

Blue ocean strategy (bos) analysis



**ASSIGN
BUSTER**

My individual research work undertaken is based on the business strategy concept known as “Blue Ocean”. The concept of the Blue Ocean Strategy (BOS) originated in 2005 when two authors named as W. Chan Kim and Renee Mauborgne of the BOS Institute wrote a book named as Blue Ocean. Commonly, people believe that the finest organizational strategy is the one which escalates profits for the organization. According to the book written by these authors, firms should seek to build demand for their products or services in a market where there is no competition rather than competing nose to nose with existing producers in the industry. Vice versa, in existing industries firms often compete with each other and seek to surpass their competitors and snatch their market share which makes it very tough for every firm to survive. Such an industry is known as Red Ocean where all the firms strive to capture the same market share from each other and as new suppliers enter into the market, profits are reduced, chances for growth are depreciated which often create threats for new entrants and/or disable some businesses to retain their share in the market. For this reason, such a strategy would not fit best for every firm in the modern business environment. A Blue Ocean strategy identifies such industries that do not exist or are unknown. The application of such a strategy requires that demand must be created for the product or service rather than competing against the rivals. The supporters of the Blue Ocean strategy argue that firms can rapidly boost their profits and grow expeditiously if the firm is able to provide products and services that are innovative to both the buyer and the business. This is because innovative products and services are more likely to be valued by the customers and eliminate such products or services which are of unsubstantial value to the existing or the future market.

(B) Key Areas of Research and sources:

To navigate the blue ocean is it required to think outside the box. There must be an idea or approach which must not necessarily a better way to do something which is already being done and where there must be a competitive edge in a limited market space.

The difference between the red and blue ocean is that in the red ocean there would be a competition in the current market space of your contraption whereas in the blue ocean an incontestable market space is established which attracts new demand. Therefore, there must be a clear idea whether we are in a red or blue ocean before the start of research.

A field research strategy is used where the fundamental aim of this research is the identification of the potential group which is not your customer in strategic buyers group both inside and outside the industry or substitute markets. This research also helps providing us the contour of existing buyer and non customers.

A team is developed comprising research experts and analysts, professionals in qualitative and quantitative research methodologies. The team is a master in all the important areas market intelligence, competitive intelligence, analysis of the vendor, research and analytics, analysis of various trends in the market, forecasting and business analysis. The resource for this research includes experienced analysts from globally recognized market intelligence organizations, business economists and financial experts with comprehensive sector experiences.

Qualitative research method is used for the collection of data in the field at the initial phase of research. The contraption for this research includes surveys, questionnaires, guides for interviews and virtual or on the spot discussion forums. This approach promotes open ended discussions in a composed ambiance to advocate true and direct dialogue. This method is mostly used because the data and intelligence which are required to recognize new buyers and market opportunities are not obtainable easily

A secondary, quantitative research is acknowledged in the research plan when wide range of representative data is needed to know about new market circumstances. This methodology includes sample management, survey instrument design and management of data, tabulation and analysis by both the traditional methods for the collection of data.

(c) Discussion of Strategic Models Identified:-

During my research, I have come across plenty of strategic models which enable the implementation of the blue ocean strategy. Some of them are discussed below.

The Four Actions Framework:-

This framework looks at different aspects of the industry by asking four different questions. These questions help to straighten the focus of the business and realign its overall strategy to create value. These questions involve asking:

- What are the factors that need to be created which have not yet been created by the industry?

- What are the factors that should be promoted over the industry's standards?
- What are the factors that need to be scale down the industry's standards?
- What are the factors taken for granted by the industry and should be exterminated?

The first question assists the managers of the firm to explore new ways of adding value to their products or service for the buyers. The second question encourages the management of the firm to divulge and eradicate the compromises made by the buyer. The first two questions seek to provide the firm with a differentiation edge. The third question points out the factors that need to be reduced which may have been redesigned in order to compete with the rivals. The fourth question identifies those factors which may have had value in the past but are of minute value to the buyers today. The last two questions seek to assist the firm in becoming a cost leader in the industry.

Buyer Experience Cycle:-

While making a purchase, a buyer goes through six different stages, from the initial purchase to the final disposal of the product. In deciding which product to purchase, a buyer thinks from unlike aspects in order to buy the product that best satisfies the needs of the buyer. These stages are called utility levers.

