Blue ocean strategy - overview report samples

Business, Company

The strategy explains the idea of how businesses successfully create competitive advantages in the market place. It reflects that battling with the competitors is not a successful tactic to succeed from competitor. Rather a company can succeed in competition by creating a “ blue ocean” in the market place that is still uncontested. According to the Mauborgne and Kim, this strategic policy enhanced the value of a business by increasing the values foe employees and customers. They further explain that the strategy helps in exploring the new potential markets. In this way, a business enjoys a monopoly in the newly discovered market, as there are no competitors. The businesses make the competition irrelevant. The blue ocean strategy provides with the tools that are helpful in enhancing the ability of the organization in a systematic way (Dimitar, Niciejewska, 2009).

Conceptualization of Blue Ocean Strategy

The blue ocean strategy depicts the market place that is not known in the present day. It refers to all of the industries that are not in existence today. The main purpose of the strategy is to cater with the potential unexplored markets. In this strategy, the demand cannot be something that is created by fighting in competition rather it can be created by exploring new avenues. Similar to it, following this strategy, there is a continuous opportunity for the growth of profits and the business. There is no competition in a given policy as the market is not explored yet. It is a concept of a wider market with potential demand. The basic idea behind blue ocean strategy is the value innovation (Gondek, 2013).

Blue Ocean Strategy as Notion of Value Innovation

The blue ocean strategy reflects a basic notion of value innovation. According to it, the value is added by adding a differentiation and low cost to the products of the company. The value is added in the pursuit of buyers, employees and the company. It opened a new uncontested market place, where company has to play alone without any competitors. The company, thus, enjoyed the benefits of being alone in the market. All the resources of the market are also open for the company. There is no need for creating hype for the products. It saves the cost of the company. The saved cost can then be used by the company in increasing the quality of the product and offering the low costs relatively. It will create a good will for the company in the area. The value innovation has no purpose of competition. Instead, it serves the purpose of making the competition irrelevant (Mauborgne, Kim, 2013).

The real essence of the idea is to create a value for the newly explored market. The value should be created by eliminating or reducing the factors that are not valued in the future market or in the present market by the customers. There is a framework, namely, four auction frameworks. This framework helps in creating the value by cutting the value of the cost trade off. This concept of value innovation proposed by the blue ocean strategy nullifies or discarded the idea of Micheal Porter. It challenges Porter’s five forces model that it is not necessary for the businesses to be a niche player or a low cost business for being successful. Apart from it, blue ocean strategy offers for creating the value at a lower cost in contrast to the conventional market segmentation concept. However, in 1988, Educator

Charles discarded the idea by saying that it was important to have a combination of low cost and differentiation. This combination is very important to achieve a competitive advantage in any market place (Gondek, 2013).

Blue Ocean Strategy & Red Ocean Strategy

Another strategy in comparison with the blue ocean strategy is also proposed, namely red ocean strategy. According to red ocean strategy, the company must create the sensational strategies for the market places by adopting unique or different policies than the others. They have to create temporary monopolies just as explained in blue ocean strategy. But the purpose of creating a blue ocean strategy is to transform it into red. The claim of the blue ocean strategy is applicable to the market place where supply exceeds the demand. A red ocean strategy is important as it is a traditional competition based. But it is also said that this strategy is not suitable for the long run in creating the value and enhancing the performance. Mauborgne and Kim explain it in a way, no doubt it is necessary to have a red ocean strategy but for a long run performance of the company, it has to go beyond the competition boundaries. The companies need to seize the growth opportunities for new profits. Owing to it, they have a need to create a blue ocean (Dimitar, Niciejewska, 2009).

It is argued that the competition based strategy just like red ocean strategy needs to assume that the structural condition of the industry are known and have a certain boundary. The organization is required to compete within the specified boundary. The strategy bounds the organizations in the view of determinism and structural boundaries. In order to survive under the head of the red ocean strategy, the businesses have to create some competitive advantages over the competitors. They have to strive for more competition in the market place. The company is able to gain the success over the success of another company in such kind of settings. In this strategy, the value and cost appear to be a trade-off. The firm has to determine a specific differentiation position and a distinctive cost to strive the existing competition. The overall profitability of the industry is dependent on the structural factor of an individual firm in the settings. The firm has to distribute the wealth instead of adding value to the wealth as in blue ocean strategy. In red ocean strategy, the growth is very limited (Mauborgne, Kim, 2013).

