

# SHARKONOMICS

## HOW TO ATTACK MARKET LEADERS

**“A stimulating read!”**

– Prof. Philip Kotler

**STEFAN ENGESETH**



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## FOREWORD

I first met Stefan Engeseth here in South Africa on a boat trip to study the behaviour of sharks. Stefan asked me why Nature had designed the Great White Shark so beautifully. My answer was simply that Nature's purpose was not only to design a beautiful creature; its main purpose was to design it for attacking its prey and defending itself.

When attacking seals, the Great White Shark can't fool around. Sharks hunt in an environment where their prey is almost as wily and fast as they are. Failure to catch and kill prey will mean the shark grows weaker and allows the competition to grow stronger. Compared to the world of business, Nature is arguably more competitive. In its battle for survival, sharks have discovered creative and strategic ways to rise to the top of their food chain. Their skills and strategies are the result of 420 millions years of evolution. After being around for such a long time, sharks know what it takes to be a successful and efficient predator.

Sharks and Nature are my passion. But I am also a keen follower of marketing and business. I share Stefan's view that there are strong connections between how sharks and corporations develop their strategies. *Sharkonomics* reveals how businesses can be improved and strengthened by learning from one of Nature's

# PREFACE

supreme predators. But in general, when you are with Nature, you learn so many lessons and realize how tough it is to survive in the wild. Businesses can't fail to learn something valuable from *Sharkonomics* and Nature.

**Chris Fallows**  
*South Africa*

*Chris Fallows is one of the world's leading experts in Great White Shark behaviour. His work is regularly featured on Discovery Channel, BBC, National Geographic and Animal Planet. He is the author of Great White and the Majesty of Sharks. For further information go to: [www.apexpredators.com](http://www.apexpredators.com).*

As a young kid back in 1975 I saw the movie *Jaws* and got scared just like everyone else. Back then fear made us believe that sharks were dangerous killing beasts. In a naive prank me and some friends built a fake dorsal fin that looked just like the fin on the back of a Great White Shark. We mounted it on my back and swam just off a crowded beach. It was a success. People were screaming and scrambling out of the water – but it didn't take long before they began chasing us!

Back then I thought nothing of it, but for that moment I had the pleasure of thinking and acting like a shark. During the last few years I have gone back to that feeling. Thinking like a shark has improved my business and helped me discover how to attack market leaders.

Steven Spielberg, the director of *Jaws*, is more famous. But Dr Leonard Compagno, who worked as the shark adviser to the movie *Jaws* and is not as famous, has published nearly 1,000 articles and several books on sharks. To track down this legendary shark expert is a bigger accomplishment than going on vacation with Steven Spielberg. To create a movie or a book in which sharks play the lead role is, however, no vacation – it is a journey that demands knowledge and input from experts such as Chris

Fallows and Michael Rutzen. Moreover, George Burgess, Director of the Florida Program for Shark Research at the University of Florida, inspired my journey with suggestions for books to read.

My knowledge cannot be compared to the knowledge of the biologists and shark experts I have been “stalking”, but certainly my fascination and respect for sharks is far greater now than back in the 1970s when I was that kid with a sense of humour.

### **How to attack the market leaders**

For many years market leaders hired me to attack their businesses in order to be ahead of potential competitors. On each occasion I asked the CEOs if they had any restrictions for how I could attack them and they always said “No!”. They felt self-confident and prepared for my attack. When I started executing the attack in the workshop, the CEO usually started panicking after five minutes, standing up and calling out “Stop!” and claiming they did not hire me to attack from there but instead from another position. Sharks will attack when the risk for getting injured is small; if they injure themselves they will eventually become shark food. Sharks eat sharks, especially if there is not enough food to go around. Like a shark, I often attack from what I call the *blind spot*: it is easy and it tastes good. The shark’s way of doing market

research is quick and simple. Take a bite and if it tastes good the shark will continue its predatory behaviour. By that time it will often be too late for the market leaders to find protection. Most markets leaders are not willing to adapt to competition. Instead they will use their resources to get their lobbyists in Washington and Brussels to influence or help create laws that will turn *Jaws* into a vegetarian and stop the evil killing machine from rocking the boat named *Business as Usual*.

After *Jaws* came out millions of people suddenly preferred *not* to swim in the oceans<sup>1</sup> and instead swimming pool sales went up like never before. In their book *Freakonomics* Steven Levitt and Stephen Dubner explored such information connections. My ambition is not to change swimming habits but to connect the nature of sharks with business, which I call *Sharkonomics*.

### **It’s not just about attack**

In all my research about sharks, I noticed that about 90% of the information related to mankind’s fear of sharks and their attacking abilities. However, even sharks recognize their own vulnerability and do not ignore the defence side. The same should be said for businesses, whether you are a market leader or a predator going after the former.

# INTRODUCTION

Therefore it made sense for me to develop a defence part in this book. It is also important to state that *Sharkonomics* is inspired by nature, but my intention is not to spread fear in any form except in boardrooms!