Stage 1: Purchase:

At the initial stage, the buyer has a set of questions in his mind based on which he decides which product he has to buy and how much time it would take for him to find the desired product. For this reason, it can be seen that shopping malls today are successful because they have different products under one single roof and at the same time seek to satisfy diverse needs of a variety of customers. Theoretically, it is quite simple but marketing managers should give sufficient consideration to this factor and make the “product finding experience” easier and much simpler for the buyer. Also, customers tend to buy their products from places that are attractive or give them the option to choose their desired products from the most fascinating products. On the other side, accessibility is a vital issue. If a store offers the best products in town but is not in reach of the buyers, they are most likely to switch to an alternative store to make their purchases. Moreover, from the perspective of a buyer, a secure transaction environment has a positive psychological affect on the buyer and encourages him to make his purchases. Lastly, customers always prefer to buy from such stores which they are familiar with because they know they would be provided with a commendable customer service.

Stage 2: Delivery:

The next stage is concerned with delivering the product to the buyer. Buyers usually ask that how much time it would take for the product to be delivered to them. This is where businesses can outdid their competitors in the market and exclusively in the services sector where “on time delivery” is the critical success factor for many businesses.

Stage 3: Use:

- Are the functions and features of the product effective? Do they satisfy the desired needs of the customers?
- Does the buyer require any guidance or teaching in order to use the product?
- Is the product easy to use and operate (e. g. in case of electronics)?

Stage 4: Supplements:

Some products require the support of other products in order to operate effectively and meet the demand of customers. Customers always think that how much the supplement product would cost them? In this case, customers who are price sensitive might decide to switch to some other product which does not require the support of other products to operate and meet the needs of customer. On the other hand, customers who are not much price sensitive would consider whether the supplement product is available and accessible. However, this is one of the salient factors which the marketing managers should consider before deciding to introduce a fresh product to the consumers.

Stage 5: Maintenance

The next factor that buyers usually consider is how easy it would be to maintain the product and how much it would cost them. In the modern business environment, customers wish to purchase such products which can be maintained in less time and reduced cost. This is one of the most imperative factors which marketing managers should consider if they wish to retain their customers and also attract new customers from the market. Also, <https://assignbuster.com/blue-ocean-strategy-bos-analysis/>

if a product requires external maintenance, customers think of factors such as cost of external maintenance and accessibility of maintenance store.

Stage 6: Disposal

Lastly, customers also think whether it would be easy to dispose the product or not. In this regard, managers should consider the legal and environmental issues before promoting their product into the market. Sustainable development of a product is a key aspect in the modern business environment and the firm which is able to develop, promote and dispose their products without causing minimal harm to the environment would surely have a differentiation edge over their rivals in the market.

Four Hurdles Execution:-

After the management has established a blue ocean strategy, the next step in the process is to effectively implement such a strategy. Successful implementation of a strategy at any phase plays a vital role because ineffective implementation of a strategy can lead to wastage of precious resources and time. While implementing a blue ocean strategy, an organization is faced with the following four types of hurdles. If the organization wishes to succeed, it must take appropriate measures to overcome these hurdles to find a blue ocean.

The Cognitive Hurdle:

Normally, companies operate in red oceans which may not lead to sustainable growth and profits in the future. Although, companies have grown and met their milestones while operating in the red ocean, managers

must think beyond this if they wish to survive in the modern business environment where new competitors arise everyday in the industry making the competition more rugged. The organization as a whole must be mentally prepared for such a strategy before implementing it so that precious resources are not wasted.

The Resource Hurdle:

Normally, organizations believe that when it changes its business strategy, additional resources would be required to implement the new strategy. At this point, this is the greatest hurdle which organizations come across during the implementation of the new strategy. But such a hurdle can be easily surmount if the firm has a competent and experienced human resource department.

The Motivational Hurdle:

A radical shift in the strategy of the business might demotivate the employees in an organization. If the management is competent and capable, they would also overcome this hurdle by creating a sense of ownership in the employees and also enriching their jobs.

The Political Hurdle:

Some organizations are very much influenced by the political environment. This is the last hurdle faced by an organization when implementing the blue ocean strategy. Governments have the right to completely abandon a product if they think the product can cause harm to the public at large e. g. drugs. A detailed analysis of the political environment would surely put the <https://assignbuster.com/blue-ocean-strategy-bos-analysis/>

managers in a better place which would ultimately help them to overcome this hurdle.

