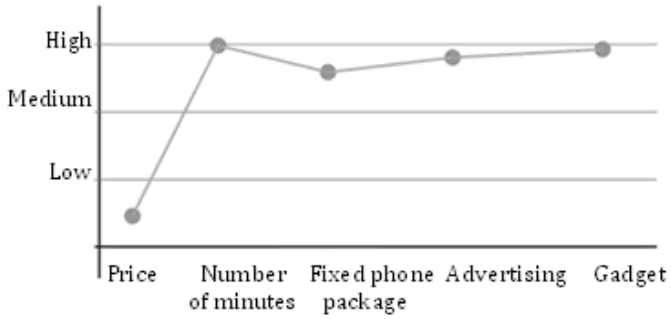


Fig. 1- The strategic sail

As it can be noticed from the above chart, most of the mobile phone operators are competing in offering packages which include also a fixed phone, gadgets and latest generation phones and offering a large number of minutes and text messages within their network at the smallest price, for this investing large sums of money into publicity.

[87] *http://www.evz.ro/detalii/stiri/orange-vodafone-sau-cosmote-care-este-cel-mai-bun-operator-de-telefonie-mobila-din-romania-9225.html*

How could Orange keep the distance away from the competition in the conditions in which this domain is due to its nature one that forces mobile phone operators to come with something new and to adapt continuously? The answer lies at the basis of the blue ocean strategy: by introducing an innovation of value, which must not necessarily be regarded as due to the technological development. It is the case of the examples presented in the second part of the present paper (Cirque du Soleil, yellow tail), these did not appear due to the technological progress, but due to combining innovation with use, price and the level of the overall cost. In order to find the unique association between all these elements it is recommended to draw the elimination-diminishing-development-creation matrix.

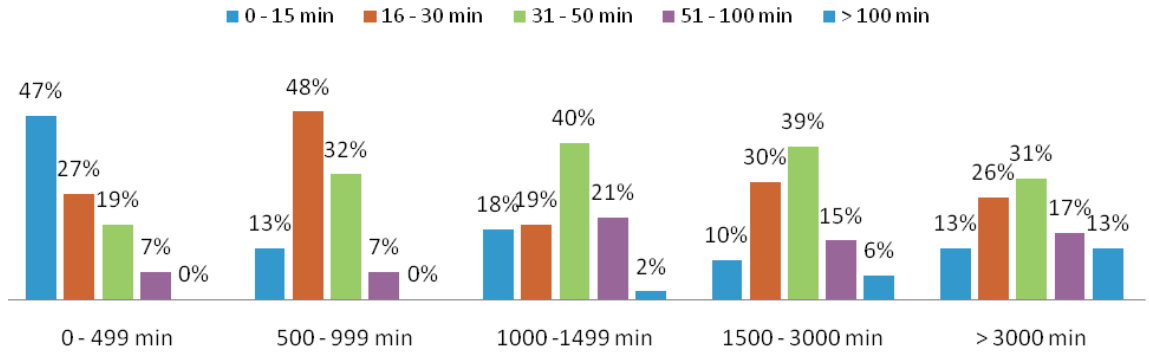
1. Which factors considered for granted in this field should be modified?
2. Which factors should be eliminated or should be diminished well below the standards of the specific branch?
3. Which factors should be developed well above the standards of the specific branch?
4. Which factors that the specific branch never had should be created?

In order to find answers to these questions we used a questionnaire, applied upon 500 respondents. (*See Annex no.1*)

The first question is intended to exclude the factors for which the companies activating on the mobile phone market were competing for so long, factors considered to be for granted, even if in the mind of the consumer these factors do not represent any value. The fixed line phone is an element that represented all along time the idea of telephony and distance communication. Analyzing the current stage of continuous development that mankind faces nowadays, the fixed line phone does not respond to the real need from the communication point of view. The mobile phone embeds the long distance communication necessity flexibly and on the go as well as the quick access in a millennium considered to be the millennium of speed. Due to our research we noticed that at the moment the only manner in which you can access a fixed line telephone is by buying the services packages which include internet, cable TV and fixed phone. This fact emerges from the 91% of the respondents acquired their fixed phone only by acquiring other services. This detail reflects an artificial support of the demand, because, the internet or the cable TV, the elements really requested by the consumers are found only as a must in this package of services. Even more, the use degree of the fixed phone was shown in 55% of the respondents as being useless. Only 1% of the persons that have a fixed phone prefer only to use the fixed phone when they make calls from home. Subsequently, the answer to the first question from the blue ocean strategy would be the elimination of the fixed phone, which is anyway on the verge of extinction, and investing more in order to improve the signal for the mobile phones. Thus the consumers should not search for different options for fixed phone or mobile phone, having in exchange a better quality service.