**Stefan Engeseth**

*Author, consultant, speaker and  
CEO at DetectiveMarketing.com™*

## **Ever heard of a business author swimming with sharks?**

In the name of research I challenged myself to jump into shark water – even if it was red and filled with terror. In the process of writing this book I took a scuba-diving certificate in order to go deeper with my research – sharks don't sit in boardrooms. To interview Mother Nature I had to “swim the talk”. It should be noted that my publisher neither demanded nor recommended that I swim with sharks, especially not with the Great White. They were sincerely worried, but it might also have had something to do with the advance payment I got in book royalties. We have a lot to learn from sharks which are such fantastic creatures. I only hope they don't have a particular appetite for business authors. My intention was to learn from these highly evolved animals which play an important role in our ecosystem. Since sharks learn by stalking, I was going to learn from divers and shark experts.

## **Why *Sharkonomics*?**

The Great White Shark became famous in 1975 with the release of the movie *Jaws*, but the movie's original story<sup>2</sup> goes back to 1916. Its scientific name is *Carcharodon carcharia*, but the Great White Shark was originally first named *Squalus carcharias* by the Swedish naturalist Carl Linnaeus (1707–78). Being similarly Swedish, I have come up with the term *Sharkonomics* for the business world.

The evolution of mankind is not as impressive as we think. Evolutionary scientists have pointed out how slow our evolution development has been. (I would also like to add that we have not been around for as long as sharks.) One of these evolutionary scientists, Steven Pinker, suggested that to speed up mankind's evolution we need to add technology into our bodies or pair up with another species. When I tested this idea in my lectures most people believed in the technology part but few felt comfortable with the idea of combining mankind with another species. This book is a combination of adding knowledge from another species and using technology to speed up mankind's evolution.

**We have far more to learn from nature, than nature has to learn from us.**

Nature is much smarter than the likes of Stanford, Harvard, MIT, McKinsey, Boston Consulting Group, Bain, IBM, Apple and all of the other *Fortune* 500 companies. In nature, sharks have to move to survive. But in business most market leaders do not, because they are stuck in history – and eventually become shark food. Sharks don't perform by producing endless Power Points; they bite into market share. *Sharkonomics* will reveal how the logos of market leaders will have more bites taken out of them than a seal after a shark picnic.

This book is inspired by Mother Nature's sharks which have been around for more than 420 million years and completed numerous strategic moves. It will prepare you to jump into the water and attack the market.

Economic competition is increasing rapidly and reduced resources will increase that further. Economist Joseph Schumpeter (1883–1950) came up with the term “creative destruction” to demonstrate why companies need to innovate constantly in order to survive. In my opinion Schumpeter was converting the saying “eat or be eaten” into economic terms. *Sharkonomics* is a further enhancement of this: “read this book and take a bite”.

**“We will never really understand important economic events unless we confront the fact that their causes are largely mental in nature”**

– George Akerlof and Robert Shiller,  
*Animal Spirits.*

### **Taking a bite out of Apple**

Apple shocked the mobile-phone market by introducing its iPhone. It was a classic wake-up call which saw Apple take big bites out of market leaders such as Nokia, Samsung and Sony Ericsson. The latter survived the attack, but it cost the company

billions. When Apple moved into new territories with the iPad, it reported sales of millions. That is great, even by Steve Job's standard. But reporting the success of Apple is like pouring blood into an ocean, which attracts hungry competitors. It won't be long before the likes of Google will strike back with their own version of the *iPad killer*. Competitors act like sharks; they have a good sense for business and it will not take them long before they also enter the new market. Now the question is: How fast can Steve Jobs' successor swim before the sharks (competitors) catch up with Apple's advantage? A brand such as Apple can afford to take a bite in different business fields to see how it tastes: the iPod tasted good, the iPhone tasted even better, and the iPad made for a nice dessert. The music industry should have seen Apple circling around it years ahead of its attack. But where and what will the iShark attack next time? What will be Apple's next attack? With the iPad, Apple will continue its attack on the publishing business (books, newspapers, etc). But isn't it time someone attacked mighty Apple, for even sharks can be attacked? Apple is the kind of company that many people admire because they are outstanding in many ways, but the simple truth is that it is only good because the competition stinks. *Sharkonomics* will reveal where and how to attack companies such as Apple through some of the enormous blind spots they are unaware of and through mistakes in their defence strategies.

### **Do you dare not to read *Sharkonomics*?**

Often you don't see a shark attack coming until it is too late. Don't let the competition strike and gain the edge.

Each attack will reduce the chances of survival for market leaders. The ambition of this book is not only to show how you can attack but also how you can defend yourself from upcoming attacks from competitors. You will learn how to use the fear of attack to inspire change by getting employees to swim faster to new territories.

