ORIGINAL RESEARCH PAPER

Management

IMPACT OF CREATING BLUE OCEAN

KEY WORDS: Blue Ocean, Red Ocean, technology driven, market pioneering, futuristic

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ABSTRACT

Blue Ocean Strategy is the most influential new concept in management strategy, whose exciting premise is that companies can rearrange conventional factors of competition in order to create a leap in customer value. In the process, companies make their competition irrelevant and discover unoccupied market space. The quantify impact of creating blue oceans on a company's growth in both revenues and profits in a study of the business launches of 108 companies.
A blue ocean is created in the region where a company's actions favourably affect both its cost structure and it value proposition to buyers .cost savings are made from eliminating and reducing the factors an industry has never offered.

INTRODUCTION:

The business world is now very competitive. The decision makers of the business are changing their strategy to sustain in the competitive business world. In the past decades, some popular strategic frame works for the creation of new business model has been developed. By this way, a new business model named "Blue Ocean Strategy" has been developed by Kim and Mauborgne which rapidly gained worldwide gain and acceptance.

Blue Ocean strategy is a concept that enables organisations to think and create innovation in their business that can assist organization to financial and economic sectors which is the main concern of the firm to generate sustainable profit. The Blue ocean strategy offers users a framework for creating uncontested market place and the change the concentration from the current to the creation of innovative value and demand where the traditional Red ocean strategy accustomed to involve in competition. Blue Ocean is defined by untapped market space, demand creation and the opportunity for highly profitable growth.

The Continuing Creation of Blue Ocean:

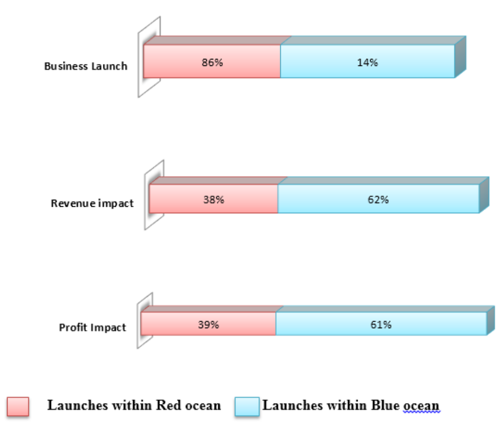
Although the term blur ocean is new, their existence is not. They are a feature of business life, past & present.

The reality is that industries never stand still. They continuously evolve. Operations improve market expand & players come and go. History teaches us that we have a hugely underestimated capacity to create new industries and re –create existing ones.

The Impact of Creating Blue Ocean:

The quantify impact of creating blue oceans on a company's growth in both revenues and profits in a study of the business launches of 108 companies.

Figure:- 1 : The Profit and Growth Consequences of Creating Blue Oceans



It has been found that 86% of the launches were line extensions, i.e., incremental improvements within the red ocean of existing market space. Yet they accounted for only 62% of the total revenues and mere 39% of total profits. The remaining 14% of the launches were aimed at creating blue oceans. They generated 38% of total revenues and 61% of total profits.

Given that business launches included the total investments made for creating red and blue oceans, the performance benefits for creating blue waters are evident.

Value Innovation: The Cornerstone of Blue Ocean Strategy

The creators of blue oceans, surprisingly, didn't use the competition as their benchmark. Instead, they followed a different strategic logic that we call value innovation.

Value innovation is the cornerstone of the blue ocean strategy. Value innovation, instead of focusing on beating the competition, companies focus on making the competition irrelevant by creating a leap in value for buyers and company, thereby opening up new and uncontested market space.

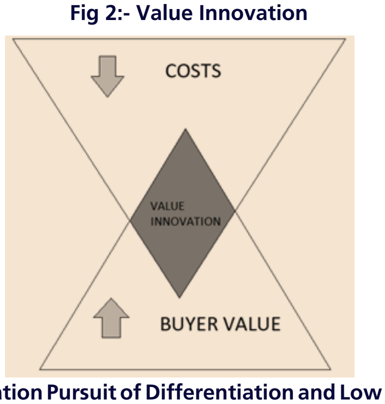
Value innovation places equal emphasis on value and innovation. Value without innovation tends to focus on value creation on an incremental scale, something that improves value but is not sufficient to make you stand out in the marketplace.