The second question is planned to highlight the services that were exclusively designed with the desire to catch up the competition. In the case of the mobile phone industry, this element materializes as thousands of minutes and messages offered within the network, which cannot be used entirely. Our research demonstrates that the majority of users talk between 500 and 1500 minutes every month, meaning between 16 and 50 minutes per day, even if their mobile phone options include much more than 1500 minutes per month (Figure 2). Subsequently offering minutes above that interval is not relevant because most users do not talk that much at the phone. Taking into account the fact that there are also individuals that talk more than 100 minutes per day, the Orange offer range cannot exclude this sector of consumers. The blue ocean strategy proposes the creation of a personalized offers service, according to the needs of the consumer, implemented using a partnership marketing that would strengthen the bond between the customer and the company.

How many minutes do the respondents estimate they talk on the phone every day



How many minutes does the phone option of the respondents include

Fig. 2

The third question helps us to discover and eliminate those compromises that the bidders force the buyers to make. Currently the mobile phones are the subject of some controversies regarding the negative effects upon the health of the users. From our research we found out that for over 88.8% of the respondents the mobile phone is very important in their lives or they cannot imagine their life without it. Nevertheless over 60% from the persons that cannot renounce to their mobile phones consider that talking at the phone is bad for their health.

Therefore the factor that must be developed within the blue ocean strategy is the increase of the protection against radiations. Although nowadays there are available such "eco" methods to use a phone (special anti-radiation covers, antennas and hands free that disperse the radiations), no player from the mobile phone market did not take any of this into consideration. Taking into account the increase of the awareness of the population for a healthy lifestyle and the growth on the market of the bio food, bio products, physical exercises and the antipollution legislation, we can easily deduct the fact that right now there is a latent request that is just waiting to be unleashed. Besides the image that it would gain in the vision of the consumers, Orange could reduce the cost of advertising, being helped by the nowadays trend of some organizations and scientists to promote a healthy lifestyle.

The fourth question, related to the first one, are the one that determine in the true sense the actual competition rule to become irrelevant. This is mainly aimed towards the non-consumer sectors. In Romania this sector is represented by kids aged up to 5 years. With an increased criminal activity and the necessity of a more efficient education, parents find themselves in a difficult situation to choose a better school, but far from home, or for a weaker but safer school close to home. The extracurricular activities, recreation camp and creation workshops are making parents think about the safety of their kids, one easy way to get in touch with them being the mobile phone.

In order to find out the opinion of the parents about buying a mobile phone for their kids, at that age, we made up a questionnaire presented in Annex no. 2.

From the total number of respondents none of them bought a mobile phone for their kids, although 92% of the kids are not in the presence of their parents for more than 5 hours, and 84,4% from the parents always feel the need to know what their child is doing. The parents feel the need to know their kids are safe no matter how much time they are not together.

The main issues that stand in the way of buying a mobile phone is the difficulty to use in a proportion of 46%, being followed by the age in a proportion of 38%. Besides these reasons, 64% of the parents consider that owning a mobile phone by their children can be a danger for them, the main causes being the potential thieves, the receiving of indecent messages or images and the presence of radiations.

As the necessity to own a mobile phone by all the children aged up to 5 years is present, attracting this sector of non-consumers means the removal of the causes which were present until now in the way of purchasing a new phone.

The solution is presented in the shape of a teddy-phone (Annex). This is a mobile phone that looks like a teddy bear, is easy to use and has a reduced functionality, for not attracting pocket pickers. Unlike a normal mobile phone, the Teddyfone has the following features:

-it has no screen, so children cannot download or receive ringtones, games or indecent images

-it has only four keys, that can be previously programmed by the parents with the numbers the kids are allowed to call, for example the number of the mother, father, grandparents and a friend

-surveillance feature for the child, activated by the parents, so they could listen what is going on around their child

-an SOS button for emergencies. In the case in which the child feels threatened or in danger, it can press this button, which sends automatically a predesigned message to three predesigned numbers and allows one person to listen to what is going on at the other end

-the optional monitoring service by which the parents can locate the child at the touch of a button

The phone can operate in any network with a prepaid SIM card

The SIM card is not included in the package, so the parent can buy a SIM card in the same phone network in order to save costs. For example, if the parent has a prepaid SIM card or a subscription SIM card, he can buy for the child an Orange SIM card in order to benefit from the free minutes.

