

A Study on Blue Ocean Strategy

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Abstract - Blue ocean strategy is a business strategy for saturating markets. It is a strategy for overcoming competition in a unique way. Imagine starting over? From scratch? Creating your own universe? Picking an environment and mould it as per your whims? Well, it may or may not be possible in case of life, relationships, or the world we live in but it is certainly possible to do all of the aforementioned, seemingly crazy things, to a market. Yes, a market. Even in this day and age where commerce and industry have pervaded every sector of human existence, discovering uncharted demographic demand groups and mapping commercial offerings to fulfill those demands still offers huge scope. This is where the blue ocean strategy comes into play. This paper focuses on

Keywords : Blue Ocean, Strategy, value innovation

I. INTRODUCTION

Ten years ago, INSEAD Professors W. Chan Kim and Renée Mauborgne brought to the world Blue Ocean Strategy (BOS) based on their decade-long research on key strategic moves spanning more than 100 years and 30 industries. In their book Chan and Renée challenged the tenets of competitive strategy, the then dominant school of strategy and called for a shift of focus from competition to creating new market space that would make the competition irrelevant. Coming with proven analytical frameworks and tools for creating and capturing blue oceans, the blue ocean strategic approach introduced a 'bold new path to winning the future' and made a paradigm shift in the field of strategy and practice.

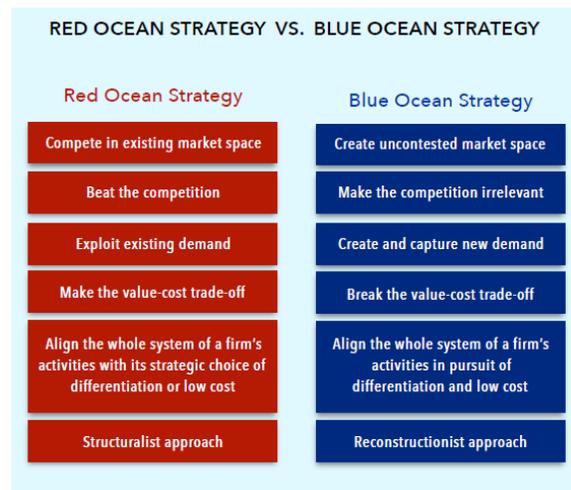
'Competition should not occupy the centre of strategic thinking' this is a central tenet of Blue Ocean Strategy.

Chan and Renée's research shows that too many companies let competition drive their strategies. What Blue Ocean Strategy brings to life, however, is that this focus on the competition all too often keeps companies anchored in the red ocean. It puts the competition, not the customer, at the core of strategy. Blue Ocean Strategy is both a call-to-action and a guide-to-action. Its call to action has been taken up by businesses, by governments, and by individuals all over the world. The frameworks, tools and process of Blue Ocean Strategy have provided a roadmap on how to systematically escape a red ocean of bloody competition and

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discover a blue ocean of uncontested market space characterised by new demand and strong profitable growth.



Blue Ocean Strategy V/S conventional competitive strategy in terms of analytical perspectives and practical implications:-

In a nutshell, Blue Ocean Strategy proposes that strategy can shape industry structure, whereas competitive strategy sees strategy as choosing the right position under given structural constraints.

The field of strategy has been long dominated by a structuralism view; in other words, the idea that the industry's structure is fixed. Strategy, as commonly practiced, tees off with industry analysis and is conventionally about matching a company's strengths and weaknesses to the opportunities and threats present in the existing industry. Here, strategy becomes a zero-sum game where one company's gain is another company's loss, as firms are bound by existing market space.

Blue Ocean Strategy, by contrast, shows how strategy can create *new* market space. This model is based on a Reconstructionist view of strategy. As industry history shows, new market spaces are created every day and are fluid with imagination. Buyers prove this point as they trade across alternative industries, refusing to see or be constrained by the cognitive boundaries that industries impose upon themselves. And firms prove that as they invent and reinvent industries, collapsing, altering, and going beyond existing

market boundaries to create all new demand. In this way, strategy moves from a zero-sum to a non-zero sum game. Even an unattractive industry can be made attractive by companies' conscious efforts.

