

# BLUE OCEAN STRATEGY - BIG VISION SMALL STEPS

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## Abstract

*Neither the industries nor the companies are doing all smart things. In fact every industry or company must be definitely having a tumbling road. To improve the quality of success, every firm needs to understand what it did that has made a positive difference, so that it can be replicated. Making smart strategic moves create blue oceans. There is a constant need for businesses to stay ahead in this era of risk and instability as globalization, technological developments and greater transparency have forced organizations to create, innovate and improvise. Innovation keeps the momentum going and companies have to continuously work in Blue Ocean carving a niche in value innovation. This study focuses on Kim and Mauborgne "Four Action Framework" tool of Blue Ocean Strategy implemented by Indian Companies in the last two decades by maximizing opportunities, minimizing risks, lowering the price and adding more value thereby carving a niche in the market.*

## Keywords:

*Strategy, Strategic Changes, Blue Ocean Strategy, Value Innovation, Four Action Framework*

## 1. INTRODUCTION

The only way to discover the limits of the possible is to go beyond them into the impossible. Ideas are useless unless used. Necessity is the mother of invention. There are no old roads to new directions. Innovation is anything, but business as usual. The best way to predict the future is to invent it. Throughout history, people with new ideas, who think differently and try to change things, have always been called troublemakers. The biggest risk is not taking any risk. In a world that is changing quickly, success doesn't come from breakthrough innovation but from flawless execution. A great strategy alone won't win a game or a battle; the win comes from the satisfied customers.

### 1.1 STRATEGY

Strategy is a high level plan to achieve one or more goals under conditions of uncertainty. Using a strategy, managers conduct various activities to attract customers and compete successfully for market position of his company [2] [18]. Strategy has been the subject of intense debate in recent years [1]. Researches on Strategy provides a framework to help, support and guide managers to make a strategy for their companies. Strategic knowledge is proposed to be actionable knowledge [3]. A large number of strategy tools and methodologies have been developed by researchers over the years, to assist managers to carry out formal strategic planning for their companies: PEST analysis, Porter's five forces analysis, SWOT analysis, etc. Using specific strategic planning methods and models independently result in different strategic consequences and decisions [5].

## 1.2 STRATEGIC CHANGE

### 1.2.1 Age of Discontinuity by Peter Drucker [11]:

Peter Drucker [11] suggested that the rapid change, with which the Industries were going on, restricted them to follow the model of business.

According to him, there were 4 reasons for discontinuity- Knowledge capital, new technologies, cultural pluralism and Globalization. The changes of business made these models ineffective. He instead proposed that strategies adopted by firms should be based on the drivers which bring change in businesses.

## 1.3 STRATEGIC VARIATIONS

Firms in order to compete, survive, expand adopt Strategic Variations in the day to day functioning, as also in their long term goals.

Two main possible variations can be Internal and External Variations. Internal Expansion can pertain to market-product realignment. This can be done by applying 3 U's of the product namely Use, User and Usage. To increase market share and modify the market in the Maturity stage it becomes almost necessary for a leading firm to do so.

External expansion, the other alternative with the company pertains to Liquidation. Mergers have become increasingly popular, followed by consolidations, where the companies concerned lose their previous identity and a new name is given.

## 1.4 STRATEGIC CHOICE

Strategic Choice is the decision of selecting the best alternative strategy which will suit the firm's objectives. Strategic Choice processes can be Incremental Approach, Gap Analysis, ETOP-SAP Matching etc. Apart from the Strategic Choice, a number of techniques have been developed to aid managers to make strategic choices. A manager after intense evaluation chooses from among the alternatives which include, The Business Portfolio, Hofer's Product valuation Portfolio Matrix.

## 2. CONTESTED RED OCEAN VERSUS UNCONTESTED BLUE OCEAN

### 2.1 RED OCEAN STRATEGY

Companies in this era are intensely competing with each other for Survival, Growth and Market Share to increase their profitability. Innumerable new strategies are being evolved by many to outperform in competition. Few of these marketing strategies become successful, but many of them fail, leaving the company in doldrums. Such competition may a times leads to many face saving activities or compel the firms to adopt, unethical

practices, like hiring the competitors' employee at any cost, firing the present employees' without much rhyme or reason. Such practices in the long run, reduce the profitability and standing of the company. Red Ocean Strategy pertains to such a theory, where the Ocean consisting of firms become Bloody Red due to competition.