Contrary to it, the blue ocean strategy has the no concept of market boundaries and industry structure limitations. According to it, the industry players are able to reconstruct the actions and beliefs. It is the reason that the blue ocean strategy is also considered as " reconstructionist view" (Kim, Mauborgne). It assumed that the restrictions are only present in the minds of the practitioners, so it should not allow restricting the market boundaries in a real place. According to this strategy, one can create a competitive advantage by determining the extra demand that is largely untapped. In this strategy, competition is an old school of thinking (Siegemund, 2008).

Key to Success in Blue Ocean Strategy

There are two ways of creating a blue ocean. In one way, a company can produce a totally new organization. For instance, eBay has done by creating an online auction industry. This part of the market has not been explored before it. Owing to it, the eBay has the advantage over all other auction companies in the industry. On the contrary to it, the blue ocean in often created from the red ocean. In this type of setting the business, extends its boundaries from a limited version to unlimited version. It can be done when the existing market becomes saturated, and there is not a single opportunity remaining in the market. All the businesses that have adopted the blue ocean strategy have a similar pattern of thinking of creating a new market. They were tired of existing saturated markets and wanted to switch them over. The traditional models failed them, and they had to move on out of these. Many of the difficulties had been arisen when the businesses tried to break the relation from the competition. These difficulties mix the concepts of Red Ocean and Blue Ocean. The concept of Blue Ocean has a raised imperative for future (Siegemund, 2008).

Paradox of Blue Ocean Strategy

The blue ocean strategy has bright chances of growth in the near future. There are many of the new industries that are unexplored yet. As there are many industries now that were not present in the past. The scope of the strategy is highly practical and approachable. In many of the present industries, the red ocean strategy has been shrinking. The technological advancements are giving boom to the blue ocean strategy. With the advancement of technology, the needs and demands of the industries are changing rapidly. The ways of doing things are changing rapidly. The industry productivity has been affected. It needs a sustainable strategy that forecast the needs of the future and the new explorations of the industries. The trade between the countries and the continents are increasingly enhanced. They are retrieving information of faraway markets in no time.

The globalization has given rise to the need of exploration of new markets (Mauborgne, Kim, 2013).

The industries are saturating day by day, and the businesses have to strive the needs of the changing environment. Along with the changing environments, the maintenance of high competition is very costly. The businesses are spending more shares of their profits in marketing and advertising activities, in order to be in the race of competition. In the past and present records, there is no significant increase in the saturated existing markets. It poses the serious threats to the existence of various businesses that are lagging behind in the race of competition. In order to live through these difficulties, the blue ocean strategy proves to be very economic and useful. It not only increases the probability of the growth at any point in time. Instead, it enhances the capacity and capability of the business. The creativity and innovation are, however, demanded in the pursuit of blue ocean strategy (Siegemund, 2008).

It can be concluded that the blue ocean strategy is a hope for the enhancement of the growth of any kind of business. It rejects any idea related to the competition. With the increasing globalization and technological advancements, the strategy offered a defined and reasonable set of solution. The chances of success are high following it. It is the need of time to explore more and more new potential markets in order to deal with the increased competition. As it is the cause of increased inflation in many of the countries both in developed as well as developing nations. In an analysis, it is seen that the in the launches of 108 companies, there are 86% of them who were following the red ocean strategy and only 14% of them are following the blue ocean strategy. As far as their profit margins and revenues were concerned, the red ocean followers had to invest 62 % revenue to have 39% profit in the year end. However, the blue ocean strategy followers delivered the profit of 61% with the revenue incurred of 38% (Gondek, 2013).

So, this much dramatic imbalance of the strategy has drawn the attention of the marketers towards the blue ocean strategy. They have to look for the innovation in order to enter the potential new markets. Every new exploration increases the level of innovation and creativity. It is the test of the research and subjective approach of the businesses. They have to be more precise and more detailed in the delivery of their services. The blue ocean strategy is accompanied with a high profit margin in low costs and revenues. It seems to be an attractive strategy for the marketers and the businesses of the present day world. The trend is shifting very rapidly, and the approach has been adopted by the firms at much faster pace (Dimitar, Niciejewska, 2009).