II. IMPACT OF SOCIAL MEDIA ON BLUE OCEAN STRATEGY:-

It's hard to believe that just a decade ago organisations still controlled the majority of information disseminated to the public about their products and services. Today that's history. The surge in social media—including networking sites, blogs, microblogs, video-sharing services, and user-driven content and ratings that are seen as more credible than corporate marketing messages—has shifted power from organisations to individuals. Companies can no longer hide or over-market their me-too offering when virtually everyone has a global megaphone. This has forced companies to rely more on creating blue oceans than on leveraging marketing and sales techniques. To thrive in this marketplace, your offering needs to stand out as never before. That's what gets people tweeting your praises, not your faults, and giving five-star ratings; clicking the thumbs-up, not the thumbs down; listing your offering as favourites on social media sites; and even being inspired to blog positively about your offering.

The Strategy in Detail

The book divides the collective global business arena into two distinct market spaces – the red ocean and the blue ocean. The red ocean includes all existing industries and much tapped and actively catered market spaces those industries occupy. The playing field of demand and demography, market dynamics, rules of competition, industry boundaries, etc., are clearly established, accepted, and understood. In the red oceans, the industrial and market players play by these rules in a bid to grab greater shares of this predefined arena by outwitting and outperforming competitors. The overall demand pie is finite and each player can only hope to gain a larger slice of this pie. Any new entrant in this red ocean contributes to the crowd of the existing players and as new entrants increase, the slices of the pie keep getting smaller for everyone. Profits and growth opportunities diminish for everyone every time a new player joins the game. This means, a significant portion of every player's revenues and profits are spent after strategies to keep the competition at bay.

The blue ocean, on the other hand, includes the potential industries that do not exist at present and all the untapped market spaces and demand demographics that will take shape as and when such potential industries take shape. Therefore, any demand that is captured in such a market space is created from scratch. This ensures ample opportunities for the initial set of players in the new industry to grow and earn profits. Blue oceans can be brought into existence in two primary ways. A completely new, unheard of industry can be built up

from scratch or a distinct industry can be created from within the red ocean by manipulating the functioning boundaries of an existing industry therein. While the former technique is easier to fathom, one might wonder how the latter may be possible. A prominent case in point to illustrate the latter is eBay and how it kick-started the online auction industry.

Value Innovation

The core concept of the blue ocean strategy is founded on the idea of value innovation. This can be achieved through a combination of product utility differentiation and low cost of production and operations. This ultimately translates into creation of value for the company, its customers, employees, and stakeholders. An important aspect of value innovation that enables value creation cost reduction is streamlining products and services to eliminate 'frills' – the unnecessary, non-utility features of products and services that are made available in the market. A prominent case in point of the value innovation strategy discussed above is the Tata Nano car. A differentiated four-wheeler which is an all-utility-no-frills product that comes at a very attractive price – Tata Motors created a blue ocean from within a red ocean and how!

The blue ocean strategy comes with a distinct set of tools, ideas, and framework that facilitate the creation of blue ocean industries and market spaces

Six Principles of Blue Ocean Strategy



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Pursuing Blue Ocean Strategy:-

If a company's sole business is flailing in a red ocean and has no promise for profit and growth, it is time to look for the blue ocean. But companies with a diverse portfolio of businesses, such as General Electric, Johnson & Johnson, or Procter & Gamble, will always need to navigate both red and blue oceans.

The key is to maintain a healthy balance between the profit of today and the growth of tomorrow. Consider Apple, which has maintained strong profitable growth over decades by successfully balancing its pioneers, migrators, and settlers. As Macintosh products sank into the red ocean, Apple launched the value - innovative iMac, the colourful, Internet-friendly desktop computer that transformed the company's

Macintosh division into a high migrator. Apple quickly followed with the iPod, which created an uncontested blue ocean within the digital music market. And when the iPod inevitably sank toward migrator status, Apple launched its next blue ocean, the iPhone.

The key points of BOS are-

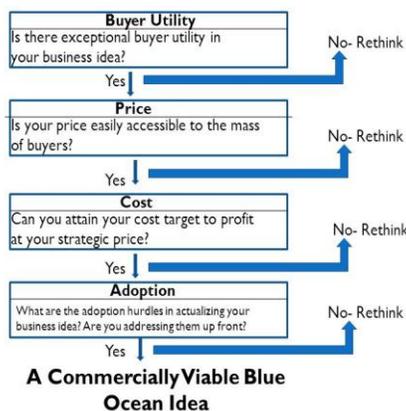
- Make the competition irrelevant
- Innovate and develop new demand
- Render the competition irrelevant
- Break the value cost trade off
- Move the company such that it excels in low cost and differentiation both rather than excelling in only one of these.

There are basically 6 routes to explore to develop new markets and new demand over the existing ones-

- Industry
- Strategic group
- Scope of product or service offering
- Functional/emotional offering
- Industry orientation
- Timing

Thus BOS is all about minimizing risks due to competition threat and maximizing opportunities by exploring new boundaries. However, formulating and executing BOS have their own principles.