## 2.2 BLUE OCEAN STRATEGY

Smartly enough a few companies have shown their backs to this kind of crowd of competition. They have chosen their own path of operation. They have targeted unexplored markets or even have managed to take a cherry from the cake by avoiding others who eventually found themselves deep down in the gut of competition. They have not created Niche markets for themselves, but have served the unexplored demands of the people. This strategy of theirs helps them in marking their presence and increase profitability due to lack of competition. This strategy is appropriately known as Blue Ocean strategy, which signifies the lack of Bloody Competition, Pure Blue Deep still water in the Ocean. The present paper concentrates on the application of this strategy applied by companies of India, some of them tying up with their foreign collaborators.

### 2.2.1 Blue Ocean Strategy Focuses Upon:

**Value Innovation:** Value can be created by firms having a sound backup of Technology, but the main stress here is about creating this value at an affordable cost. Since Blue Ocean thrives not on higher price, it becomes important for firms to innovate at an affordable price since the cluster of customers is to be taken from the existing segment. This is where it is different from creating Niche markets.

Table.1. Conventional Vs Blue Ocean Thinking: The Competitive Advantages (Source: Harvard Business Review [4])

	<b>Conventional Thinking</b>	<b>Blue Ocean Thinking</b>
Industry	Industry conditions are given-compete in existing market place	Industry conditions can be shaped-create uncontested market space
Strategy	Companies must build competitive advantages to beat competition	Make competition irrelevant
Market	Exploit existing demand	Create and capture new demand
Resources	Make the value-cost trade- off	Break the value-cost trade- off
Organization	Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation or low cost
Offerings	Maximizing the offerings value within industry boundaries	Offering buyers the total solution that transcends the total industry

The Blue Ocean strategy Framework has evolved from Value Innovation and is highly innovative in challenging the conventional business strategies to give a head-on to the competitors.

**Differentiation:** This strategy further talks about differentiation. Rightly, the product or service to be offered by the seller has to be different, in a way, that the demand already existed but was a Latent demand. As soon as it was delivered to the customer, it was accepted with open arms.

Not a new theory that as the demand for the product/service increases, it brings in economies of scale, which further gives the firm to either increase its profits or helps in sharing the profits with the customers to increase market share.

### 2.2.2 Three Tiers of Non-Customers:

- Three Tiers of non-customers can be transformed into customers.
- They differ in their relative distance from a company's market.
- The first tier of customers buys a company's product out of necessity.
- The second tier of non customers refuse to us company's product.
- The third tier is non customers who have never thought of the company's product.

### 2.2.3 The Four Action Framework:

A wide-ranging set of analytic tools and frameworks is developed by Kim and Mauborgne [4] which can be used by any business to create new market spaces leading to blue oceans of uncontested market space in an opportunity-maximizing, risk-minimizing way making the competition irrelevant. Value Innovation, Visualizing Strategy, Strategy Canvas, Four Actions Framework, ERRC Grid, Six Paths Framework, are some of these tools.

The Four Action Framework has a grid having four factors: Eliminate Reduce, Raise and Create. This answers four questions regarding the factors that the industry takes for granted needs to be eliminated; the factors that should be reduced below industry standards; factors that the industry has never offered should be created and the factors which have to be raised above the industry standards.

## 2.3 RATIONALE OF STUDY

In Head-To-Head competition, Businesses generally focuses on rivals, its competitive position within strategic group, trying to serve the buyer better by maximizing the value of products and or services offered. It also tries to improve price performance within the functional-emotional orientation of its industry and at the same time adapting to external trends as they occur [12]. A Blue Ocean creation helps an industry look across alternative industries and strategic groups within these industries. It redefines the industry buyer group in terms of complementary and other services that can be offered. Also Blue Ocean Strategy make the industry to rethink the functional-emotional orientation and help it participate in shaping external trends over time.