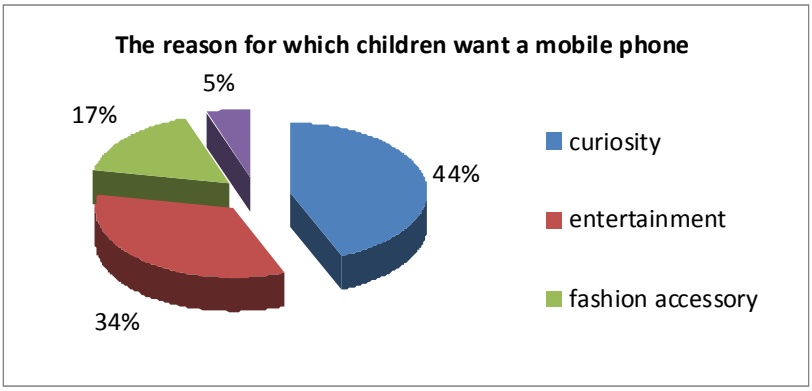


Fig. 3

Due to the fact that the reasons for which children want a mobile phone are mainly curiosity, followed by the entertainment (Figure 3), the Teddyphone will be personalized with characters from the cartoons loved by children.

Conclusions

The present paper wants to represent a starting point in implementing a peaceful strategy in the Romanian economical environment in such a way that this would not remain at the actual theoretical level it is today. The applicability of the previously presented strategy could bring a new approach to the competition. The advantages that this strategy presents have definitely an important role in the development of the economic environment in particular and of the economy in general. This alternative represents a starting point in the activity of the Competition Council as well as for all the other economic agents that would not have to fight in the treacherous waters of the competition. Thus, the presence of the competition from this moment on would represent a race towards innovation and a real satisfaction of the customer's needs. Using such a strategy we can create a strong bond between the customer and the company, a recipe searched for by many economical agents. We want to promote a peaceful world in which the needs of the customer must be placed in the center of all activities. The added value of this paper is created by the actual example of the blue ocean strategy which represents the start of a new platform: the battle for value in order to render competition irrelevant. We want that the slogan of the company Orange: "Together we can do more" to represent from now on the association with the customer and not with the competition. As conclusion, in order to become a winner in the fierce fight of the competition make your adversary an irrelevant element!

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Annex no. 1

CHESTIONAR privind utilizarea serviciilor de telecomunicatii

Bună ziua! Numele meu este Gâdei Cristina/ Dănăila Adriana, sunt studentă a Universității "Dunărea de Jos" – Facultatea de "Economie şi Administrarea Afacerilor", Galați şi efectuez un studiu referitor la importanța şi comporatamentul studenților gălățeni cu privire la utilizarea serviciilor de telecomunicații. În vederea efectuarii studiului, avem rugămintea să dispuneți de amabilitatea de a răspunde la următoarele întrebări.
Sinceritatea răspunsurilor dumneavoastră are o influență majoră asupra reuşitei cercetării. Garantăm că datele dumneavoastră vor fi utilizate doar în scopuri statistice.

1. Sunteți client al serviicilor de telefonie mobilă?*
- ☐ Da
- ☐ Nu

2. De cât timp dețineți un telefon mobil:
- ☐ Mai puțin de 1 an de zile;
- ☐ 1 – 3 ani de zile;
- ☐ 3 – 5 ani de zile;
- ☐ Peste 5 ani de zile;

3. Care este compania de servicii de telefonie mobilă la care sunteți client? Puteți alege mai multe variante de răspuns.
- ☐ Orange
- ☐ Vodafone
- ☐ Cosmote
- ☐ RDS&RCS

4. Indicați gradul de acord/dezacord în legatură cu urmatoarea afirmație: "*Apartenența persoanelor din familie / grupul meu social la un anumit operator de telefonie mobilă m-a determinat să aleg serviciile aceluiaşi operator.*"

Acord total	*Acord*	*Nici acord nici dezacord*	*Dezacord*	*Dezacord total*

5. Ce tip de serviciu de telefonie mobilă utilizați?
- ☐ Cartelă
- ☐ Abonament
- ☐ Ambele

6. Opțiunea pe care o dețineți în momentul de față include:
- ☐ 0-499 minute;
- ☐ 500-999 minute;
- ☐ 1000-1499 minute;
- ☐ 1500 – 3000 minute;
- ☐ Peste 3000 de minute;

7. Câte minute estimați că folosiți pe zi:
- ☐ 0-15 minute / zi
- ☐ 16-30 minute / zi
- ☐ 31-50 minute / zi
- ☐ 51-100 minute / zi
- ☐ Peste 100 minute / zi

8. Cât de important este telefonul mobil în viața dumneavoastră:
- ☐ nu este atât de important
- ☐ îl folosesc destul de rar
- ☐ are un rol important pentru mine
- ☐ foarte important, nu mi-aş imagina viața fără telefonul mobil

9. Indicați gradul de acord/dezacord în legătură cu următoarea afirmație: "*Vorbitul la telefon are un efect nociv asupra sănătații*".

Acord total	*Acord*	*Nici acord nici dezacord*	*Dezacord*	*Dezacord total*

10. Dețineți în momentul de față un telefon fix?
- ☐ DA
- ☐ NU

Dacă răspunsul este NU, treceți la întrebarea nr. 15!

