

# Competitive forces confronting blue Nile five forces model business essay

[Business](#)



## Contents

# **COMPETITIVE FORCES CONFRONTING BLUE NILE AND FIVE FORCES MODEL**

The competitive forces are strong as there exists numerous offline and online jewelry vendors and there has been a drop in sales owing to the financial downturn. Many physical and online stores provide high excellence jewels at competitive rates so patrons have alternates and jeweler corporations have ferocious rivalry. The buyers have many selections in which to purchase their jewelry in terms of price and excellence. With regard to Porter's Five Forces Model, Blue Nile has a low level of threat of new Entrants due to the presence of the huge entry barriers created the existing companies. Moreover, there exists a high degree of competition in the marketplace and the corporations are espousing different effective strategies in order to keep competitive advantage. In addition, the patrons do not have any power over the whole process whereas; the suppliers have created an oligopoly in the Industry over the past several decades. (See Appendix 1)

## **STRONGEST COMPETITIVE FORCE**

The strongest force is the extent of rivalry among the participants as there are many stores and online sites delivering good excellence jewels at the reasonable rates. With rivalry gaining on Blue Nile they require examining processes and practices as well as to implement the effective approaches in order to maintain their position in the Industry. Moreover, the competitive forces antagonizing Blue Nile and its competing jewelers are very forceful and competitive for the reason that online jewelers are very competitive.

Patrons are competent to associate rates of online jewelers with their local  
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jewels stores to perceive which one is better purchase. To advance more of a competitive advantage Blue Nile will require to deliberate which of the five competitive approaches to execute –broad differentiation, focused differentiation, overall low-cost, focused low-cost, or best-cost. Furthermore, the Blue Nile necessitates surpassing their participants in cost, effectually managing value chain undertakings and searching for innovative means to decrease cost producing activities. This approach works predominantly well when merchandises of competing sellers are approximately similar and supplies are eagerly accessible from eager sellers, when there are not many means to distinguish that have worth to purchasers, when many shoppers are price-sensitive and purchase the products for the lowest rate, as well as when the switching costs of the buyers are higher.

## **KEY FACTORS DETERMINING COMPANY'S SUCCESS IN 3-5 YEARS**

Supply chain administration competences  
Excellence control knowledge or expertise  
Sturdy e-commerce proficiencies – an attractive and user-friendly Web site or/and abilities in using Internet expertise applications to rationalize internal processes  
Capability to produce or assemble merchandises that are modified to purchaser specifications  
Supply Chain proficiency

## **BLUE NILE STRATEGY AND GENERIC COMPETITIVE STRATEGIES**

Blue Nile executed the low-cost provider strategy that is rather operative in respects to attracting patrons to their specific corporation rather than to one of their contestants. They attain this by initially, providing some of the premier excellence jewelry and diamonds for a rate that is lower than their

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participants. Secondly, they not only vend fine jewelry and diamonds but they offer their patrons with a copiousness of valuable information to support them in their search and buying procedure. By following this approach thoroughly, this will brand their existing and potential patrons feel contented with Blue Nile and buying their merchandises over the internet. In addition, the supply chain of Blue Nile provides comparatively stumpy operating costs. It is with these squat operating costs that Blue Nile is competent to be the more inexpensive jeweler to vend these great excellence gems and diamonds.

## **COMPETITIVE ADVANTAGE**

Blue Nile is certainly determined for a low-cost gain over competitors as this is quite vibrant from the approaches or the strategies espoused by the company. It has been deliberated that at the present moment Blue Nile has a certain cost edge over other rivals operating in the Industry. Though, Blue Nile may have petite cost gain over its online competitors, most of the companies that seem to executing very comparable competitive approaches and business models. In addition, Blue Nile's competitive gain over other online jewels stores appears knotted more to its product name benefit that is committed to the belief it has erected with patrons and the ability of the buying direction it delivers to customers at its website.