Customer Relationship Management

It is a system that involves the interaction of the company with the current and the prospective customers of the business. The aim of this system is to provide support and services to the customers. In the case of customers, the CRM serves the purpose of aftersales services. However, the CRM also serves the potential customers. The queries of potential customers regarding product are answered, the necessary information is disseminated to the potential customers.

Advantages of CRM

There are many capacities which all sales organization should possess to match and win. The advantages which a well-equipped CRM system will give are given below:

- Some things should be kept by all sales persons e. g. track, contacts, a calendar and keep notes. If all these duties are maintained by a united system, then we can find information very easily, and it can be use and share easily. When the information is clear and visible more effort will be put on the other activities, and better result can be obtained. CRM system is used on first on a priority, no because we have affection for software, but because it gives better results and productivity.

- Top producers believe that the best applications will increase the results. Best applications are defined to the managers by the CRM system. Converted workflows can give better lead to support incidents, qualification, opportunity management and other important processes. The best results can be ensured and expected when the path is straight, well lighted, and effort is wide.

- If u work in a team, your related people look good. Let’s take a basketball team, every player of the team know where there rest of the team is, and they work and fight for the common goals. The coach watches the whole team and makes changes which are required. The Sales team is same like the basketball team, and CRM system acts like a coach to provide better tools.

Connected CRM: Competitive Advantage

The customer data is ever increasing across the various media. The vast data is making constructive actions more difficult. Steve Kim working with Merkle says that connected CRM allows the companies to gain competitive advantage by seizing the data opportunity.

Return on investment is important and is discussed for all the companies. It is equally important in marketing. ROI cannot be calculated unless the companies are able to track the interaction of their customers with various channels of customer interaction. These channels may be direct mail, digital channels, TV, Internet and Radio, etc. All these interactions are creating a lot of data. This huge data accompanied by the technological advancements has brought many possibilities for the firms. The analytics are utilizing this data and converting it into tangible business value.

Connected CRM calls for a systematic way adopted by modern companies to serve and retain customers in a better way. This purpose is fulfilled by delivering improved financial performance customer interactions. The CRM creates competitive advantage and drives the shareholder value. The connected CRM manages 360 degrees view of the customers. It means it takes into account perspectives of the customers and then segment and targets the high value customers. This system has a capability to respond to the changes in the marketplace, competition and customer preferences in a faster way than the other competitors.

The establishment of the connected CRM requires a specific set of skills and tools. The connected CRM platform creates a granular view of the customer, and it covers all the touch-points of the data. It then connects this data with the different aspects of customers such as the demographic profile, lifetime value and product category. It leads to better segmentation as the system uses data from all the perspectives of the customer. It is essential for the implementation of connected CRM to bring data of customer interaction with various media into the data platform of CRM.

360 Degree View of the customer

So this concept of 360-degree view helps the company to interact with the costumer in many ways, and they can use the customer experience throughout the whole journey and it helps the company to have a positive experience.

Few years back you can say four to five years ago, it was the internal matter of an organization to see the concept of 360-degree view of the consumer. With the quick advancement of customer choice and social media, companies now focus on to understand the needs of their customers. The company sees all the things whether it likes on the Facebook, or the customer is tweeting against the product, company consider all these things. The 360- degree view of the customers enables the company to understand all these aspects.

Customer Retention

Identification of regular customers and continue a long lasting contact with them, this is the chief point of CRM (customer relationship management). A number of companies in the market give acknowledgment to customer retention but very few implemented this concept with in their own business. Buttle and Bowie in 2006 pointed, the main purpose and goal of the business should be to retain to customer for a long time and get benefit from them by strategic purpose. A term used in the business sector is “ every customer is not important equally” but this declaration seems wrong when it comes to tourism and hospitality sector.

Resource Based Theory

The resource based theory takes into account the resources of the firm, and how these resources are mobilized for creating a sustainable competitive advantage. The underlying concept of a resource based theory is that how difficult it is to copy the sources of the firm for creating competitive advantage and the superior performance. Those resources which cannot be arranged require a lot of learning to implement and require major changes in the firms’ structure are a source of sustained competitive advantage. These resources are difficult for competitors to arrange and imitate. The performance variance of the performance depends on the unique resources and capabilities they possess.