Companies who are deep into Red Ocean and have lost the competition either divide or narrow their demands. Blue ocean

strategy helps such companies by creating demand and breaking away from the competition. There are certain tools of Blue Ocean which helps to act on challenges very systematically. The researcher has picked up one such tool-Four Action Framework-and have discussed companies of the last decades who stepped up to the challenge of creating blue oceans in a very smart and responsible way by maximizing opportunities and minimizing risks.

### 3. REVIEW OF LITERATURE

In a company translating an idea at an economical cost into a product creating value and satisfying a specific need of a customer is Innovation. Value Innovation is not easy as ideas sometimes fail to become a real product [18] – [22]. Hiring creative employees is not sufficient to make an organization innovative [8]. A strong organizational culture is a must for removing all obstacles in the development of an idea. This culture has to be established and maintained. Organizations vary in the level of obstacles faced in development of any new product or service or a business [9][10]. This also proves that there is no universal solution for innovative process. Taking a holistic view on the efforts an organization is putting in innovation, it will be able to identify its weaknesses and fine tune its innovation practices to deal with the existing differences [10]. Companies need to build internal cross-unit networks, as well as external networks to improve generation of good new ideas [10]. This not only provides a great opportunity to identify and understand the real needs of the customers but also give an insight regarding the thought-processes of scientists, entrepreneurs, investors, suppliers and even competitors. Competition among the suppliers to a need requirement of customers and markets along with the help of technological advancement leads to Innovation [6]. Innovations also follow the evolution of technology as a life cycle as well as the evolution of technology in the market [7].

## 4. COMPANIES WHICH HAVE IMPLEMENTED BLUE OCEAN STRATEGY IN THE LAST TWO DECADES

### 4.1 IPL 20-20 CRICKET

The IPL (Indian Premier League) was started in 2008, by Mr. Lalit Modi of the BCCI, the concept of which was taken by Indian Cricket League which was the brain child of Mr. Subhash Chandra of ZEE TV. The ICL could not survive much and closed down in 2009. Players from all round the cricketing world were 'Bought' by 8 teams. What it brought was a new revolution in the world of Cricket, firmly establishing India's feet in World Cricket through popularity and money. 'Money makes the mare go', India by virtue of IPL took a quantum leap in terms of Money power and by calling the shots at ICC which was till then dominated by Australia and England.

#### 4.1.1 Product Changes:

- **Eliminate:** indefiniteness of result
- **Reduce:** spectator time invested (competes with movie/football), emphasis on classic techniques (batting/ bowling), emphasis on patience and perseverance, predictability

- **Raise:** emphasis on athleticism, pace of the game, entertainment with bollywood cheerleaders, certainty of result, flexibility in timings
- **Create:** city loyalty, welcome to dummies, confluence of players

### 4.2 STAR BUCKS

Academicians not only teach but at times have succeeded in bringing theory to practice. Three of them started Star Bucks selling coffee, Tea and spice in the US. Tata Global Beverages bounced on the opportunity to have a 50:50 joint venture company, which owns and operates in India.

#### 4.2.1 Product Changes:

- **Eliminate:** competition
- **Reduce:** expectations from its stakeholders.
- **Raise:** high level of performance, positive long term relationship with customers, good, friendly and comfortable locations, value for money
- **Create:** brand recognition, loyal, engaged and committed employees, great customer service, variety of drinks, plethora of products

### 4.3 CADBURY

Cadbury is yet another example of the talked about strategy. It started with its own segmentation strategy, whereby targeting the youngsters of the country. Soon it decided to come out with a differentiated affordable strategy, wherein it included masses from the entire population. Now it did not focus on a segment but spread its strategy to all age groups and also for different occasions/festivals of our country. No surprises that it still is the clear leader in its field. It leads the market with a whopping share of 70%.

#### 4.3.1 Product Changes:

- **Eliminate:** over positioning
- **Reduce:** similar taste within the product-line
- **Raise:** variety, status, penetration of products
- **Create:** new markets, leader in its product mix

### 4.4 KAUN BANEGA CROREPATI

KBC was an adaptation of a successful programme in the US "Who Wants to be a Millionaire". It shaped a new epoch in TV shows entertainment as a reality TV show by bringing the viewers as participant in the TV show. Although Quiz shows had been broadcast before too, but the presentation and inclusion of the common man, and having the chance to interact with the Super Star of our times made the programme a rage in the country.