## **BLUE NILE'S BUSINESS MODEL**

The supply chain of the Blue Nile is the most vital part in the performance of the company. With the dealers permitting Blue Nile to buy directly from them, they are evading any markup charges from retailers. They have also

lessen their inventory carrying rates for the reason that Blue Nile is competent to buy items from vendors after the patron has put in an order. Both of these benefits have permitted Blue Nile to be an effective low cost provider. Additionally, with their supply chain reserves, Blue Nile is competent to vend their merchandises at a cheaper rate while still relishing the advantages of robust proceeds. In addition to having descriptions freely accessible for patrons to view, Blue Niles also delivers didactic data on their website which is supported by certification. This approach also boosts the company's performance by easing shoppers' apprehensions of online buying. The most shortcoming of the business model of the Blue Nile involves that it is making a preponderance of its sales from commitment rings, though merchandises in other marketplace sections are dwindling short in making proceeds. Whereas it is significant for Blue Nile to endure to market their great vending item, it is also domineering for them to put an added importance on their other jewelry as well. It has been comprehended that the Blue Nile is missing out on additional sales advantages by basically trusting on clientele who purchase engagement rings to ultimately buy their other products.

## **BLUE NILE'S INTERNAL STRENGTHS AND COMPETITIVE CAPABILITIES**

Blue Nile is capable to deliver high excellence merchandises at a rate that is much lesser than its participants. Blue Nile is competent to attain a cost edge through an inexpensive supply chain and lesser operating charges. As Blue Nile's vendors do not need to distribute the merchandises through brokers or wholesalers, no supplementary markups are incurred and it

makes the business to vend its merchandises at an abridged rate in contrast to its opponents and still earn rational revenue. Also, operating charges are stumpy for the reason that the Blue Nile has very limited full-time workers working for them. It also provides educational data for patrons on their website, so the purchaser completely comprehends the kind of gem or diamond he/she is buying. This reduces the apprehensions of clientele and upsurges their buying contentment. In addition to having a supply chain that permits Blue Nile to evade wholesale markups, its supply chain empowers leading gem and diamond merchandises to be accessible on their website.

## **BLUE NILE'S INTERNAL WEAKNESSES AND COMPETITIVE DEFICIENCIES**

In contrast to Blue Nile's contestants, its brand name is not broadly identifiable. Its competitors would entice more patrons owing to the association clientele make between great excellence and brand name appreciation. Moreover, Blue Nile is only grasping out to numerous states like Canada and UK to yield supplementary sales, though their competitors are capable to grasp patrons on a more comprehensive foundation. By selecting not to develop more internationally, Blue Nile is not providing its brand name much required extra consideration which could produce net income and sales.

## **EXTERNAL OPPORTUNITIES AND THREATS**

The jewelry marketplace can entice more customers by offering the valuable services. Blue Nile ought to endure to ensure patrons that their merchandises are of high excellence and that their amenities are consistent.

Their merchandises ought to be appealing to all purchaser groups and <https://assignbuster.com/competitive-forces-confronting-blue-nile-five-forces-model-business-essay/>

marketplace sections. Furthermore, the firm can take the benefit of entering into joint ventures or alliances to develop the firm's marketplace coverage or increase its competitive competence. In this way, the Blue Niles could upsurge its likelihoods of attracting new patrons and not just reprise clientele who are already cognizant of Blue Nile's amenities and high excellence merchandises. The competitors of the Blue Nile have continued to develop and advance publicity by executing different promotional activities. They have also been showing some of the identical strengths Blue Nile shows like the proficient staff as well as its flexible return policy. Blue Niles ought to endure to work effectively at separating itself from famous competitors. However, Blue Nile has undertaken inadequate marketing or the promotional activities to capture the more market share and with the upsurge in expenses for purchasing keywords on the different search engines, Blue Nile treaded down in its online promotion determinations. This will generate a loss of probable patrons for Blue Nile and will also reduce any faiths of having a more identifiable brand name.

## **BLUE NILE'S FINANCIAL PERFORMANCE**

The financial performance of the Blue Nile during the past few years is acceptable, however it cannot be regarded as exceptional or outclass. The financial performance of the Blue Nile during the years 2008-2009 has certainly been adversely influenced by the global economic downturn as well as owing to the slump in the sale of jewelry in the Industry too. Moreover, its performance did not enhance in 2010 to a much greater extent as it was anticipated however the performance has been robust enough to approve the feasibility of the business model of the Blue Nile. It has been deliberated

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that the Blue Nile appears dignified to advance its business performance ominously as the influences of the economic retrieval endure.

