

Introduction to blue  
ocean strategy  
simulation marketing  
essay



**ASSIGN  
BUSTER**

## **Introduction:**

Before entering Blue round 3, the biggest problem faced by the product that it was priced too high for the audiences it was supposed to be targeting. The reason being, through Blue Box, we attempted to add in as many features as possible to attract various non - customers. Due to this, the cost of production increased, which in turn drove up the final pricing of the product. Due to extensive built - in product features added in the first blue round itself, the price of the product could not be reduced and the production level was also way more than the sales expected in order to attain achieve a production X price value that could sustain the product through the year.

Ptah's strategy through blue rounds 1 and 2 was to establish a sustainable USP that could attract audiences mainly from the ' sports loving' category. Exer - gaming being our biggest investment, Blue Box had other features like multiplayer capabilities, etc. Some more features were added targeting the parents group. However, by trying to expanding the distribution of the product in the first few runs itself, the pricing of the product became extremely high. The marketing budget too did not match the level of distribution. These factors brought down the sales every year spirally, and as a result, there was a drastic fall in the stock price index.

Team Ptah realised that among all blue ocean offerings, Blue Box had a higher market share value, sales value and highest returns. Hence, the strategy we tried to employ for round 3 is not to lose the existing market share and build upon it and try to consolidate the Stock Price Index value

above 700 by the end of the year 2016, by offering properly planned and targeted services and delivery competing factors.

Fig1: Market shares and Market sales value at the end of Blue Round 2

### **Blue Round 3: Year 2014**

The obvious goal of this round was to drive up the sales without changing the existing price of the product. This could be done only by increasing the value offerings on the product. The size of the sales force was also reduced to focus more on delivering value first, rather than improving reach.

Service offerings:

The major service offerings added to Blue Box this year were 'Ease of Repair' and 'Warranty Offer'. Ease of repair was added at level 4, wherein the customer would not have to worry about not having a console when it is damaged, as the company would provide him / her a replacement until the damaged console is fixed.

However, other service offerings like extended warranties and loyalty cards, rewards, etc., were not provided this year as we decided that this ease of repair offering, although a bit expensive, would be a unique selling point for the Blue Box. The mistake made in this case was not anticipating the competition's choices which were mainly in the direction of providing extended warranties and loyalty cards, apart from having a very valuable warranty offer. With almost the entire market offering these services, Blue Box suffered as the audiences were expecting a similar level of service from it. Also, being highly priced, the sales of Blue Box also took a beating.

### Delivery offerings:

At the point of sale, we thought that it is essential for the customer to have a good understanding of the product being offered and hence, we decided that the best delivery offering we could add to the product was to have informed salespersons at the POS, informing and communicating the message of the company and the features of the product to the potential customers.

Introducing this offering at level 4, we wanted to ensure the customer gets the correct and desired information relevant to the product from the salesperson or a representative of the company itself. No other company had this feature at this level.

However, the competition decided to use attractive deals and price promotion offers to attract the customer. These were features the team felt was not necessary at this point of time, but again was mistaken because the entire competition brought out these same offerings at almost the same levels.

### **Offerings chart 2014:**

Result: The service and delivery offerings were not satisfactory enough to attract customers and hence, the sales took a dip this year.

### **Sales for year 2014:**

### **Blue Round 3: Year 2015**

Due to a project implemented for the red box unit, the COGS value for the red box offering was continually reducing. Also, the reduced sales force further reduced the COGS value giving opportunity to increase the value of

the product even further. The strategy for this year was not to have a 'follow the crowd' mentality with respect to the competition, but create a unique place for the product in the market by offering a service in an avenue that has not yet been properly explored by the competitors. There was no change in the sales force and marketing budget.

#### Service offerings:

No changes were made in the service offerings this year as we anticipated more potential in the delivery offerings. Also, due to a drastic fall in sales in the previous year, we were working with a very limited budget. An addition in service offerings would mean to reduce either the sales force or the marketing spends which could again affect the total sales in the year.

#### Delivery offerings:

Dedicated stores were launched this year for the Blue Boxes at the level 3. A competitor, shiny station already had dedicated stores for itself, but their products were priced much higher and this, we felt was where we could establish Blue Box with a unique selling proposition. A decent store with refreshment facilities and comparatively lower priced products than Shiny Station could give Blue Box a push in the market, on which we could consolidate and build upon in the final year. Also, a new distribution pattern was also introduced wherein, the product was displayed in other locations like pubs, sport stores, etc., with trained spokespersons explaining its features. A trial and return offer was also introduced at a low level.

## **Offerings chart 2015:**

Result: Though still not reaching customer expectations, these new offerings did convert more sales in favour of Blue Box this year. There was a modest surge of sales and interest in the market for Blue Box, which is exactly what the strategy intended to do, especially in tight – budget circumstances.

## **Sales for year 2015:**

### **Blue Round 3: Year 2016**

Encouraged by the slight surge in sales, we decided to continue keeping the price constant and add in more offerings with the product that could attract more customers and consolidate Blue Box's position on top of the Blue Ocean competitors. There was no major change made in the already existing offerings, and also the sales force and marketing spends remained the same.

#### Service Offerings:

An Entertainment Assistant offering was added to the Blue Box bundle at level 2. The rationale behind this was that the competition did not yet introduce this feature with any of their products and this addition could greatly benefit the overall offering package of Blue Box.

#### Delivery Offerings:

The first decision made in the delivery offering section was to finally introduce Deals and Price Promotion packages at the same level as the competitors. A guide to online services was also offered this year to further consolidate on the already prevalent online gaming feature present in the product. We believed that the Deals and Price Promotion offering, prevalent

among almost all competing products, coupled with the other new offerings would definitely make the product stand out clearly in the market and push sales to a much higher scale, especially when the price of the product remained the same.