(d) Key conclusions and findings:-

Based on studies, the authors of the blue ocean strategy have suggested that companies in the future would not be able to flourish by just competing with their rivals to retain their market share. The authors believe that in the modern business environment, innovation is the key to success and if an organization succeeds in creating a culture of innovation, it can easily survive in the long term without competing with any rivals in the market. Since the past many years, companies have fought with each other in order to secure their profit and market share. As a consequence, such rivalry between the firms has resulted in “bloody red oceans” where everyone tries to grab others’ share of the market and steal their customers. This ultimately means that if an organization wishes to survive in the modern business environment, it should therefore try to adopt a blue ocean strategy. This is because adopting such a strategy would place the company in a much better position with no competitors in the market and might put the business in a monopoly position which would ultimately make the business the leader of the market. A Blue Ocean strategy focuses on six principles which if followed adequately can create a blue ocean for the business where competition is irrelevant. These principles include:

- Identification of diverse pathways through which a market can be created where the business has no rivals to compete with.
- Encourage the managers to create value innovation rather than just focusing on increasing the profits or turnover of the business.

- Plan to attain beyond current demand and create new demand by targeting non-customers.
- Follow the right strategic sequence to create a blue ocean.
- Prevail over the four hurdles of execution.
- Execute the blue ocean strategy by motivating people to do so. The management must be capable to deal with behavioral issues in order to implement this final principle.

However, there are some risks associated with the blue ocean strategy which the organization should seek to minimize to successfully implement the blue ocean strategy. These are:

- The blue ocean strategy encourages the managers of the business to develop new strategies and new products to create uncontested market space. The idea seems fair but this could also encourage the managers to ignore competition and they may lose grip over their core competencies. A competent management assumes that they have no rivals in place and seek to continuously improve their performance. Such a strategy could also encourage the management to overlook their rivals in the market and as a result they might lose their attained market share.
- Although every business seeks to create a blue ocean by trying to develop strategies and product which differ largely from the products offered by their competitors. This means that a business may think that they have created a blue ocean whereas actually it has not been successful in doing so.

- A blue ocean strategy encourages the businesses to look for industries that are far beyond their own core competencies. When the business is enthused to think different under a blue ocean strategy, there is a risk that the business might overlook their strengths and history and forced to diversify in such industries where the risk of failure is high because of no experience in that industry.

All in all, a blue ocean strategy is more likely to lead a company to flourish in the future but it is vital that the pros and cons are considered evenly before implementing such a strategy.

(e) Summary on the success or failure:-

Overall, working on such a project has aggrandized our team working skills because everyone took the responsibility on themselves which created a sense of ownership in every team member and ultimately the team as a whole was able to conclude the work effectively. For this reason, all of the questions which were asked of us were abundantly answered including the group presentation. Working on such an assignment has been very informative for us and we all are now aware of the different types of business strategies in the modern business environment. This could prove useful for us when we start our practical career.

From the group standpoint, we are now aware of the different types of business strategies and how successful implementation of a blue ocean strategy can be of benefit to a business. We have also learned that how such strategies can be implemented and what are the pre-requisites for implementing the different types of business strategies. Moreover, we have

also learned what type of strategy would suit a particular business and we agree on the fact that the blue ocean strategy is not fit for all types of business. The selection of a strategy varies from business to business depending on their environment and other significant factors which the management should bear in mind when choosing a strategy.

Individually, I have understood that in the modern business environment, adopting and implementing a business strategy is vital for the success of a business. It doesn't matter whether the business decides to adopt a blue ocean strategy or not, what matters is the commitment of the management and their capabilities and experience which would result in the long term survival of the business.

(f) Individual contribution and impact on group presentation:-

Before proceeding with the assignment, all of the team members were assigned particular areas of their interest to work on. I was assigned to identify the different types of strategic models which could help the business in achieving their aims and objectives in the long run. This doesn't mean that all of the team members were working in isolation, instead all of the team members were helping and supporting in each other's work. This created a team spirit and all of the team members felt a sense of ownership as everyone felt that it is their responsibility to complete the assignment.

Lastly, my presentation's focal point is the adequate preparation of slides and plenteous research from diverse resources. Detailed work was done with the team to cover up all areas of the assignment evenly.