## **COMPETITIVE STRENGTH AND COMPETITIVE ADVANTAGE IN THE ONLINE RETAIL INDUSTRY**

In performing the competitive strength assessment, the key success factors included are company's image, customization capability, supply chain proficiency and the excellence of diamonds. Blue Nile is valued in contradiction of its key contestants Tiffany's and Co and the Zale Corporation . With respect to the strength assessment, Tiffany's grasps the most score of strength equivalent to 9. 2. The score of Blue Nile is 8. 75 and that of Zale Corporation is equivalent to 7. 75. The quality of the diamonds as well as the image of the company plays an important role in attracting the customers towards the particular products; that's why they are allotted the highest weights with 0. 25 and 0. 30 respectively. It has been comprehended that the Blue Nile needs to invest more on the advertisement and the promotion of their brand in order to keep an edge over the competitors. (See Appendix 2)

## **STRATEGIC ISSUES AND RECOMMENDATIONS**

The key issue encountered by the Blue Nile is its lack of investment in the promotion and marketing of their brand. In order to form a localized existence, Blue Nile ought to partner with a well-established firm in some renowned urban areas. This will deliver a native provider along with internet incidence and will offer Blue Nile with a store presence. Blue Nile requires exploring more common promotion in channels like magazines and televisions during vehicles intended at extravagance shopping as they have <https://assignbuster.com/competitive-forces-confronting-blue-nile-five-forces-model-business-essay/>



the differentiated target market. Blue Nile should capitalize their money in promotion through internet search engines as well in order to increase its brand equity. The television commercials ought to be displayed on a day-to-day basis so that it would support the business in gaining more market share. Such sort of advertising could upsurge the business's brand appreciation while not meaningfully aching their budget for the reason that they would be expending money previously capitalized in online keyword searches. Moreover, the Blue Niles also needs to focus on expanding its business to global marketplaces. At present, their global efforts only reach out to the Canada and United Kingdom. Blue Nile ought to undertake marketing research into other probable global marketplaces. Additionally, Blue Nile ought to concentrate on one state's marketplace before taking on the whole globe. This manner, once one global marketplace has been breached, consideration of new marketplaces can take place. Blue Nile can grasp what works with one global marketplace and research other states to grasp a marketplace which is alike and will produce comparatively the similar consequences. Blue Nile requires conducting marketing study to determine cultures or the societies in which engagement rings in specific have cultural connotation. Also, when entering a foreign marketplace, there are certain factors that Blue Nile requires to be careful about. The regulations with delivery the expensive products can occasionally deter the efficiency procedure. Blue Nile necessitates ensuring that they are proficient of still delivering quick transport of the jewels, contingent on the state in which it operates. It is vital for Blue Nile to have robust communiqué with other global commerce as well. As the operating costs of the Blue Niles are

so stumpy owing to the small number of permanent personnel, it ought to be capable to have adequate leverage with assets to employ more workers who could specialize in researching and executing global marketplaces.

Furthermore, the Blue Nile also needs to focus on enhancing its vertical integration. To influence more control over excellence, Blue Nile ought to deliberate upsurge in integrating vertically. Though, Blue Nile should not assimilate to the point where they come to be a supplier, for the reason that they already possess the effectual supply chain system. In order to brand this rise in vertical integration conceivable, it would be supportive for Blue Nile to upsurge prices. Bearing in mind that Blue Nile's prices margins are thirty three percent in contrast to other retailers that offer hundred percent, it would not upset Blue Nile to upsurge their prices. This could support to counterbalance supplementary costs with globalization, advertising and vertical integration.

**APPENDIX 1: PORTER'S FIVE FORCES MODEL****APPENDIX 2: WEIGHTED COMPETITIVE STRENGTH ASSESSMENT****KEY SUCCESS FACTORS****WEIGHT****BLUE NILE (RATING)****BLUE NILE (SCORE)****TIFFANY'S (STRENGTH)****TIFFANY'S (SCORE)****ZALE'S (STRENGTH)****ZALE'S (SCORE)**

Company reputation 0.3082.492.782.4 Excellence of diamonds 0.2592.

2592.2571.75 Supply Chain capabilities 0.25102.592.2582.

0 Customizability Aptitudes 0.2081.6102.081.6

**OVERALL STRENGTH RATING****1.00****35****8.75****37****9.2****31****7.75**