Result: The sales of Blue Box increased to a record 5 year high and consolidating itself as the market leader among other blue ocean products. The final Share Price Index for Blue Buddies at the end of the simulation was 716. The market share by unit was 24% and the market share by value was 21%

## **Application of Blue Ocean Strategy in my summer internship company:**

### **Leo Burnett, India:**

Leo Burnett is one of the oldest and most successful ad agencies in the world. Its rise to success was associated with the inherent American and family feeling brought about in its communication, which was not prevalent in ads by other agencies which were making sophisticated and therefore, confusing advertisements that lost hold of the customers. Simplicity, a good understanding of the company - customer relationship that was required to be established and a good imagination, together, brought about some of the most memorable advertising campaigns and icons like the Marlboro Man, Pillsbury Doughboy and Tony the Tiger.

The online advertising space today is the fastest growing medium for brand communication. It is also the easiest medium to target specific customers without incurring large costs with the help of social networking. In Europe

and North America, every major advertising campaign is accompanied by a very well designed website containing every detail of the campaign, explaining the significance of the brand communication for the target audience and offering games, attractive prizes and contest opportunities. Examples of such sites are: <http://www.nespresso.com/variations/> and the Tippex youtube campaign (<http://www.youtube.com/watch?v=4ba1BqJ4S2M>). The entire idea of such websites is to engage the customer and give the customer easy tools to share the communication with his friends and colleagues through the digital medium.

In India, there is still a huge fixation on television and print as the biggest advertising media. According to my strategy, Leo Burnett needs to establish a department specifically designed to create and maintain campaign websites for every campaign they undertake before any other established Indian agency does so to gain the first mover advantage and attract more and more brands to the digital medium.

### **Application of the ERRC model:**

Eliminate: Outsourcing the website design to another web design outfit

Reduce: Reduce cost of hiring new graphic designers by training in - house creative designers

Raise: Quality of internet advertising to international standards

Create: Working conditions and training modules to develop the standards of internet advertising



## **ASSIGNMENT 2: DEVELOPING A BLUE OCEAN STRATEGY FOR AN EXISTING INDUSTRY**

micromax-mobiles-logo. png

### **CELLULAR PHONES**

Though the blue ocean strategy to be presented in this assignment can be meant to be used for the Indian cellular phone industry as a whole, the example of the MICROMAX Q55 Bling Phone brand has been used to give clarity and direction to this strategy.

#### **Introduction:**

As a brand focussed to create and deliver products that is, at the same time, both innovative and moderately priced, Micromax has rapidly gained popularity and market share in the cluttered Indian cellular market which already include established international brands like Nokia and Motorola, along with many local brands like Maxx mobile and Onida. With a brand promise – “ Nothing like anything!”, its products and pricing together aim to ‘ bowl over’ the Indian consumer.

The brand has a youthful feel to its communication, though its products are usable by people of all ages. Its product portfolio currently includes –

G4 Gamolution phone

With motion sensor gaming like Wii

X1i Marathon Battery phone

With 30 days standby time & 17 days Talk time

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X235 With Universal Remote

Control TV, DVD, AC with your phone

X600 Gravity Sensor Dual SIM phone

Change networks with a flip

Q55 Bling phone

First women's phone with a swivel form and Swarovski navigation keys

### **Application of Blue Ocean Strategy to Q55 Bling:**

The Q55 Bling is the first mobile phone targeted at the female audience exclusively. Its brand is built on the beauty and exclusivity of the product design. With no other female - exclusive mobile phone present in the current market, Bling has a lot of potential to consolidate its position as the best mobile phone for the ladies.

Women usually have a high independent streak and would prefer owning something that other women do not have. Hence, a device as important as a mobile phone should also reflect this individuality in its features and style.

Micromax can exploit this characteristic for Bling by developing customisable mobile phones. Similar to the service Dell provides to its customer, Micromax could allow its customers to customise their Bling to their requirements.

The customisation could range from the features of the phone to its outer design and styling. The features could include selecting applications, games, type of camera and speakers, etc, while the styling lets the customer choose

the colour of the phone or even allow putting a picture of their choice on the phone body. Through this, the customer feels the satisfaction of owning a phone exclusively created for her and will also provide an emotional attachment with the phone. The customisation options could be provided on Bling's website and the completed product could be delivered to the customer's home. The pricing of the product would depend, naturally, on the extent of customisation.

This concept could later be extended to other products, not necessarily targeted at the female audience. For example, the MTV phone could be another product on which customisation could be done. Today's youth too has a high degree of individuality and this again can be leveraged on a brand that has always been representing youth - MTV.

This product may have a high aspirational value attached to it, and hence, care should be taken to see that the product is affordable as Micromax is all about providing innovative mobile solutions to the masses, and hence, it should not enter the niche segment.

### **Application of the ERRC model:**

**Eliminate:** Cost of unsold goods are eliminated as the phones are made - to - order. Cost of excess inventory, extra shelf space and an extensive distribution network is also eliminated.

**Reduce:** In - store personnel can be reduced as most of the orders or customisation is done online or through mail order forms.

Raise: The options and features that can be added to the phone should be increased in order to give the customer a wide range of choices. These features should be raised to a level that the final product is almost unique and the customer finds an emotional connect established with the phone.

Create: A web portal that provides the features with minute details and specifications in order to guide the customer to exactly what he / she wants the phone to be like. A home delivery service can also be added to eliminate the need of the customer getting out of home to buy a cell phone.

Though customisation is an old concept, its utilisation in mobile phones could open up a whole new blue ocean especially with the 3G spectrum opening up in India with the falling price of cellular communication. Customisation, I believe, would be a very unique way for driving saliency and preference to a mobile phone.