Value innovation occurs only when companies align innovation with utility, price and cost positions. Value innovation is a new way of thinking about and executive strategy that results in the creation of a blue ocean and a break from the competition.

In contrast, those that seek to create blue oceans pursue differentiation and low cost simultaneously.

Value innovation is created in the region where a company's actions favourably affect both its cost structure and its value proposition to buyers.

Fig 2:- Value Innovation



The Simulation Pursuit of Differentiation and Low Cost

As shown in figure, the creation of blue oceans is about driving costs down while simultaneously driving value up for buyers. This is how a leap in value for both the company and its buyers are achieved. Because buyers value comes from the utility and price that the company offers to buyers and because the value of the company is generated from price and its cost structure, value innovation is achieved when the whole system of the company's utility, price, and cost activity is properly aligned.

Table 1:- Outlines the key defining features of red and blue ocean strategies.

RED OCEAN STRATEGY	BLUE OCEAN STRATEGY
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create & capture new demand
Make the value-cost trade – off	Break the value- cost trade off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of firm's activities in pursuit of differentiation and low cost.

In the red ocean differentiation costs because firms compete with the same best – practice rule. Here, the strategic choices for firms are to pursue either differentiation or low cost. In the Reconstructionist world, however the strategic aim is to create new best – practice rules by breaking the existing value cost trade-off and thereby creating a blue ocean.

Table 2: - six principles of blue ocean strategy are:-

Formulation Principles	Risk factor each principle attenuates
Re construct market boundaries ⇩	Search risk
Focus on the big picture, not the numbers ⇩	Planning risk
Reach beyond existing demand ⇩	Scale risk
Get the strategic sequence right ⇩	Business model risk
Execution Principles ⇩	Risk factor each principle attenuates
Overcome key organizational hurdles ⇩	Organizational Risk
Build execution into strategy	Management risk

Blue ocean strategists recognize that market boundaries exist only in managers' minds, and they do not let existing market structures limit their thinking. To them, extra demand is out there, largely untapped. The crux of the problem is how to create it. This, in turn, requires a shift of attention from supply to demand, from a focus on competing to a focus on creating innovative value to unlock new demand. This is achieved via the simultaneous pursuit of differentiation and low cost.

Under blue ocean strategy, there is scarcely attractive or unattractive industry because the level of industry attractiveness can be altered through company's conscientious efforts. As market structure is changed by changing the value/cost trade off, so are the rules of game. Competition in the old game is therefore rendered irrelevant. By expanding the demand side of the economy new wealth is created.

Implementation:-

Look Across Functional or Emotional Appeal to Buyers

When companies are willing to challenge the functional-emotional orientation of the industry, they often find new market space. Two well- known examples are Swatch, which transformed the functionally driven budget watch industry into an emotionally driven fashion statement, or The Body Shop, which did the reverse, transforming the emotionally driven industry of cosmetics into a functional, no-nonsense cosmetics house.

- **Look Across Complementary Products and Service Offerings**

Few products & services are used in a vacuum. In most cases, other products and services affect their value. But in most industries, rivals converge within the bounds of their industry's product and services offerings. Take movie theatres. The ease and cost of getting a babysitter and parking the car affect the perceived value of going to the movies. Yet these complementary services are beyond the bounds of the movie theatre industry as it has been traditionally defined. Few cinema operators worry about how hard or costly it is for people to get babysitters. But they should, because it affects demand for their business. Imagine a movie theatre with a babysitting service. Untapped value is often hidden in complementary products and services. The key is to define the total solution buyers seek when they choose a product or service.

Look Across the Chain of Buyers

Individual companies in an industry often target different customer segments – for example, large versus small customers. But an industry typically converges on a single buyer group. The pharmaceutical industry, for example, focuses over riding on influencers; doctors. The office equipment industry focuses heavily on purchasers: corporate purchasing departments.

Think of Novo Nordisk, the Danish insulin producer that created a blue ocean in the insulin industry saw that it could break away from the competition and create a blue ocean by shifting the industry's longstanding focus on doctors to the users- patients themselves. Novo Nordisk to the blue ocean opportunity of Novo Pen, launched in 1985. Novo Pen, the first user-friendly insulin delivery solution, was designed to remove the hassle and embarrassment of administering insulin.