11. De cât timp dețineți telefonul fix?
- ☐ 0-3 ani
- ☐ 3 – 5 ani
- ☐ 5 – 10 ani
- ☐ Peste 10 ani

12. Menționați modalitatea de achiziționare a tel. fix:
- ☐ pachet: telefon, cablu, internet;
- ☐ pachet: telefon, internet
- ☐ pachet: telefon, cablu
- ☐ doar telefon fix
- ☐ Aletele (menționați).....

13.Când efectuați apeluri de acasă, utilizați:
- ☐ telefonul fix şi telefonul mobil
- ☐ doar telefonul mobil
- ☐ doar telefonul fix

14. Indicați pe o scală de la 1 la 5 gradul de utilitate al telefonului fix din perspectiva dumneavoastră:

Foarte util	*Util*	*Nici util nici inutil*	*Inutil*	*Total inutil*

15. Sexul dumneavoastră :
- ☐ Masculin
- ☐ Feminin

16. În ce categorie de vârsta vă incadrati?
- ☐ 18– 30 ani
- ☐ 31– 43 ani
- ☐ 44 – 56 ani
- ☐ peste 56 ani

17. Numele şi prenumele dumneavoastră :

18. Număr de telefon :

Vă mulțumim pentru colaborare!

Annex no. 2

CHESTIONAR privind utilizarea serviciilor de telecomunicatii

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Sinceritatea răspunsurilor dumneavoastră are o influenţă majoră asupra reuşitei cercetării. Garantăm că datele dumneavoastră vor fi utilizate doar în scopuri statistice.

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- ☐ Peste 5 ani de zile;

3. Care este compania de servicii de telefonie mobilă la care sunteţi client? Puteţi alege mai multe variante de răspuns.
- ☐ Orange
- ☐ Vodafone
- ☐ Cosmote
- ☐ RDS&RCS

4. Care este varsta copilului dumneavoastra?
- ☐ 2-4 ani;
- ☐ 4-6 ani;
- ☐ 6-8 ani;
- ☐ Peste 8 ani;

5. In momentul de fata, copilul d-vostra detine un telefon mobil?
- ☐ DA
- ☐ NU

Daca raspunsul este DA treceti la intrebarea urmatoare
Daca raspunsul este NU treceti la intrebarea nr.7

6. Care este motivul pentru care i-ti achizitionat telefon mobil?
- ☐ Pentru ca aveau si ceilalti copiii;
- ☐ Necesitatea de a tine legatura cu el;
- ☐ Cu ocazia zilei de nastere;
- ☐ Alte motive (mentionati).....

7. Care este motivul pentru care nu i-ati achizionat inca un telefon mobil?
- Situatia financiara;
- Nu ii vad utilitatea;
- Din cauza varstei;
- Altele (mentionati).....

8. De ce credeti ca isi doresc copiii un telefon mobil?
- ☐ Curiozitate;
- ☐ Divertisment;
- ☐ Accesoriu la moda;
- ☐ Mentinerea legaturii cu familie/colegi;
- ☐ Altele (mentionati).....

9. In prezent, copilul dumneavoastra este implicat in activitati extrascolare? (dans, karate, cursuri de pian, tabere de creatie etc.)
- ☐ DA
- ☐ NU

10. Care este perioada pe care copilul o petrece departe de dumneavoastra?
- ☐ 3- 4 ore;
- ☐ 5 -6 ore;
- ☐ 7 – 8 ore ;
- ☐ Peste 8 ore;

11. Care este modalitatea prin care tineti legatura cu copilul dumneavoastra, cand sunteti departe unul de celalalt:
- ☐ Prin intermediul educatoarei/invatatoarei
- ☐ prin intermediul telefonului mobil;
- ☐ nu tin legatura cu el cand este plecat;
- ☐ Altele (mentionati).....

12. Cat de des simtiti nevoia sa stiti ce face si unde este copilul dumneavoastra?
- ☐ Mereu
- ☐ Destul de des
- ☐ Din cand in cand
- ☐ Rar
- ☐ Deloc

13. Indicati gradul de accord/dezacord in legatura cu afirmatia urmatoare: "*Telefonul mobil reprezinta o necesitate pentru copilul meu*":

Acord total	*Acord*	*Nici acord nici dezacord*	*Dezacord*	*Dezacord total*

14. Credeti ca detinerea unui telefon mobil poate reprezenta un pericol pentru copilul d-voastra? Daca DA De ce? (*Scrieti pe verso*). ☐ **DA** ☐ **NU**

15. Sexul dumneavoastră : ☐ **F** ☐ **M**

16. În ce categorie de vârsta vă incadrati?
- ☐ 18– 30 ani
- ☐ 31– 43 ani
- ☐ 44 – 56 ani
- ☐ peste 56 ani

17. Numele şi prenumele dumneavoastră :

18. Număr de telefon :

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