Market leaders think their strength and size make a strong defence that can withstand attacks from competitors. But this is a false feeling of safety. Strength is only another form of weakness. Strength makes the blind spot bigger. When a shark attacks a big and strong prey, it simply takes a bite and lets its prey bleed until it becomes weak. Then the shark moves in for the final kill, which is often delivered with precision (on the core business).

In nature it is important to maintain a balance in the relationship between predator and prey. The prey which fails to adapt its defence system to the defence system of the predator will risk its market leader position. The predator which fails to adapt to new defences will suffer and lose a good meal of raw market share. It is

called the “arms race between predator and prey”. The attack and defence part of this book will inspire some major evolutionary changes in the nature of business.

### **The biomimicry lessons to learn**

Nature is the biggest library of knowledge in existence. It has been around much longer than mankind and it will be there long after us unless we adapt. The biomimicry<sup>3</sup> field looks to nature for inspiration in order to solve known problems.

In issues such as gender equality sharks are way ahead of business. Amongst Great White Sharks the strongest and most aggressive gender is female. In some cases when male sharks don't show them the right respect, the females simply take a bite of their dorsal fins.

Business can learn many lessons from biomimicry,<sup>4</sup> even if I think many of the books are difficult to digest (but on the other hand sharks are famous for being able to digest almost everything).

**Corporations have to accept their mortality in order to survive; everyone in the market is in shark territory. Being in denial will be costly, no matter what business field you are in.**

### **Biting into the corporate culture**

Great White Sharks don't survive in captivity. The same goes for super talented entrepreneurs in big corporations. There are of course exceptions, but most of the time its only buzzwords used to attract talent in classifieds. I guess you wouldn't see a classified like this:

**“Like the deadly jet fighter,  
the White Shark is graceful and  
powerful, sexy and frightening”**

*– Richard Ellis, Great White Shark.*

Just like Great White Sharks are born to be wild, super talented entrepreneurs do not survive in the corporate culture of today's market leaders. To manage raw talent, market leaders need to update their corporate DNA so that they can be *one* with the environment surrounding their business.

**“Behaviour speaks much louder than words” – Peter Drucker.**

If the corporate DNA of market leaders is compatible with the nature of raw talent then this raw talent will help them to stay on the cutting edge of their sector. To achieve this, today's market leaders need to embrace a corporate culture that is graceful and powerful.

**It is time to take a swim on the wild side of business.**

### **Market leaders are reforming**

Market leaders are reforming and regrouping as a result of the current economic crisis and market conditions. We are already seeing some unusual combinations taking place – for example, Microsoft is supplying software to Nokia mobiles. It may not be long before we see Apple and Google working together. None of the market leaders can survive on their own. Predator companies should recognize that market leaders are reforming and are working together to protect themselves and their market share.

However, one thing is for sure: none of the above market leaders have enough understanding of consumer power to avoid being attacked by a predator whose moves are based on the currencies that consumer power offers it.

### **Why *Sharkonomics* is not for everyone**

Experts say that our fear of sharks is based on our fear of being eaten alive. Since the purpose of this book is to eat market leaders, alive in raw flesh and blood, it may trigger the same panic button. I do respect and understand that this book may be provocative for victims of shark attacks. Therefore, I strongly do not recommend

sensitive people suffering from shark-phobic tendencies to read this book or indeed visit [www.sharkonomics.com](http://www.sharkonomics.com).

Nature may seem brutal, but it is not personal, rather it is functional. Predators are just doing what nature has designed them to do – hunt and eat prey. This book aims to make it as natural for business to do the same – hunt and eat prey. Sharks may appear brutal when preying on their food, but their brutality is nothing compared to that of mankind. Mankind is practically feeding on and slowly killing Planet Earth, including killing sharks in a volume that can be classified as nothing less than a criminal act against Mother Nature.

### **A “clean cut” ain’t personal.**

Sharks attack with a “clean cut” and at first it doesn’t hurt because it is so sharp and unexpected. In my opinion it is not personal, it is just business. I have improved my business a lot by learning from sharks. I have learned how to focus my business on what’s nutritious for my profit and what’s not. I have learned more about social structures and relations and how they function through studying sharks. However, a problem arises when I am swimming at my local swimming club. It appears I often bump into people in the pool. Of course, I have no intention of attacking my fellow swimmers but unconsciously these great sharks that I have been

studying for a long time may have influenced me in some way. *Sharkonomics* will take a “clean cut” deep into the flesh of market leaders in order to take market share and move business forward into new directions. This book is not filled with fluffy buzzwords; its main purpose is to rock the boat (or sink it).

**Once again sharks will move out of the shadows, this time into the wild territories of the business world.**

You don't like the sound of this? Read another book with beautiful diagrams and which doesn't contain deadly jaws. Please note: readers of *Sharkonomics* will embrace their feeding instinct and move around the market in search of prey to attack.

If you don't like the attack dimension in this book it could be a good idea to at least read the defence part so that you avoid becoming a victim of *Sharkonomics* readers who will do what the nature of this book has intended them to do.

**Nothing perfect is perfect.**