- **Look Across Strategic Groups within Industries**

The key to creating a blue ocean across existing strategic groups is to break out of this narrow tunnel vision by understanding which factors determine customers decisions to trade up or down from one group to another.

Consider Curves, the Texas- based women's fitness company. Since franchising began in 1995, Curves has grown like wildfire, acquiring more than two million members in more than six thousand locations, with total revenues exceeding the US $ 1 billion mark. A new Curves opens, on average, every four hours somewhere in the world.

What's more, this growth was triggered almost entirely through word of mouth and buddy referrals.

Look Across Alternative Industries

In making every purchase decision, buyers implicitly weigh alternatives, often unconsciously.

A shift in price, a change in model, even a new ad campaign can elicit a tremendous response from rivals within the industry, but the same actions in an alternative industry usually go unnoticed. Trade journals, trade shows, and consumer rating reports reinforce the vertical walls between one industry and another. Often, however, the space between alternative industries provides opportunities for value innovation.

Consider Net Jets, which create the blue ocean of fractional jet ownership. In less than twenty years .Net Jets reconstructed market boundaries to create this blue ocean by looking across alternative industries.

Look Across Time

All industries are subject to external trends that affect their businesses over time. Think of the rapid rise of the internet or the global movement toward protecting the environment. Looking at these trends with the right perspective can show you how to create blue ocean opportunities.

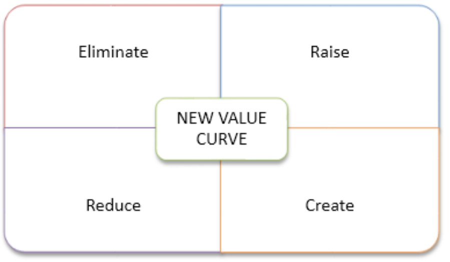
Three principles are critical to assessing trends across time. To form the basis of a blue ocean strategy, these trends must be decisive to your business, they must be irreversible, and they must have a clear trajectory.

For example, Cisco Systems created a new market space by thinking across time trends.

"Blue ocean strategy "execution an Indian example - Oyo rooms

Blue Ocean Strategy put forward a new approach which talks about an environment with absolutely zero competition. Rather than competing in an existing market with your product, create a space where you enjoy hundred per cent monopoly.

Fig 3: New value curve



We can attribute the triumph of OYO to the successful execution of Blue Ocean Strategy in the hospitality sector. Value innovation, the cornerstone of Blue Ocean Strategy, by offering superior customer value and concurrently reducing the cost of the business. Other companies using blue Ocean strategy

- For example Starbucks is a company that implemented the Blue Ocean Strategy successfully. They offered coffee, but they also offered teas, smoothies, and Frappuccino. They also sold CDs and newspapers, encouraging coffee lovers to stay around and chat. This allowed Starbucks to become a social venue as well.
- Naukri.com was founded in 1997 when internet wasn't that popular in India. Naukri.com entered the uncontested market space with a different business strategy of that time and we all know the status now.
- The Varkeys Supermarket is the first and leading supermarket chain in Kerala. Providing all the needs of a household under one roof, it has made its mark as a "single stop shop" for its customers.
- Canon's strategic move, which created the personal desktop copier industry, is a classic example of blue ocean strategy.

CONCLUSION

CREATING BLUE OCEANS is not a static achievement but a dynamic process. Once a company creates a blue ocean and its powerful performance consequences are known, sooner or later imitators appear on the horizon.

Blue Ocean Strategy is a portfolio of inter-related concepts and methodology allowing companies to break away from head-on competition in order to create and maintain uncontested market spaces of high customer value. The portfolio includes the whole leadership gamut from Strategy Formation. Strategy Implementation, Organizational Change and Staff Motivation.

Value Innovation is the first component of BOS, and provides the strategy formation framework. The strategy outlines the premise, research, success examples and the so-called 'Value Innovation' framework, which allows companies to create Blue Ocean Strategies and in the process achieve:

- High-impact, customer-based innovations.
- Significant increase in speed to market, from idea formation to market introduction.
- Significant decrease in development and operational costs.
- An innovation-focused and duly motivated organization.

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