Sequence of Blue Ocean Strategy



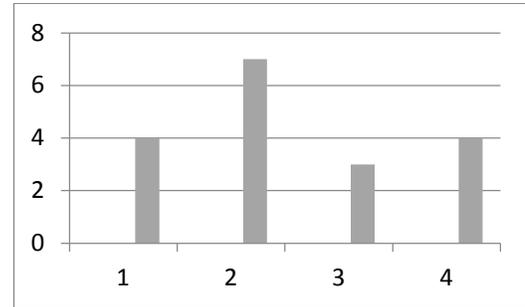
Findings:-

**TABLE NO.1:-
UNDERSTANDING FROM BLUE OCEAN STRATEGY**

S No.	Variables	Respondents
1	Create uncontested markets	12
2	Make the competition irrelevant	4
3	Create and capture new demand	2

4	Break the value -cost trade-off	4
	Total	20

FIGURE NO.1:-

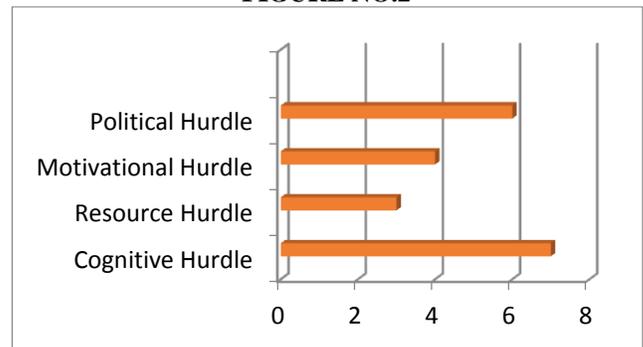


INTERPRETATION:-Out of the 20 respondents surveyed 12 respondents meant Blue Ocean Strategy as create uncontested market whereas the least 2 respondent agreed on create and capture demand.

**TABLE NO.2
BENEFITS OF BLUE OCEAN STRATEGY**

S No.	Variables	Respondents
1	Simpler	4
2	Faster	7
3	Free	3
4	More versatile	4
5	More visual and logical	2

FIGURE NO.2



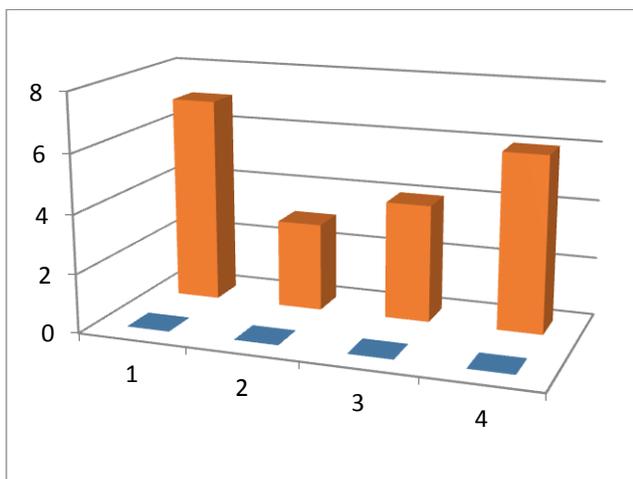
INTERPRETATION:-Out of the 20 respondents surveyed 7 respondents its of agreed on benefits of Blue Ocean Strategy as faster whereas the least 2 respondent agreed on more visual and logic.

**TABLE NO.3
OVERCOME KEY ORGANISATIONAL HURDLES**

S No.	Variables	Respondents
1	Cognitive Hurdle (Status Quo)	7
2	Resource Hurdle	3
3	Motivational Hurdle	4
4	Political Hurdle	6

Total	20
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FIGURE NO.3



INTERPRETATION:- Out of the 20 respondents surveyed 17 respondents agreed on overcoming key organisational issues of Blue Ocean Strategy cognitive Hurdles whereas the least 3 respondent agreed on Resource Hurdle.

III. CONCLUSION

Creating a Blue Ocean market environment basically drills down to delivering value innovation. There is plenty of evidence in other industries that this works, and more and more new companies are exploring this strategy to avoid doing business in a highly competitive Red Ocean market environment. Value innovation must be understood in the broadest sense. It requires you to think creatively beyond the scope of product alone, and it is therefore a fantastic opportunity for pharma marketers to create stakeholder value by developing other than drug-specific value drivers to the whole spectrum of stakeholders with service components and non-drug specific product features.

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