#### 4.4.1 Product Changes:

- **Eliminate:** demand from housewives mostly
- **Reduce:** repetitive and monotonous similar theme across serials and channels, stereotype family drama advertisement, expenditure
- **Raise:** entertainment, very active viewing, audience acting as helpline could win prizes and test their knowledge,

enhanced general knowledge and awareness, a super star host

- **Create:** fresh episodes, content discrimination, viewer participation

## 4.5 YOUTUBE

You Tube in India was a dream come true to Indians. Whatever we had longed for, whatever that we could imagine, whatever we wanted to show, demonstrate and publicize was all put to reality.

### 4.5.1 Product Changes:

- **Eliminate:** need for HTML know-how, hassles of undergoing numerous steps, fees
- **Reduce:** uploading-downloading time
- **Raise:** web space allotted per user
- **Create:** ease of using technology, FLV technology, ready-made website, social networking, video tags and search

## 4.6 YELLOW TAIL WINE (RED AND WHITE)

Breaking all customs and trends about wine that it was a drink with traditional values, wine to be taken at selected occasions, a large variety signifying wines for different occasions, Yellow Tail Wines changed the style and occasion/s of drinking wines. Not only this, it came out with only two main varieties and targeted the entire mass giving a message that there doesn't need to be a formal occasion for having wine (a tradition which in a way restricted the consumption and consequently the sale of wine in more ways than one).

Yellow Tail created packaging with a bright yellow wallaby in the center of the label and neon colored bars to distinguish different grape varieties Cabernet Sauvignon, comes with the red label, Shiraz in yellow and Merlot in orange.

### 4.6.1 Product Changes:

- **Eliminate:** enological terminology, above the line, focus on aging quality
- **Reduce:** vineyard prestige & legacy, wine complexity, wine range
- **Raise:** price as compared to budget, retail store environment
- **Create:** easy drinking, ease of selection, fun and adventure

## 4.7 THE NINTENDO WII

Video Games were historically designed in a way to keep the young generation engaged. Also the operations and execution of the video game/s was such that it needed a real expertise to learn and master the game.

Nintendo broke these shackles and offered the game/s in an easy to use and learn way to all sects of the society. It focused on the need of the segment, the desire of the segment and came out with interesting games which catered to all age groups including the youth and young adults.

### 4.7.1 Product Changes:

- **Eliminate:** music storage, video storage, dvd, internet connectivity

- **Reduce:** development costs for video game producers (an average of \$8 million vs. \$20 million), system sophistication, graphics, productions costs, retail price, processing power
- **Raise:** number of family games, more internally developed games
- **Create:** games for the elderly, motion controllers

## 5. CONCLUSION

A company must master its traditional markets using conventional strategic planning tools. It will always be important to swim successfully in the Red Ocean by out competing rivals. Red Oceans will always matter and will always be a fact of business life. But to focus on Red Ocean is therefore to accept the key constraining factors of war and to deny the distinctive strength of the business world: the capacity to create new market space that is uncontested. But to sustain high performance, companies must create their own Blue Oceans, and make the competition irrelevant.

It is better to 'Focus on the Big Picture, not the Numbers'. By using Blue Ocean Strategy Industries can compare their business with their competitors by using 'As Is strategy canvas' and identify which strategy needs to be changed. Explore the six paths for creating blue oceans and observe distinctive advantages of the products or services and work upon the Four Action Framework to find which factors to Eliminate, Reduce, Raise and Create.

Convert 'As Is Strategy Canvas' to 'To Be Strategy Canvas'; get feedback from customers, competitors and non-customers. Use the feedback to work upon best "to be" future strategy. Actualize the strategy that allows company to close the gap by converting Red Ocean sequence into commercially viable Blue Ocean Idea.

Companies can translate the introduced ideas into real products to reach the two and three tiers of non customers by using several BO tools such as value curves, strategy canvas, six path method, six-path process, four actions framework, and utility matrix. It is recommended that Blue Ocean strategy should be implemented in different industries and Indian industrial companies should break out of the accepted boundaries that define how they compete and go through innovative strategic planning. Researchers should understand and model the market changes and match it with the Blue Ocean strategy tools.

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