Honda is following resource based view for creating competitive advantage. The company has built its strategy around their strengths, expertise in building petrol based engines and capabilities. The company started its operations with the small clip-on engines for the bicycles. Eventually, they moved on to the production of the engines for the two wheelers. They then started manufacturing petrol engines for the cars, lawn equipment, marines, generators and jet planes. The company has always capitalized on the core competencies and the available resources. The engines of the Honda are competing against the world class competitors in different markets.

However, one thing is common that Honda has only manufactured petrol engines. They have considered their resources for creating a competitive advantage.

Foundation of the Resource Based View

The focus of the Resource based view (RBV) is on the “ inside out view.” The resources of the firm that are inimitable, rare, and valuable and are not easily substitutable enable the organization to create a competitive advantage. This competitive advantage enables the firm to utilize these resources in a unique way for the superior performance.

The resources of the firm according to RBV can be physical resources, organizational resources or human resources. A “ VRIN criteria” is used by the researchers for providing a competitive advantage to the firms. This criterion includes the resources that are valuable, rare, substitutable and imitable. This criterion is explained below:

Valuable

The resources that provide strategic value are regarded as the valuable resources of the firm. These resources enable the firm to exploit the opportunities for the profitable operations of the company. A resource that does not give any advantage to the firm is useless to possess.

Rare

The resources that are not easily available and are rare create a sustainable advantage. Such resources are not present among the industry competitors. Those resources which are possessed by all the players in the industry do not provide any edge. The rare resources could be the dedicated employees, advanced technology or management practices that are not possessed by the competitors.

Imitable

Imitable means the things that can be copied with ease. Such management practices and resources that can be copied or replicated easily are not sources of competitive advantage. The bottle necks of the resources to be imperfectly imitable are the complex natures of the resources, difficult possession of the resources or the unclear relationships of the resources to the performance.

Non-substitutability

The resources difficult to substitute also lead to a competitive advantage. Non-substitutable resources have no or a few alternatives. The alternatives to these resources are extremely expensive or impractical to use. Such sources are a source of sustained competitive advantage.

The valuable resources help firms in behaving in ways that lead to increased sales, fewer costs and high profit margins. The valuable resources always add financial and operational value to the firm. The resources are only valuable for the firm when they enable firm to improve its effectiveness and efficiency by the strategic moves. RBV gives the managers a view that the competencies are most valuable asset of the firm and the key success of the firm is in using these resources. The past experiences of the firm, its culture and the core competencies are mostly the elements unique to the firm. Physical resources can be substituted easily, but only these resources provide competitive advantage.

Types of Resources and Capabilities

RBV suggests that the resources of the firm could be the assets, process of the organization, information, attributes of the firm, knowledge, leadership and control of the firm. The competitive advantage is created when all the resources are streamlined through the strategic formulation and implementation. The valuable resources of a firm can be the brand names, patents, trade secrets or the efficient procedures. Different researchers have grouped these valuable resources according to different categories.

According to Barney (1991), there are three types of resources for creating competitive advantage. These are:

- Physical resources (capital, physical, plant and technology),
- Organizational resources (structure).
- Human resources (experience, training, insights)

Barmagim recognized four different hierarchical resources vital for a successful competitive advantage. These are:

- Production resources
- Organizational resources
- Administrative resources
- Strategic resources

Different firms have different resources that guarantee success of the firm.

In the analysis of the firm, it is important to recognize these valuable resources. It is recommended to categorize these resources into tangible and intangible categories.

Limitations of RBV

There are three distinct limitations of the Resource Based View. These are listed below:

- The terminology associated with the resource based is vague that limits the full potential of the utilization.

- Some of the assumptions of this view are tautological in their nature

- There are many methodological issues in this view. They also limit the full potential of this view.

Conclusion

The blue ocean strategy enhanced the value of a business by increasing the values foe employees and customers. The businesses make the competition irrelevant. it can further be concluded that the strategy helps in exploring the new potential markets. In this way, a business enjoys a monopoly in the newly discovered market, as there are no competitors. The businesses make the competition irrelevant. The blue ocean strategy provides with the tools that are helpful in enhancing the ability of the organization in a systematic way. Apart from it, the CRM serves the purpose of aftersales services. However, the CRM also serves the potential customers. The queries of potential customers regarding product are answered, the necessary information is disseminated to the potential customers.

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